

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017 (CONT'D)

7. INTANGIBLE ASSETS (cont'd)

	← At 31.12.2016 →		
	Cost	Accumulated amortisation	Carrying amount
	RM	RM	RM
Goodwill	42,981	0	42,981
Development costs	6,263,950	(850,793)	5,413,157
Trademarks	2,358	(1,769)	589
	6,309,289	(852,562)	5,456,727

8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 RM	2016 RM
At cost		
Unquoted shares	31,730,097	19,930,000
Less: Accumulated impairment losses	(500,000)	(500,000)
	31,230,097	19,430,000

Details of the subsidiaries, all incorporated in Malaysia, are as follows:

Name of company	Effective interest in equity		Principal activities
	2017 %	2016 %	
Heng Huat Industries Holdings Sdn. Bhd. ("HHIH")	100%	100%	Investment holding
Fibre Star Marketing Sdn. Bhd. ("FS Marketing")	100%	100%	Ceased operation
Fibre Star (M) Sdn.Bhd. ("Fibre Star")	100%	100%	Manufacturing and marketing of mattresses and related products
HK Gua Musang Sdn. Bhd. ("HKGM")	100%	100%	Manufacturing and trading of oil palm biomass materials and value-added products
HK Power Sdn. Bhd. ("HKP")	100%	100%	Operator of power plant and boiler turbine system for electricity generation and steam production
Sabut Kelapa Saujana Setiu Terengganu Sdn. Bhd. ("SKT")	97%	0%	Dormant

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017 (CONT'D)

8. INVESTMENTS IN SUBSIDIARIES (cont'd)

Details of the subsidiaries, all incorporated in Malaysia, are as follows: (cont'd)

Name of company	Effective interest in equity		Principal activities
	2017	2016	
	%	%	
<u>Subsidiaries of HHHH</u>			
HK Fibre Sdn. Bhd. ("HKF")	97%	97%	Manufacturing and trading of coconut biomass materials and value-added products
HK Mega Industries Sdn. Bhd. ("HKM")	100%	100%	Dormant
HK Kitaran Sdn. Bhd. ("HK Kitaran")	100%	100%	Manufacturing and trading of oil palm biomass materials and value-added products
HK Palm Fibre Manufacturer Sdn. Bhd. ("HK Palm")	100%	50%	Manufacturing and trading of oil palm biomass materials

(a) Acquisition of remaining equity interest from non-controlling interest- HK Palm

On 26 May 2017, HHHH, a wholly owned subsidiary, acquired the remaining 50% equity interest in HK Palm for a consideration of RM2 satisfied by cash. The carrying amount of net assets of HK Palm in the Group's financial statements on the date of acquisition was RM6,250,820. The Group adjusted the differences arose from the increase in stake with a reduction in retained earnings of RM3,125,408 and non-controlling interest of RM3,125,410.

In the previous financial year, 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, Dato' 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, Dato' 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.

(b) Subscription of additional shares in wholly-owned subsidiaries

During the financial year, the Company subscribed for an additional 9,000,000 and 2,800,000 ordinary shares of RM1 each in wholly-owned subsidiaries, HKGM and HKP respectively which was satisfied by way of capitalisation of RM9,000,000 and RM2,800,000 of the amount owing by HKGM and HKP respectively to the Company. Consequently, there was no change in the effective equity interest held by the Company in HKGM and HKP respectively.