

# GUH keen on non-core ops

## It has plans to reduce reliance on PCB manufacturing

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**R**IDING on a strong net cash of RM142.56mil, Penang-based mainboard printed circuit board (PCB) manufacturer GUH Holdings Bhd has initiated a business action plan that will enable its non-electronic business divisions to contribute more substantially to the group's revenue over the next five years.

Although principally a PCB maker, the group, in 2004, entered into the property development business in Negri Sembilan, ventured into the oil palm business in 2006, and the water treatment business last year.

The rationale for positioning GUH in these areas was to reduce its dependency on PCBs, a volatile business, which generates about 90% of the group's revenue to 70%. Property, water treatment and oil palm businesses are the areas with potential to achieve the objective.

According to McIlvaine Company, an Illinois-based market research company, this year's market for water treatment and consumables in China is estimated at over US\$25bil.

Group managing director Kenneth H'ng says in an interview with *StarBizWeek* that to boost the contribution of the property division, GUH plans to launch projects worth RM700mil in gross development value (GDV) on a 150-acre in Taman Bukit Kepayang in Negri Sembilan over the next five to six years.

"The properties planned for Taman Bukit Kepayang include gated and guarded projects comprising two to three-storey bungalows, semi-detached and terrace houses to be launched in various phases, and three-storey shop lots.

"This year, the group is launching 40 semi-detached houses with a RM28mil in GDV in Taman Bukit Kepayang.

H'ng says the group expects to see the property division contributing 15% to the group's 2012 annual revenue.

Revenue contribution from the property segment to GUH's annual revenue has increased from 6% in 2010 to 10% in 2011.

GUH has completed about 375 units of landed residential houses and commercial



**White goods:** A worker in GUH's plant Suzhou, China. The group is increasing monthly production of double-sided and multi-layered PCB components.

shop lots with GDV of RM200mil in Taman Kepayang since 2004.

"We are looking for opportunity to create a 'strong' brand name for higher-end properties in prime areas especially in the Klang Valley and Penang. The search is on now for land in the identified areas," he says.

Over the next five years, GUH will focus on landed, high rise residential and landed commercial developments, for example shop-lots, H'ng says. "We are pursuing all kinds of expansion, including joint-venture projects with land owners, buying land or companies with land.

On the water treatment business, the group is now carrying out a feasibility study via its subsidiary GUH International (HK) Pte Ltd on a project in Jiangsu.

"Last year we entered into a preliminary agreement with the Gaochun Economic Development Zone in Jiangsu to undertake the construction of a 100 million litres per day (MLD) water treatment plant on a build-operate-transfer basis.

"The investment in the project is estimated at 180 million yuan, which includes distribution networks to be implemented in two phases of equal capacity," H'ng said.

A *Forbes* magazine report released in April says that from 2011 to 2015, China will spend US\$536bil on water purification and waste water treatment plants, irrigation systems, and flood control projects.

"Currently, only 50% of urban sewage is treated. By 2015, the government intends to add 42 million tonnes of daily sewage treatment capacity to increase its urban waste water treatment rate to 85%," the report says.

GUH is completing in June 2012 its takeover of a 70% stake in Teknoserv Engineering Sdn Bhd, a company specialising in the design and building of water treatment plants for municipal water supply and sewage treatment works, which will enable the group to look for more lucrative water treatment business deals in China and Asean.

On GUH's oil palm business, the group is now entering the second phase of its oil palm



**H'ng:** 'We are expanding our oil palm estate.'

business in Kedah. "We are expanding our oil palm estate in Sungai Petani, to 10,000 acres, after which, we can consider moving into the production of palm oil and palm kernel oil.

"In 2006, we started by converting a 385-acre in Sungai Petani for the cultivation of oil palm trees. Over the years, we believe we have acquired sufficient knowledge and expertise as an operator of an oil palm estate to expand the business further," he says.

On its PCB business, GUH is tapping into the market of new power-saving household appliances and also the light-emitting diode (LED) lighting segment with their double-sided and multi-layered PCB products.

The group is investing RM18mil this year to produce the double-sided and multi-layered PCBs.

"We are increasing the monthly production of double-sided and multi-layered PCBs to 70,000 sq m this year at our plants in Penang and Suzhou, compared with 55,000 sq m per month a year earlier," H'ng says.

The new double-sided and multi-layered PCB range will serve the branded white-goods segment such as air-conditioners, refrigerators, and washers, and also the LED commercial lighting market.

"We are seeing orders from customers in Asia-Pacific coming now for the second and third quarters," H'ng says adding that GUH was beefing up its white-goods segment due to slower growth in the LCD/LED TV market.

"In the first quarter, we expect slower sales for the PCB business, due to slower sales of LCD/LED-backlit TV worldwide," H'ng says.

GUH's high-end PCBs generate about 40% of the group's revenue.