

THE SUN'S THE LIMIT

Solar panel production holds out promise of a new and growing profit stream for Franky Fan's Anwell Technologies

TEXT _ LEONG CHAN TEIK PHOTO _ YEN MENG JIIN

AFTER A LONG DRIVE from San Francisco, Franky Fan, his wife and son arrived in Seattle for their holiday when he received a call from his China office: "Come back quickly. A government VVIP will visit our factory."

Within hours, Mr Fan and family were in the air headed back to Hong Kong, their home city. The next day, at his factory in the Chinese industrial city of Dongguan – about two hours' drive from Hong Kong – Mr Fan and his staff waited in anticipation for the arrival of the VVIP.

For security reasons, they were not informed who exactly it would be. They only found out when the motorcade arrived and out stepped Prime Minister Wen Jiabao, who was visiting several factories in Dongguan that day.

For Mr Fan, the executive chairman and CEO of Singapore-listed Anwell Technologies, the Chinese premier's visit in July 2008 was symbolic of the country's support for its high-tech companies.

Anwell is the world's second largest manufacturer of equipment that replicates CD-Roms, DVDs and Blu-ray discs. Today, it is also venturing into a key resource industry – solar energy. This was a path it began to pursue in August 2007 when Mr Fan and his team decided to further leverage on Anwell's knowhow.

Recalled Mr Fan: "The prime minister encouraged us to work hard on our new solar project."

Mr Wen reportedly told Anwell staff: "Solar panels are a key component of clean, renewable energy, which is an important direction for our power generation and energy industries. Thus, China looks to you for its power-saving and new energy infrastructure."

As at early June, China was getting ready to throw its economic might behind a national solar power plan that could make

it one of the world's biggest harvesters of the sun's energy. The government body responsible for overseeing energy policy has finalised a proposal for billions of dollars of incentives for solar farms and roof-top panels.

Anwell will be riding that wave: Harnessing the technology common to both optical disc and solar panel manufacturing equipment, it is developing manufacturing lines to produce solar panels that convert sunlight into electricity.

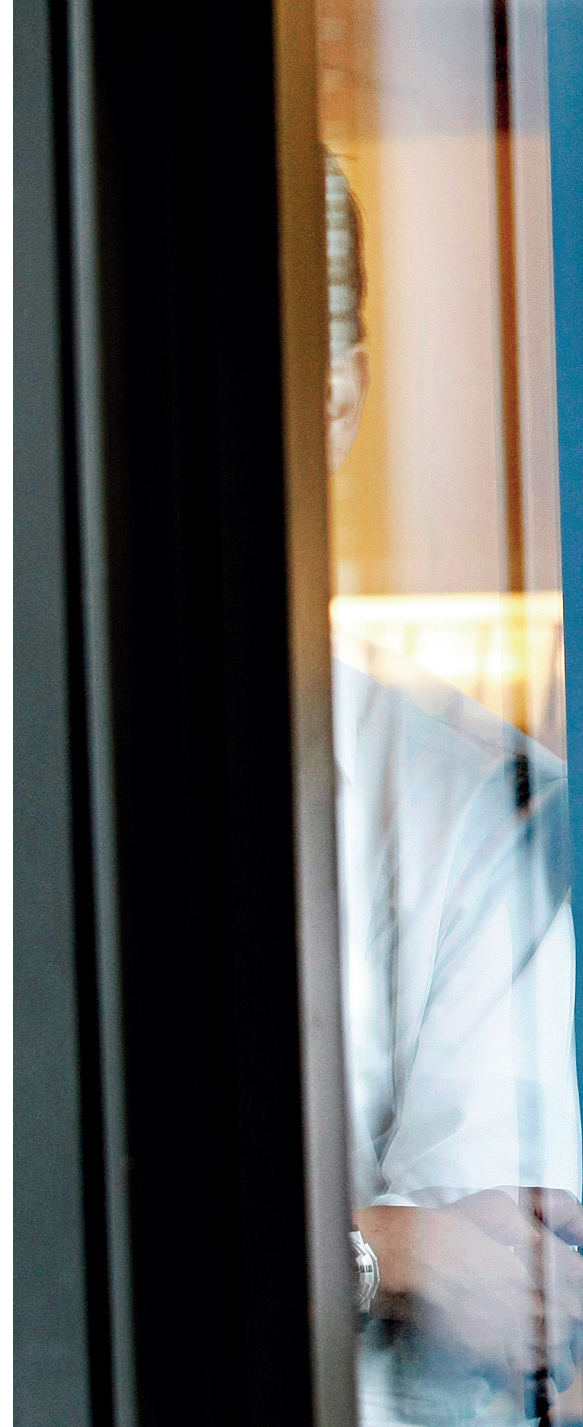
After investing over HK\$100 million (S\$18.8 million) to start a venture in China's Henan province, it will begin mass-producing solar panels in the second half of this year. Anwell has become one of only four companies in the world that design and produce fully integrated production lines for thin-film solar panels.

After Mr Wen's visit, Anwell's earlier application for a government grant was approved. The company received more than 200 million yuan (S\$42.6 million) for its research and development work on a manufacturing line to produce Oled panels. These panels, which are ultra-thin, are replacing LCD and plasma screens in television sets and laptops.

There is a picture that Mr Fan treasures showing him accompanying Mr Wen on the tour of Anwell's factory. That picture, I noted during my recent trip to Anwell with several analysts from Singapore, takes pride of place not just in Anwell's factory in Dongguan but also at its solar factory in Henan and its corporate headquarters in Hong Kong.

In the picture, Mr Fan is wearing a short-sleeved blue shirt sans tie. The low-key dressing is evident in other pictures of him on Anwell's website and online newsletters, where he's seen either with rolled-up shirt sleeves or simply a long-sleeved jersey.

To my observation, he said: "To put on

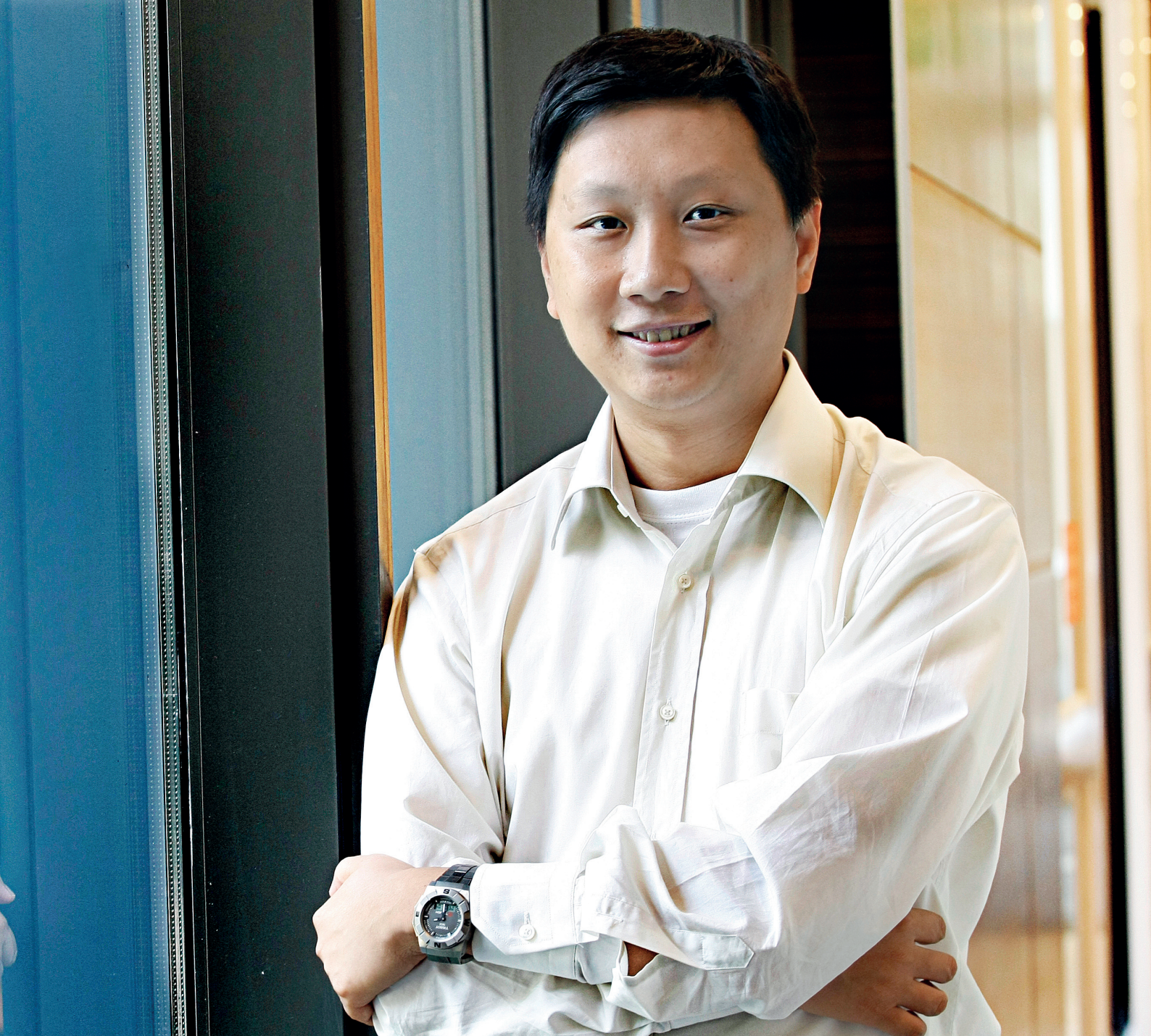


a jacket, that's not Franky. I like to go with my own style, my own thinking."

In work, he's also done it his way. He co-founded Anwell in 2000, leaving a US\$15,000-a-month job as an engineering director at HHODL, Hong Kong's largest manufacturer of CD-Roms. That was the only employer he has worked for.

He got the job at HHODL when he did a stint there on a break mid-way through his PhD course. The boss was so impressed with him that he was offered a permanent job.

"I told him my ambition was to be my own boss one day," recalled Mr Fan, but that didn't change the employer's mind. The US\$10,000-a-month salary he was offered was tempting, so he quit his course.



“The solar industry will be around for a long time because the sun will be the source of energy after fossil fuel runs out. But the optical disc industry cannot last for generations.” – Mr Fan

At 25, he became an engineering director of Hong Kong’s largest manufacturer of CD-Roms.

The engineering gene runs in the family, it would seem, as his father was an engineering professor in Chinese university. The junior Fan had another talent that became apparent later on: an ability to speak persuasively. This, as he revealed, came partly from being a debater in school and university.

“If I weren’t an engineer, I would be a lawyer,” he said, adding that passion and

knowledge were also key to being convincing, not just talk.

But HHODL headed into rough waters when the industry suffered a slump. “We thought sooner or later we would lose our jobs,” recalled Mr Fan, who was then 31. That seemed a good time to strike out on his own. “I knew that in a year or two, when the industry recovered, I would enjoy the harvest.”

Mr Fan had long harboured ambitions to be an entrepreneur and had made it known to anyone who cared to ask. “When

I was in school, I prayed for a vision of my future. An image came to me: I was standing on top of a hill and below was a town full of my factories. From age 17 or 18, I knew I would be an entrepreneur one day. I told my girlfriend, who is now my wife: ‘Now, I have nothing, but one day I will be very rich.’ ”

When Mr Fan set up Anwell, he had enough saved to tide his family through the uncertain start-up period. He was then already married to his former schoolmate, Grace, and had a five-year-old son.



PHOTO: ANWELL TECHNOLOGIES

Mr Fan (right) explaining Anwell's business to Chinese Premier Wen Jiabao at its factory

His wife's teaching job provided a stable income – a fact that did not happen by chance. He had told her during their courtship that, given his goal of being an entrepreneur and the volatility of earnings it entailed, it would be good for her to be a teacher.

Pooling US\$100,000 with some colleagues, Mr Fan started Anwell with two ex-HHODL engineers and 18 other staff (today, they have 2,500 employees).

Operating out of 7,000 sq ft of leased space in a factory in low-cost Dongguan, they designed machines that mass-produced CD-Roms. As Mr Fan was already known in the industry, his team's first design found a buyer without too much difficulty.

Anwell went on to overcome hurdle after hurdle – especially the notion among potential clients that made-in-China equipment could not match Western technology. In time, its equipment proved to be superior, with an output at least 20 per cent faster than similar disc replicators in the world, according to Anwell.

Despite its technological edge, Anwell, which was listed on the Singapore Exchange in 2004, has had a tough time making good profits consistently as demand for its equipment is cyclical, and research and development costs are high.

Last year, it raked in HK\$905.4 million in sales but suffered a net loss of HK\$101 million. The results include the first full-year contributions from its acquisition of a customer which produces optical discs.

With its new focus on renewable en-

ergy, Anwell has finished building a sprawling factory (275 hectares) in Henan that will produce the solar panels.

James Lim, an analyst from DMG & Partners, was among those who travelled to Henan for an update on the solar project. In his report, he noted: "We believe that Anwell had organised this plant trip mainly to show analysts that its solar business is not just some fabricated concept, given that some local investors have already been burnt during the debacle pertaining to Rowsley in late 2007. Coincidentally, Rowsley was also said to be dealing with thin-film solar cells back then."

Top Henan government officials have visited the solar factory several times and have pledged support for its smooth launch, according to Anwell.

But what about the risks of investing heavily in this fledgling industry? Said Mr Fan: "I don't think there's too much risk. Our team has experience in developing similar systems. We are also supported by some national laboratories in China. From day one, I knew we could be successful."

While developing its solar plant, Anwell has been marketing its capabilities at exhibitions and to potential customers. As a result, it has signed memorandums of understanding to supply clients with solar panels over the next few years.

In the second half of this year, Anwell will apply for a certification that will enable it to sell to Europe and the US. "This will take about six months – but that doesn't mean we cannot sell our solar panels during that time. We can sell to other markets

and to solar farms, which don't require the certification," said Mr Fan.

Demand exists for Anwell's panels as the company enjoys cost advantages from making its own equipment. In addition, said Mr Fan, the company's solar panels use thin-film technology, whose production cost is only a third of that for the conventional crystalline silicon variety.

While Anwell currently has a production capacity of 40 megawatts a year, it aims to rapidly scale up to 1,000 megawatts by 2013 and become one of the world's top 10 producers.

The solar venture holds out the promise of a new and growing stream of profits for Anwell, since the solar industry has far greater potential than the optical disc industry.

Noted Mr Fan: "The solar industry will be around for a long time because the sun will be the source of energy after fossil fuel runs out. But the optical disc industry cannot last for generations.

"I have always believed we have a bright future. That's why I have not sold a single share since Anwell's IPO, and I have no plans to do so."

If he was going to be very rich one day, how would he use the money, I wondered.

It seems he has quite clear ideas on that too. "I don't need a lot of money, as long as I have enough for my family. If you have a lot, you are just looking after it for the gods as you cannot take it with you when you die. My idea is we should use our surplus money to help others."

To support the victims of the Sichuan earthquake last year, Anwell raised HK\$1 million from its staff, with the management contributing about a month's salary on average, said Mr Fan.

The staff also contributed funds to build a primary school for 600 students in Henan, which was completed last year.

Mr Fan said: "On average, every year 15-20 per cent of my income goes to charity – such as some children's charities of the United Nations – and another 17 per cent goes to income tax. I won't pass a lot of money to my son. It's better that I give him knowledge and motivation, and he can make money himself."

I asked how he motivated his staff. "I work hard and that sets an example for them. I always consider myself their equal. We eat together in the office canteen, we fly economy together. My staff know that I donate money to charity and I motivate them to donate too," he said. **P**