

Sino Hua-An: New ventures to mitigate impact of coke business

Company signs SPA to buy TouchPoint Group for RM72 million

BY WONG EE LIN

KUALA LUMPUR: Loss-making Sino Hua-An International Bhd, which has ventured into the food and beverage (F&B) and digital spaces, is hopeful these new ventures will enable it to mitigate the cyclical nature of its metallurgical coke business.

Yesterday, the company signed a sales and purchase agreement (SPA) to buy the entire stake in technology company TouchPoint Group for RM72 million cash — that is about half of Sino Hua-An's entire market capitalisation of RM151.51 million — after changing its mind on a 51% stake buy in the company eight months ago.

This follows the completion of its acquisition of Bistromalones Group in October, which made Sino Hua-An the new owner of the TGI Fridays and Teh Tarik Place franchises in Malaysia.

After these acquisitions, Sino Hua-An will have three core businesses, namely F&B, digital solutions, and the manufacturing of metallurgical coke, a material used as fuel in the blast furnace for making iron and steel.

"As the [metallurgical] coke business is a cyclical industry, the board's idea is to look at potential acquisitions... expanding out of that cycle. There is tremendous growth opportunity and potential for growth in the technology space and F&B industry," its executive chairman Tunku Naquiyuddin Tunku Ja'afar told reporters here yesterday after the SPA was inked.

The new ventures complement each other, he said, and the company intends to acquire new businesses that do the same "to create that whole ecosystem", though he did not elaborate.

But what is clear is that Sino Hua-An will stick to the manufacturing of metallurgical coke as a core business, though it is uncertain when the business will return to the black due to trade uncertainties.

In the mean time, Naquiyuddin said the company is doing its best to minimise losses from this business.



(From left) Sino Hua-An International head of F&B Lee Yew Jin, TouchPoint Group head of technology Vince Ng, Naquiyuddin and Lim at the signing ceremony on the acquisition of Touch Point Group by Sino Hua-An International Bhd yesterday. Photo by Suhaimi Yusuf

Naquiyuddin said the business has been impacted by lower average coke price and sales volume, as well as lower contribution from by-products, besides higher average coal prices.

In addition, he said the company has been facing intermittent directives from the local government to limit heavy industries' production in an attempt to address and manage pollution in China.

For the nine months ended Sept 30, 2019, Sino Hua-An was in the red with a net loss of RM39 million, versus a net profit of RM14.79 million in the same period last year, while revenue declined 9.7% to RM672.45 million from RM744.68 million.

Naquiyuddin, meanwhile, said the TouchPoint acquisition is in line with Sino Hua-An's vision to be a digital transformation enabler in Malaysia.

The TouchPoint Group comprises TouchPoint International Sdn Bhd and Wavetree PLT. TouchPoint Group is principally involved in the research, development and provision of services related to enterprise mobile applications and smart city platform and ecosystem enablement, including e-Wallet, analytics and other services.

"With the advancement in digital technology and the development of more sophisticated Artificial Intelligence that disrupt conventional

businesses worldwide, this space is going to be one of the fastest growing industries

"Aside from being a potential profitable venture, this acquisition will bring a whole new set of expertise and knowledge that we are excited to expand into," said Naquiyuddin.

Not only has TouchPoint developed business transformation platforms for smart cities like Putrajaya, but also for security, hospitals and plantation, offering digitised solutions developed from Internet of Things-based (IoT) systems, according to Sino Hua-An. TouchPoint's IoT system and platform have also been deployed in oil palm estates for yield management.

On TouchPoint's financial performance, Sino Hua-An executive director Datuk Jared Lim Chih Li said the company is profitable, but did not reveal any figures.

The acquisition, expected to be completed before the year is out, carries an earnings before interest, taxes, depreciation, and amortisation guarantee of no less than RM3 million for the 12 months ending June 30, 2021.

Sino Hua-An shares closed half a sen or about 4% higher at 13.5 sen yesterday. In the past one year, the stock has retreated some 30%.