

Heng Huat to become leader in coconut fibre mart via SKT acquisition

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KUALA LUMPUR, Sept 5 -- Heng Huat Resources Group Bhd (Heng Huat) has acquired 97 per cent equity interest in Sabut Kelapa Terengganu Sdn Bhd (SKT), which manufactures and trades coconut biomass materials and value-added products, for RM200,000.

Its wholly-owned Heng Huat Industries Holdings Sdn Bhd, today inked the share sale agreement with the aim of strengthening its market share and boosting its biomass division's financial performance.

In a statement today, Heng Huat managing director Datuk H'ng Choon Seng said the acquisition would place Heng Huat on a higher growth trajectory, as it continued to strengthen its position as a regional player in the biomass industry.

"Based on the company's estimation, Heng Huat, which is also involved in the production of coconut fibre, will be the single largest market leader in the Malaysian coconut fibre scene post-acquisition, with a market share of about 80 per cent," he said.

SKT owns a manufacturing plant in the industrial zone of Setiu, Terengganu, with a monthly production capacity of 150 metric tonnes (MT) of coconut fibre and 240 MT of coco peat.

"The synergies between Heng Huat and SKT augur well for the group, as the factory location, which is in Setiu, Terengganu, would ensure a huge amount and constant supply of raw materials such as coconut husks at a cost-effective price.

"The transportation cost will be reduced significantly as the distance to the factory is much shorter," H'ng added.

Agriculture is Setiu's main economic activity, mainly the planting of coconut, palm and rubber trees.

"In the long term, we foresee that once the East Coast Rail Link project is ready, we can leverage on it to deliver our products directly to Port Klang for export purposes," H'ng added.

In a filing with Bursa Malaysia, Heng Huat said SKT incurred a net loss and net liabilities of RM728,839 and RM728,939, respectively, for the financial year ended Dec 31, 2018.

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