Company Name : Heng Huat Resources Group Berhad
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Heng Huat Invests RM35m Capex In New Manufacturing Plant

KUALA LUMPUR (June 25): Heng Huat Resources Group Bhd (Heng Huat) would be investing RM35 million in capital expenditure to build a new oil palm empty fruit bunch (EFB) fibre manufacturing facility in Gua Musang, Kelantan.

Its managing director H'ng Choon Seng said the expansion would allow it to cater to higher demand from China and target new export markets including Australia, Korea and Japan.

The new plant, expected to be operational in the second quarter next year, would relieve some manufacturing load of the current facilities which had a utilisation rate of about 90%, said H'ng.

With the new Kelantan plant, production lines would be increased from 20 to 27 with an annual production capacity rising to more than 135,000 metric tonnes from 100,500 metric tonnes, he added.

The Penang-based company, operating two oil palm EFB fibre manufacturing facilities in Seberang Perai, exports more than 90% of the fibre to China

"Our exports of oil palm EFB fibre and related products made up RM53.3 million or 58.2% of group revenue for the financial year ended 31 December 2014, with a 31% growth year-on-year due to higher exports to China.

"We believe there is much potential for us to tap into, as more manufacturers in Asia Pacific adopt environmentally-friendly materials in line with increasing customer awareness.

"The increased capacity would enable us to take on larger orders and capture a wider pie of the biomass materials market going forward," he said in a statement.

H'ng said of the RM35 million that would be financed through bank borrowings and internally generated funds, RM11 million would be used to purchase the land and construct the building.

Another RM12 million would be used for new production machinery and RM2 million for supporting vehicles and equipment.

The balance RM10 million would be utilised for a new biomass co-generation power plant, which would allow the group to reduce its operating costs through better energy-efficiency and re-utilisation of production waste materials.

“The new plant in Gua Musang would derive its raw materials from palm oil mills throughout Kelantan which are capable of providing us with a sustainable source of oil palm EFB supply.

“The expansion would allow us to fulfil a larger share of demand from China, and target new export markets such as Australia, Korea, and Japan. We believe our efforts would be the catalyst to continued growth for us,” he said.

Oil palm EFB fibre is used for the production of mattresses, briquette, geotextile, paper pulp, landscaping, horticulture, and others.

Its first quarter ended March 31, 2015 (1Q15) showed a 4% drop in net profit to RM2.9 million and a 25.6% drop in earnings per share at 1.42 units compared to 1.91 units in the corresponding period last year.

Meanwhile, at its annual general meeting today, H’ng said shareholders approved the issuance of bonus shares on the basis of one bonus share for every two ordinary shares held. The entitlement date is to be determined later.

“The corporate exercise will see an issuance of 102.9 million new ordinary shares of 10 sen par.

“The bonus shares will effectively increase Heng Huat’s share capital to RM30.9 million, comprising 308.7 million shares of RM0.10 par, from 205.8 million shares currently,” he said.

Heng Huat’s (valuation: N/A; fundamental: N/A) shares remained unchanged at 70 sen, giving it a market capitalisation of RM144.06 million. About 7.9 million shares changed hands.

(Note: The Edge Research's fundamental score reflects a company’s profitability and balance sheet strength, calculated based on historical numbers. The valuation score determines if a stock is attractively valued or not, also based on historical numbers. A score of 3 suggests strong fundamentals and attractive valuations.)