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Heng Huat Resources pushes growth in China

Penang-based company sets up subsidiary to increase market share in China

by **AZLI JAMIL**

ACE Market-bound Heng Huat Resources Bhd (HHRB) is setting up a subsidiary in China to increase its market presence there and tap the empty fruit bunch fibre demand in the country that provides 55.2% of the company's revenue.

"It is timely for us to extend our geographical footprint by including China as our expansion strategy.

"With the planned set-up of a subsidiary in China, we hope to not only strengthen our network among the industrial users, but also ride ahead of the market trends as we cater our innovation initiatives to meet the market demand," said MD H'ng Choon

Seng in a statement yesterday.

The Penang-based biomass materials manufacturer and trader has one major customer, Shenzhen Yuemao Imports & Exports Co Ltd, which accounts for approximately 30.14% of the group's revenue.

HHRB said it is continuously increasing efforts to expand its customer base in China.

The company launched its prospectus yesterday, offering 46.5 million new shares and 14.66 million existing shares, pricing the 10 sen par value shares at 45 sen per share.

HHRB targets to raise RM20.93 million from its initial public offering.

Of the RM20.93 million, RM9.4 million will be used to repay borrowings, RM4.6 million for working capital, RM4 million for capital expenditure (capex) and RM3 million for its listing expenses.

The RM4 million capex will mainly be spent on extending

production facility while repayment of borrowings, which was earlier obtained for capex, provides the company RM1.4 million in net interest savings.

The 46.5 million (22.6% of its enlarged and issued share capital) new shares offered comprise of seven million shares to the public, five million to eligible employees, 12.2 million shares to private investors and the remaining 22.3 million new shares to approved Bumiputera investors.

In addition, shareholders of HHRB are offering for sale 14.66 million (7.1% of enlarged and issued share capital) existing shares which will be placed out to selected investors, raising RM6.6 million which will accrue to the offering shareholders.

HHRB said it doesn't have any formal dividend policy but envisaged a dividend payout ratio of up to 20% of net profits subject to factors such

as financial performance, cashflow requirements, availability of distributable reserves and capex plan.

For the financial year ended Dec 31, 2013, HHRB declared a 17% rise in revenue to RM73.7 million from RM62.9 million a year ago while net profit for the same period was relatively flat at RM18.7 million compared to RM18.3 million in 2012.

The chairman of the company is Datuk Juzilman Basir while MD H'ng is also a major shareholder, controlling 89.47 million shares (43.48%), and deputy MD Kee Swee Lai is the next largest shareholder with 54.34 million shares (26.43%).

Upon listing, which is scheduled for July 25, 2014, the company's 205.8 million shares will be capitalised at RM92.6 million.

Applications are opened as of yesterday and will close at 5pm on July 16, 2014, or such later date.