# Sino Hua-An eyes energy storage as game changer

BY **LEE WENG KHUEN**

The metallurgical coke business has been a drag for China-based Sino Hua-An International Bhd over the past two years. But transformation started to take place last year with a slew of technology-related acquisitions, paving the way for the company to become a full-fledged technology firm.

Among the many segments within the technology space, Sino Hua-An sees energy storage as a game changer for the company. "[Energy storage is] going to drive our business in the next two to three years. As one of the fastest-growing industries, it is a national interest for many countries," its executive director Datuk Jared Lim tells *The Edge* in a recent interview.

He is hopeful that the company will be able to return to the black next year, on the back of a US$300 million (RM1.25 billion) order book secured so far, including US$230 million of super capacitor battery modules for Kone Elevators over three years.

The company slipped into the red with a net loss of RM184.3 million in 2019, compared with a net profit of RM29.6 million in 2018. For its first quarter ended March 31, Sino Hua-An reported a higher net loss of RM41.09 million against RM4.19 million in the same quarter a year ago.

In line with the diversification into the technology business, Sino Hua-An has proposed a name change to Techna-X Bhd to better reflect its core business and future undertakings. Quoting a study by Lux Research, Lim says the global energy storage industry is expected to grow into a US$550 billion industry by 2035.

"It is not a question of demand. The challenge is how fast we can increase our capacity to meet the demand," he says.

"We are talking to a lot of transport companies. In fact, one government-backed transport division is looking to use our batteries to power its electric vehicles. The electric vehicle segment is leading the growth in energy storage."

Lim expects a revenue contribution of about RM500 million from the technology business for 2021, with the major contributor being Aerospace Beidou, which was acquired for US$25 million.

"That was the last piece of our transformation plan. We have what we need to be a player in Asia-Pacific. We aim to complete our transformation by year-end. So, you will see technology take a front seat," he says, when asked whether the company was still on the lookout for more acquisitions.

SINO HUA-AN

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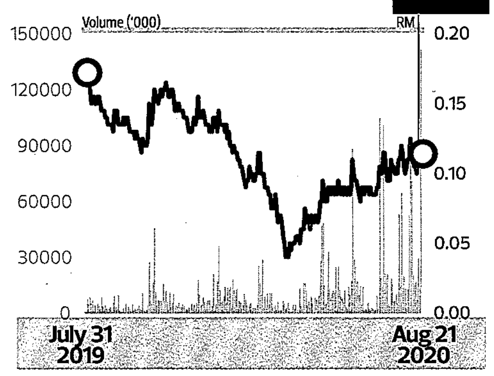
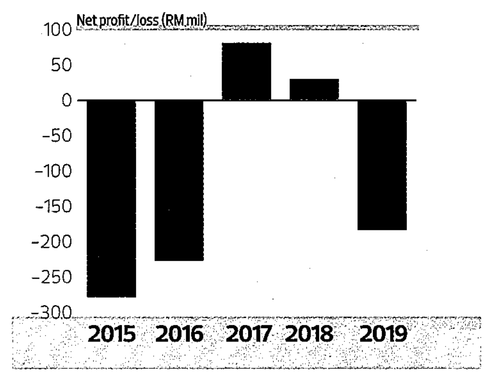
Sino Hua-An completed the acquisition of TouchPoint Group and Craveat International Sdn Bhd in 2019. TouchPoint is involved mainly in the digital technology sector whereas Craveat is a bricks-and-mortar consumer business operating in the casual dining industry, with restaurant chains TGI Friday and Teh Tarik Place in its portfolio.

This year, Sino Hua-An bought Wavetree Technologies Sdn Bhd (digital solutions and Internet of Things), HumanCapeint Consulting Sdn Bhd (change management solutions provider), MD Labs Sdn Bhd (data analytics and business intelligence solutions provider) and HK Aerospace Beidou New Energy Industry Technology Co Ltd (IoT and energy storage). The total acquisition cost exceeded RM217 million.

**Sino Hua-An International Bhd**




**Sino Hua-An's financial performance in the past five years**




Aerospace Beidou has 28 registered patents in the US, China and Taiwan for the design and manufacture of Ruthenium-based supercapacitors, which have 10 times more power density than those of market competitors. "Structurally, it is the thinnest at 0.25mm, with a longer life span of more than 10 years," says Lim.

He adds that operating margins from the technology business can easily reach 25% to 35%. While the current focus is on China, the company is also setting its sights on Southeast Asia. It has an R&D lab in Shenzhen, China, and plans to set up another one in Malaysia. At least 10% of profits will be allocated to R&D.

Lim was appointed to the board on Oct 16, 2019 and was tasked to lead the technology business. He is also co-founder and managing director of Attilan Group Ltd, an alternative asset investment and management group.

In addition, Lim was co-founder and joint managing director of Singapore-listed Asiasons Capital Ltd, one of the companies whose shares were sold down in the penny stock saga in 2013. He held that position from 2014 to 2015.

With Sino Hua-An's technology venture, Lim does not rule out the possibility of the company selling its loss-making metallurgical coke business in Shandong. "We have told our shareholders that we intend to solve the problem before year-end. We don't have visibility on how it will make a profit in this climate. We will have a solution this year," he says.

The segment has been battered by the weak steel industry and Chinese economy and further exacerbated by the US-China trade war and Covid-19 pandemic.

On the food and beverage segment, Lim notes that the company has begun the transformation of Teh Tarik Place into a technology-driven F&B operation. It will invest up to RM30 million to expand Teh Tarik Place in Malaysia and Asia-Pacific.

Last September, Sino Hua-An issued redeemable convertible notes with an aggregate principal amount of up to RM150 million. In April this year, it proposed the issuance of new shares to settle its total debt of RM5.6 million, as well as a private placement to raise total gross proceeds of RM8.52 million. As at end-March, it had cash and cash equivalents of RM10.34 million and RM2.36 million in short-term bank loans.

Sino Hua-An executive chairman Tunku Naquiyuddin Ibni Tuanku Ja'afar is the largest shareholder of the company, with direct and indirect stakes of 1.08% and 27.13% respectively.

Its share price closed 0.5 sen, or 4.5%, higher at 11.5 sen last Friday, giving the company a market capitalisation of RM138.27 million. Year to date, the stock has fallen 11.5%. E