

Notes To The Financial Statements

31 December 2014 (Cont'd)

8. INTANGIBLE ASSETS (CONT'D)

| Group | Balance as at 1.1.2013 RM | Additions RM | Amortisation charge for the financial year RM | Balance as at 31.12.2013 RM |
|------------------------|------------------------------------|-----------------|---|--------------------------------------|
| Carrying amount | | | | |
| Goodwill | 42,981 | 0 | 0 | 42,981 |
| Development costs | 224,646 | 112,184 | (56,162) | 280,668 |
| Trademarks | 1,533 | 0 | (236) | 1,297 |
| | <u>269,160</u> | <u>112,184</u> | <u>(56,398)</u> | <u>324,946</u> |

| | [-----At 31.12.2013-----] | | |
|-------------------|---------------------------|-----------------------------------|--------------------------|
| | Cost RM | Accumulated amortisation RM | Carrying amount RM |
| Goodwill | 42,981 | 0 | 42,981 |
| Development costs | 392,992 | (112,324) | 280,668 |
| Trademarks | 2,358 | (1,061) | 1,297 |
| | <u>438,331</u> | <u>(113,385)</u> | <u>324,946</u> |

9. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|-----------------|-------------------|-------------------|
| | 2014 RM | 2013 RM |
| At cost | | |
| Unquoted shares | <u>16,430,004</u> | <u>16,430,000</u> |

Details of the subsidiaries are as follows:

| Name of company | Country of incorporation | Effective interest in equity | | Principal activities |
|---|-----------------------------|---------------------------------|-----------|---|
| | | 2014 % | 2013 % | |
| Heng Huat Industries Holdings Sdn. Bhd. ("HHIH") | Malaysia | 100% | 100% | Investment holding |
| Fibre Star Marketing Sdn. Bhd. ("FS Marketing") | Malaysia | 100% | 100% | Marketing of mattresses and related products |

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31 December 2014 (Cont'd)

9. INVESTMENTS IN SUBSIDIARIES (CONT'D)

| Name of company | Country of incorporation | Effective interest in equity | | Principal activities |
|--|--------------------------|------------------------------|--------|---|
| | | 2014 % | 2013 % | |
| Fibre Star (M) Sdn. Bhd. ("Fibre Star") | Malaysia | 100% | 100% | Manufacturing of mattresses and related products |
| HK Gua Musang Sdn. Bhd. ("HKGM") | Malaysia | 100% | 0% | Manufacturing and trading of oil palm biomass materials and value-added products |
| HK Power Sdn. Bhd. ("HKP") | Malaysia | 100% | 0% | Operator of power plant and boiler turbine system for electricity generation and steam production |
| <u>Subsidiaries of HHIH</u> | | | | |
| HK Fibre Sdn. Bhd. ("HKF") | Malaysia | 97% | 97% | Manufacturing and trading of coconut biomass materials and value-added products |
| HK Mega Industries Sdn. Bhd. ("HKM") | Malaysia | 100% | 100% | Dormant |
| HK Kitaran Sdn. Bhd. ("HK Kitaran") | Malaysia | 100% | 100% | Manufacturing and trading of oil palm biomass materials and value-added products |
| HK Palm Fibre Manufacturer Sdn. Bhd. ("HK Palm") | Malaysia | 50% * | 50% * | Manufacturing and trading of oil palm biomass materials |

* Although the Group owns 50% equity interest in HK Palm, it is able to govern the financial and operating policies of the company as the operational matters and the requisite technology and processes adopted for the company's production are designed and dictated by the Group's Managing Director, H'ng Choon Seng and Deputy Managing Director, Kee Swee Lai since the inception of HK Palm. The remaining two directors and shareholders of the company, which form the non-controlling interests, merely assume the role of an investor without active involvement in the company's operations.

In the event of equality of votes at any of the general or board meeting, the Group is able to exercise a second or casting vote through the Group's Managing Director, H'ng Choon Seng by virtue of his appointment as the Chairman of the Board of Directors of HK Palm pursuant to a Board of Directors' resolution dated 5 October 2009. Accordingly, HK Palm is deemed as a subsidiary company and is consolidated into the Group's financial statements.