



# **HENG HUAT RESOURCES GROUP BERHAD**

(Company No. 969678-D)  
(Incorporated in Malaysia under the Companies Act, 1965)

## **INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014**

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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME  
(UNAUDITED)**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.12.2014 <sup>(1)</sup> RM'000	Preceding Year Corresponding Quarter 31.12.2013 RM'000	Current Year 31.12.2014 <sup>(1)</sup> RM'000	Preceding Year 31.12.2013 RM'000
Revenue	23,206	23,076	91,660	73,740
Cost of sales	(14,428)	(13,529)	(52,430)	(41,762)
Gross profit ("GP")	8,778	9,547	39,230	31,978
Other income	738	313	1,029	812
Selling and distribution expenses	(3,694)	(3,739)	(16,062)	(12,746)
Administrative and other expenses <sup>(2)</sup>	(1,866)	(2,075)	(8,903)	(6,360)
Finance costs	(496)	(590)	(2,140)	(2,302)
Profit before taxation ("PBT")	3,460	3,456	13,154	11,382
Tax income/ (expenses)	1,123	(924)	(378)	(1,490)
<b>Profit after taxation ("PAT")</b>	<b>4,583</b>	<b>2,532</b>	<b>12,776</b>	<b>9,892</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>4,583</b>	<b>2,532</b>	<b>12,776</b>	<b>9,892</b>
<b>Profit for the financial period/ Total comprehensive income attributable to:</b>				
- Owners of Heng Huat	3,430	2,429	10,401	9,740
- Non-controlling interests	1,153	103	2,375	152
	<b>4,583</b>	<b>2,532</b>	<b>12,776</b>	<b>9,892</b>
<b>Earnings per share attributable to owners of Heng Huat:</b>				
- Basic (sen) <sup>(3)</sup>	1.67	1.52	5.79	6.11
- Diluted (sen) <sup>(3)</sup>	N/A	N/A	N/A	N/A

Notes:

N/A Not applicable.

<sup>(1)</sup> The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Prospectus of the Company dated 30 June 2014 (including the Pro Forma Financial Information and Accountants' Report) and the accompanying explanatory notes attached to this interim financial report.

<sup>(2)</sup> Listing expenses of approximately RM1.87 million, which is non-recurring in nature, were expensed off in the current financial year under review.

<sup>(3)</sup> Kindly refer to **Note B10** for further details.



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(UNAUDITED)**

	As at 31.12.2014 <sup>(1)</sup> RM'000 (unaudited)	As at 31.12.2013 RM'000 (audited)
<b>Non-Current Assets</b>		
Property, plant and equipment	62,292	59,247
Intangible assets	1,145	325
	63,437	59,572
<b>Current Assets</b>		
Inventories	5,890	4,218
Trade and other receivables	22,304	19,387
Current tax assets	471	267
Cash and cash equivalents	17,666	5,537
	46,331	29,409
<b>TOTAL ASSETS</b>	<b>109,768</b>	<b>88,981</b>
<b>Equity</b>		
Share capital	20,580	15,930
Share premium	15,863	-
Reorganisation reserve	(5,185)	(5,185)
Retained earnings	37,002	26,601
	68,260	37,346
Non-controlling interests	4,677	2,502
<b>Total Equity</b>	<b>72,937</b>	<b>39,848</b>
<b>Non-Current Liabilities</b>		
Borrowings	15,331	22,960
Deferred tax liabilities	692	1,103
	16,023	24,063
<b>Current Liabilities</b>		
Trade and other payables	11,220	11,225
Borrowings	9,577	13,841
Current tax liabilities	11	4
	20,808	25,070
<b>Total Liabilities</b>	<b>36,831</b>	<b>49,133</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>109,768</b>	<b>88,981</b>
<b>NET ASSETS PER SHARE (RM)</b>	<b>0.38 <sup>(2)</sup></b>	<b>0.23 <sup>(3)</sup></b>

Notes:

- <sup>(1)</sup> The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Prospectus of the Company dated 30 June 2014 (including the Pro Forma Financial Information and Accountants' Report) and the accompanying explanatory notes attached to this interim financial report.
- <sup>(2)</sup> Calculated based on the Company's weighted average issued and paid-up capital for the financial year ended 31 December 2014 as detailed in Note B10.
- <sup>(3)</sup> Calculated based on the Company's existing issued and paid-up share capital of 159,300,030 ordinary shares of RM0.10 each, prior to the Public Issue as detailed in Note A7.



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(UNAUDITED)**

	[----- Non-Distributable -----]			Distributable	Total attributable to owners of the Company	Non- controlling interests	Total equity
	Share capital RM'000	Share premium RM'000	Reorganisation reserve RM'000	Retained earnings RM'000	RM'000	RM'000	RM'000
At 1 January 2014	15,930	-	(5,185)	26,601	<b>37,346</b>	2,502	<b>39,848</b>
Issuance of ordinary shares pursuant to Public Issue and Listing, net of related expenses	4,650	15,863	-	-	<b>20,513</b>	-	<b>20,513</b>
Dividend paid to non-controlling shareholder of a subsidiary	-	-	-	-	-	(200)	<b>(200)</b>
Total comprehensive income for the financial year	-	-	-	10,401	<b>10,401</b>	2,375	<b>12,776</b>
At 31 December 2014	<b>20,580</b>	<b>15,863</b>	<b>(5,185)</b>	<b>37,002</b>	<b>68,260</b>	<b>4,677</b>	<b>72,937</b>
At 1 January 2013	15,930	-	(5,185)	16,861	<b>27,606</b>	2,350	<b>29,956</b>
Total comprehensive income for the financial year	-	-	-	9,740	<b>9,740</b>	152	<b>9,892</b>
At 31 December 2013	<b>15,930</b>	<b>-</b>	<b>(5,185)</b>	<b>26,601</b>	<b>37,346</b>	<b>2,502</b>	<b>39,848</b>

*Note:*

*The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Prospectus of the Company dated 30 June 2014 (including the Pro Forma Financial Information and Accountants' Report) and the accompanying explanatory notes attached to this interim financial report.*



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)**

	Year-to-date ended	
	31.12.2014 RM'000	31.12.2013 RM'000 (audited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	13,154	11,382
<u>Adjustments for:</u>		
Amortisation of intangible assets	83	56
Bad debts written off	8	60
Depreciation of property, plant and equipment	5,949	4,886
Gain on disposal of property, plant and equipment	(73)	(6)
Loss on disposal of property, plant and equipment	13	4
Property, plant and equipment written off	110	-
Unrealised gain on foreign exchange	(551)	
Interest expense	2,140	2,302
Interest income	(167)	(54)
	<hr/>	<hr/>
Operating profit before working capital changes	20,666	18,630
Increase in inventories	(1,672)	(1,539)
Increase in trade and other receivables	(2,374)	(2,937)
Increase in trade and other payables	(5)	769
	<hr/>	<hr/>
Tax paid	16,615	14,923
Interest paid	(986)	(1,365)
	<hr/>	<hr/>
<b>Net cash from operating activities</b>	<b>13,489</b>	<b>11,256</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Development costs incurred	(903)	(112)
Interest received	167	54
Proceeds from disposal of property, plant and equipment	151	34
Purchase of property, plant and equipment	(7,072)	(6,814)
Changes in fixed deposits pledged with licensed banks	(87)	(887)
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(7,744)</b>	<b>(7,725)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of ordinary shares pursuant to Public Issue and Listing, net of related expenses	20,513	-
Dividend paid to non-controlling shareholder of a subsidiary	(200)	-
Drawdown of term loans	-	738
Net (repayment)/ drawdown of bankers' acceptance	(2,268)	2,569
Repayment of term loans	(2,319)	(2,574)
Net repayment of hire purchase payables	(8,442)	(3,947)
	<hr/>	<hr/>
<b>Net cash from financing activities</b>	<b>7,284</b>	<b>(3,214)</b>
Net changes in cash and cash equivalents	13,029	317
Cash and cash equivalents at beginning of the financial year	2,184	1,867
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the financial year</b>	<b>15,213</b>	<b>2,184</b>




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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)**  
**(UNAUDITED)**

	Year-to-date ended	
	31.12.2014 <sup>(1)</sup>	31.12.2013
	RM'000	RM'000 (audited)
Cash and cash equivalents comprise the following:		
Cash and bank balances	15,455	3,413
Fixed deposits pledged to financial institutions	2,211	2,124
	17,666	5,537
Less: Bank overdraft	(242)	(1,229)
Less: Fixed deposits pledged to financial institutions	(2,211)	(2,124)
	<b>15,213</b>	<b>2,184</b>

*Note:*

*The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Prospectus of the Company dated 30 June 2014 (including the Pro Forma Financial Information and Accountants' Report) and the accompanying explanatory notes attached to this interim financial report.*

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**EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING  
STANDARD (“MFRS”) 134**

**A1. BASIS OF PREPARATION**

The condensed consolidated interim financial statements as contained in this interim financial report are unaudited and have been prepared under the historical cost convention except otherwise stated.

These unaudited interim financial statements have been prepared in accordance with the requirements of MFRS 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”) and Part K, Paragraph 9.22 and Appendix 9B of the ACE Market Listing Requirements (“ACE LR”) issued by Bursa Malaysia Securities Berhad (“Bursa Securities”).

These unaudited interim financial statements should be read in conjunction with the audited consolidated financial statements, Pro Forma Financial Information and Accountants’ Report for the financial year ended 31 December 2013 as contained in the Prospectus of the Company dated 30 June 2014 and the accompanying explanatory notes attached to this interim financial report.

**A2. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies and methods of computation applied in the preparation of these unaudited interim financial statements are consistent with those adopted as disclosed in the Accountants’ Report as contained in the Prospectus of the Company dated 30 June 2014, except for the adoption of the following MFRSs, IC Interpretation and Amendments to MFRSs during the current financial year as disclosed below:

Effective for annual periods commencing on or after 1 January 2014

- Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)
- Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to MFRS 136)
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to MFRS 139)
- IC Interpretation 21 – Levies

The adoption of the above MFRSs, IC Interpretation and Amendments to MFRSs did not have any significant financial impact to the Group.



## A2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The following MFRSs and Amendments to MFRSs have been issued by the MASB but are not yet effective to the Group:

### Effective for annual periods commencing on or after 1 July 2014

- Amendment to MFRS 2 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Amendment to MFRS 3 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Amendment to MFRS 3 (Annual Improvements to MFRSs 2011 – 2013 Cycle)
- Amendment to MFRS 8 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Amendment to MFRS 13 (Annual Improvements to MFRSs 2011 – 2013 Cycle)
- Amendment to MFRS 116 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Defined Benefit Plans: Employee Contributions (Amendments to MFRS 119)
- Amendment to MFRS 124 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Amendment to MFRS 138 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Amendment to MFRS 140 (Annual Improvements to MFRSs 2011 – 2013 Cycle)

### Effective for annual periods commencing on or after 1 January 2016

- Amendments to MFRS 5 (Annual Improvements to MFRSs 2012 – 2014 Cycle)
- Amendments to MFRS 7 (Annual Improvements to MFRSs 2012 – 2014 Cycle)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)
- Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10, MFRS 12 and MFRS 128)
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to MFRS 11)
- MFRS 14 Regulatory Deferral Accounts
- Disclosure Initiative (Amendments to MFRS 101)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138)
- Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141)
- Amendments to MFRS 119 (Annual Improvements to MFRSs 2012 – 2014 Cycle)
- Equity Method in Separate Financial Statements (Amendments to MFRS 127)
- Amendments to MFRS 134 (Annual Improvements to MFRSs 2012 – 2014 Cycle)

### Effective for annual periods commencing on or after 1 January 2017

- MFRS 15 Revenue from Contracts with Customers

### Effective for annual periods commencing on or after 1 January 2018

- MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)

The Group is in the process of assessing the impact of implementing these accounting standards, amendments and interpretations, since the effects would only be observable for the future financial years.





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**A3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors' report on the Group's most recent annual audited financial statements for the year ended 31 December 2013 were not subject to any qualification.

**A4. SEASONALITY OR CYCLICALITY OF OPERATION**

Save for oil palm empty fruit bunch ("EFB") fibre, the Group's biomass materials and value-added products are not significantly affected by seasonal/cyclical effects. Demand for the Group's oil palm EFB fibre generally experience a decline during the Chinese New Year season mainly due to a slowdown in logistics services in China during this period as some of these logistics services are closed during the festive season.

The Group typically experience higher sales of mattresses and related products prior to major festive season such as Chinese New Year and Hari Raya in tandem with the expected increase in household spending for such items during such periods.

**A5. UNUSUAL ITEMS**

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the current quarter and financial year under review.

**A6. MATERIAL CHANGES IN ESTIMATES**

Not applicable as there were no estimates being reported during the prior financial years.

**A7. DEBTS AND EQUITY SECURITIES**

In conjunction with and as an integral part of its listing on the ACE Market of Bursa Securities ("**Listing**"), the Company has undertaken the following:

- **Initial Public Offering ("IPO")**

- (I) Public Issue of 46,500,000 new ordinary shares of RM0.10 each ("**Shares**") in the following manner:

- 7,000,000 new Shares available for application by the Malaysian public;
- 5,000,000 new Shares available for application by eligible employees and persons who have contributed to the success of the Group;
- 12,200,000 new Shares each by way of private placement to selected investors; and
- 22,300,000 new Shares by way of private placement to Bumiputera investors approved by the Ministry of International Trade and Industry; and



**A7. DEBTS AND EQUITY SECURITIES (cont'd)**

• **Initial Public Offering (“IPO”) (cont'd)**

(II) Offer for Sale of 14,660,000 existing Shares by way of private placement to selected investors;

at an issue/offer price of RM0.45 per Share.

• **Listing on the ACE Market of Bursa Securities**

Subsequent to the IPO, the Company's entire issued and paid-up share capital of RM20,580,003 comprising 205,800,030 Shares is listed on the ACE Market of Bursa Securities on 25 July 2014.

Save for the above, there were no other issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the current quarter and financial year under review.

**A8. DIVIDEND PAID/ DECLARED**

There were no dividends paid or declared for the current quarter and financial year under review.

Subsequent to the financial year end, on 27 January 2015, the Company has declared a first interim single tier dividend of 5% per share at par value in respect of financial year ending 31 December 2015. Relevant details are as follows:

- Ex-date : 26 February 2015
- Entitlement date & time : 2 March 2015, 5.00 p.m.
- Payment date : 31 March 2015

**A9. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

Save for the first interim dividend declared in respect of financial year ending 31 December 2015 as disclosed under Note A8, there were no other material events subsequent to the end of current quarter and financial year under review that have not been reflected in this interim financial report.

**A10. CHANGES IN THE COMPOSITION OF THE GROUP**

The Company had incorporated two new wholly-owned subsidiaries, namely HK Gua Musang Sdn Bhd and HK Power Sdn Bhd on 22 September 2014.

There were no other changes in the composition of the Group during the current quarter and financial year under review.



#### A11. CHANGES IN CONTINGENT LIABILITIES

There are no material contingent liabilities as at the date of this report.

#### A12. CAPITAL COMMITMENTS

The Group's capital commitments in respect of property, plant and equipment which were not provided for in the financial statements as at 31 December 2014 is as follows:

	<b>As at 31.12.2014 RM'000</b>
<b>Property, plant and equipment</b>	
Approved but not contracted for	3,200
Contracted but not provided for	<u>3,303</u>
	<u><u>6,503</u></u>

#### A13. SEGMENT INFORMATION

The Group, through its subsidiaries, are principally engaged in manufacturing and trading of biomass materials and manufacturing and trading of mattresses and related products. There is no change to the principal activities of the Group during the current quarter and financial year under review.

The Group has arrived at two (2) reportable segments that are organised and managed separately according to the nature of products, specific expertise and technologies requirements, which requires different business and marketing strategies. The reportable segments are summarised as follows:

(i) Biomass materials and related products

Manufacturing and trading of coconut fibre and related products, and oil palm EFB fibre and related products.

(ii) Mattresses and related products

Manufacturing and trading of mattresses and related products.



**A13. SEGMENT INFORMATION (cont'd)**

	Current quarter ended		Year-to-date ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
<b><u>Segment Revenue</u></b>				
Biomass materials and related products	18,075	18,181	73,043	58,044
Mattresses and related products	9,756	10,052	37,136	31,618
	27,831	28,233	110,179	89,662
Elimination of intragroup transactions	(4,625)	(5,157)	(18,519)	(15,922)
<b>Revenue from external customers</b>	<b>23,206</b>	<b>23,076</b>	<b>91,660</b>	<b>73,740</b>
<b><u>Segment Results</u></b>				
Biomass materials and related products	3,601	3,891	15,630	11,548
Mattresses and related products	(55)	211	(41)	800
	3,546	4,102	15,589	12,348
Unallocated corporate income and expenses (net)	(165)	(907)	(2,352)	(1,167)
Elimination of intragroup transactions and profits	79	261	(83)	201
<b>Profit before tax of the Group</b>	<b>3,460</b>	<b>3,456</b>	<b>13,154</b>	<b>11,382</b>
<b><u>Segment Assets</u></b>				
Biomass materials and related products	89,191	83,955	89,191	83,955
Mattresses and related products	19,178	17,570	19,178	17,570
	108,369	101,525	108,369	101,525
Tax assets	471	267	471	267
Unallocated assets	17,465	2,353	17,465	2,353
Elimination of intragroup balances and profits	(16,537)	(15,164)	(16,537)	(15,164)
<b>Total assets of the Group</b>	<b>109,768</b>	<b>88,981</b>	<b>109,768</b>	<b>88,981</b>
<b><u>Segment Liabilities</u></b>				
Biomass materials and related products	36,130	45,430	36,130	45,430
Mattresses and related products	16,231	14,283	16,231	14,283
	52,361	59,713	52,361	59,713
Tax liabilities	703	1,107	703	1,107
Unallocated liabilities	278	3,291	278	3,291
Elimination of intragroup balances and profits	(16,511)	(14,978)	(16,511)	(14,978)
<b>Total liabilities of the Group</b>	<b>36,831</b>	<b>49,133</b>	<b>36,831</b>	<b>49,133</b>



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**ADDITIONAL INFORMATION REQUIRED BY THE ACE MARKET LISTING  
REQUIREMENTS OF BURSA SECURITIES**

**B1. ANALYSIS OF PERFORMANCE**

**Revenue**

For the current quarter ended 31 December 2014, the Group recorded revenue of RM23.21 million, representing a marginal increase of approximately RM0.13 million or 0.56% as compared to the revenue of RM23.08 million registered in the preceding year corresponding quarter.

For the financial year ended 31 December 2014, the Group recorded revenue of RM91.66 million, representing an increase of approximately RM17.92 million or 24.30% as compared to the revenue of RM73.74 million in the preceding financial year. The increase in revenue was mainly contributed by improved revenue from the biomass materials and related products segment by approximately RM15.00 million during the current financial year under review, arising from higher demand of oil palm EFB fibre particularly from the China market, improved average selling price by approximately 19.68% as well as additional revenue contribution from Geotextiles, as compared to the preceding financial year.

**Profit before Taxation (“PBT”)**

For the current quarter ended 31 December 2014, the Group reported PBT of RM3.46 million, relatively consistent with the preceding year corresponding quarter.

For the financial year ended 31 December 2014, the Group reported PBT of RM13.15 million, representing an increase of approximately RM1.77 million or 15.55% as compared to the PBT of RM11.38 million recorded in the preceding year. The increase in PBT was in line with the revenue growth recorded during the current financial year under review as explained above. The increase in revenue was, however, partially offset by the following:

- (i) Decrease in margin of the biomass materials and related products segment resulting from overall increase in the supply price of oil palm EFB arising from increasing demand;
- (ii) Increase in transportation cost; and
- (iii) Non-recurring listing expenses of RM1.87 million expensed off during the current quarter and financial period under review upon completion of the Company’s Listing on 25 July 2014.



## B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	<b>Current quarter ended 31 December 2014 RM'000</b>	<b>Preceding quarter ended 30 September 2014 RM'000</b>
Profit before taxation ("PBT")	3,460	2,284

The Group's PBT for the current quarter ended 31 December 2014 has improved by approximately 51.49% or RM1.18 million as compared to the preceding quarter ended 31 September 2014, due to lower selling and distribution expenses and administrative expenses incurred for the current quarter under review.

Non-recurring listing expenses of approximately RM1.87 million were expensed off in the preceding quarter upon completion of the Company's Listing on 25 July 2014, resulting in the higher administrative expenses incurred in the preceding quarter.

The savings were, however, partially offset by the decrease in gross profit for the current quarter under review due to lower revenue contribution from the biomass and related products segment.

## B3. PROSPECTS

As disclosed in the Prospectus of the Company dated 30 June 2014, the estimated revenue for biomass materials – coconut fibre and oil palm EFB fibre market in Malaysia stood at RM92.40 million in 2013. By 2018, this is expected to grow to RM180.40 million, representing a compounded annual growth rate of 14.32% over the next five (5) years. Further, the recent banning of new coal-fired plants in Beijing, Shanghai and Guangzhou of China is likely to spur demand for cleaner, alternative source of energy including Briquette (*Source: Independent Market Report by Protégé Associates*).

Based on the above and the consistent demand for the Group's oil palm EFB fibre as well as other value-added biomass products (i.e. Briquette and Geotextiles) to-date, the Board of Directors is of the view that the Group's growth momentum is sustainable for the financial year ending 31 December 2015.

## B4. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable as no profit forecast or profit guarantee has been previously published or issued by the Group.



**B5. TAX INCOME/ (EXPENSE)**

	<b>Current quarter ended 31.12.2014 RM'000</b>	<b>Year-to-date ended 31.12.2014 RM'000</b>
Current tax income/ (expense)	396	(789)
Deferred tax income	727	411
	1,123	(378)
Effective tax rate	+ 32.5%	-2.9%

The Group's effective tax rate for the current quarter under review stood at +32.5% (representing a tax income position) whilst the effective tax rate for the financial period under review stood at -2.9% (representing a tax expense position).

The tax income position for the current quarter under review, as well as relatively low tax expense position for the financial year ended 31 December 2014 (as compared to the applicable statutory tax rate of 25%) was primarily due to reversal of current tax provision and deferred tax liabilities previously recognised in conjunction with the receipt of pioneer status by one of the Group's operating subsidiaries, namely HK Palm Fibre Manufacturer Sdn Bhd for its production of fibre from palm biomass in which 70% of the statutory income therefrom is exempted from tax for a stipulated period.

Details of the applicable tax exemption granted to the Group are listed below:

○ **Pioneer status granted in prior years**

<b>Company</b>	<b>Tax Exemption Period</b>	<b>Exempted Products</b>
HK Fibre Sdn Bhd	Five (5) years, from 1 April 2012 to 31 March 2017	Coconut fibre sheet
HK Kitaran Sdn Bhd	Ten (10) years, from 1 July 2010 to 30 June 2020	Fibre from palm biomass

○ **Additional pioneer status received**

<b>Company</b>	<b>Tax Exemption Period</b>	<b>Exempted Products</b>
HK Kitaran Sdn Bhd	Five (5) years, from 1 February 2013 to 31 January 2018	Briquette from palm biomass
HK Palm Fibre Manufacturer Sdn Bhd	Five (5) years, from 24 February 2014 to 23 February 2019	Fibre from palm biomass



## B6. STATUS OF CORPORATE PROPOSALS

On 13 October 2014, the Company had announced that HK Gua Musang Sdn Bhd, a wholly-owned subsidiary of the Company, had entered into a conditional sale and purchase agreement with Eleplas Wood Technology Sdn Bhd for the proposed acquisition of a piece of leasehold industrial land measuring 44,461 square meter located at Bandar Gua Musang, Jajahan Gua Musang, Negeri Kelantan for a cash consideration of RM3,670,000 (“Proposed Acquisition”).

As of to-date, the Proposed Acquisition is still pending the consent from the State Authority of Kelantan for the transfer of title.

Save as disclosed above, there are no other corporate proposals announced but not completed as at the date of this announcement.

## B7. UTILISATION OF PROCEEDS

The Company has completed the Public Issue and Listing on the ACE Market of Bursa Securities on 25 July 2014, details as disclosed under Note A7.

The gross proceeds raised by the Company from the Public Issue amounted to approximately RM20.93 million. The status of utilisation, as of 31 December 2014, is as follows:

Purpose	Intended Time Frame for Use (from listing date)	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation Amount	
				RM'000	%
(i) Capital expenditure	Within 36 months	4,000	800	3,200 <sup>(1)</sup>	80.00
(ii) Repayment of borrowings	Within 12 months	9,378	3,761	5,617 <sup>(1)</sup>	59.90
(iii) Working capital	Within 12 months	4,547	4,547	-	-
(iv) Estimated listing expenses	Upon Listing	3,000	3,000	-	-
Total gross proceeds		20,925	12,108	8,817	42.14

Note:

<sup>(1)</sup> These allocated funds are expected to be fully utilised within the stipulated time frame.





## B8. BORROWINGS

The Group's borrowings as at 31 December 2014 are as follows:-

	Short Term RM'000	Long Term RM'000	Total RM'000
<b><i>Secured and guaranteed</i></b>			
Bankers' acceptance	3,768	-	3,768
Bank overdrafts	242	-	242
Hire purchase payables	2,917	4,607	7,524
Term loans	2,650	10,724	13,374
<b>Total Borrowings</b>	<b>9,577</b>	<b>15,331</b>	<b>24,908</b>

All the borrowings are denominated in Ringgit Malaysia (RM).

## B9. CHANGES IN MATERIAL LITIGATION

As at the date of this report, there is no litigation or arbitration, which has a material effect on the financial position of the Group, and the Board of Directors are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings.

## B10. EARNINGS PER SHARE

Basic Earnings per Share ("BEPS")

	Current quarter ended		Year-to-date ended	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
<b>Basic earnings per share</b>				
Profit attributable to equity holders of the parent	3,430	2,429	10,401	9,740
Weighted average number of ordinary shares in issue ('000)	205,800	159,300	179,684	159,300
	<b>sen</b>	<b>sen</b>	<b>sen</b>	<b>sen</b>
BEPS	1.67	1.52	5.79	6.11



**B10. EARNINGS PER SHARE (cont'd)**

Diluted Earnings per Share ("DEPS")

No diluted earnings per share is disclosed as the Company does not have any dilutive potential ordinary shares (such as options or convertible instruments) in issue as at 31 December 2014.

**B11. DISCLOSURE ON REALISED AND UNREALISED PROFIT/LOSS**

The retained earnings of the Group as at 31 December 2014 are analysed as follows:

	<b>As at 31.12.2014 RM'000</b>	<b>As at 31.12.2013 RM'000</b>
The retained earnings of the Company and its subsidiaries:		
- Realised	46,952	35,755
- Unrealised	(141)	(1,103)
	<hr/>	<hr/>
	46,811	34,652
Add: Consolidation adjustments	(9,809)	(8,051)
	<hr/>	<hr/>
<b>Total Group retained earnings as per consolidated financial statements</b>	<b>37,002</b>	<b>26,601</b>
	<hr/> <hr/>	<hr/> <hr/>



**B12. DISCLOSURE ON SELECTED EXPENSE/INCOME ITEMS**

Included in profit before tax comprised the following income / (expense) items:

	<b>Current quarter ended 31.12.2014 RM'000</b>	<b>Year-to-date ended 31.12.2014 RM'000</b>
Interest income	107	167
Other income including investment income	25	174
Interest expense	(496)	(2,140)
Depreciation expenses	(1,653)	(5,949)
Amortisation expenses	(40)	(83)
Net foreign exchange gain/(loss)	830	399
Net gain/(loss) on disposal of property, plant and equipment	13	60
Property, plant and equipment written off	(110)	(110)
Provision for and write off of receivables	(8)	(8)
Provision for and write off of inventories	-	-
Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	-
Gain/(Loss) on derivatives	-	-
Impairment of assets	-	-
Exceptional items	-	-