

07 NOV, 2022

Electric bike maker Thamlev moves production from China to Malaysia

The Malaysian Reserve, Malaysia



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It helps that Malaysia is providing some tax benefits for the relocation

by HABHAJAN SINGH

A MALAYSIAN entrepreneur is moving from China to Malaysia manufacturing of electric bikes meant for the US market. The geopolitical tensions between the two economic giants have a lot to do with the decision.

The other reason, of course, is his familiarity with Malaysia. It helps that Malaysia is providing some tax benefits for relocation.

Sabah-born Kevin Vun Kiat Tham, who worked for Intel Corp before floating a start-up in China, found himself at the heart of the electric vehicle (EV) boom in China. The start-up did not make much headway, but he gleaned vital industry insight. Later, he had a chance to put to good use the intelligence and know-how when he started his own venture.

The China venture was made possible with funding from Mesnac Co Ltd, a China-based company now principally engaged in the research and development and manufacture of rubber equipment systems.

"We were into microchip design. From there, I started supporting clients in electric bicycles and scooters," he said.

"I experienced the boom of EV in China. It was a critical moment for EV in China. The government provided all types of incentives. They had packages for research, marketing, sales, manufacturing, and end customers. It was complete. Today, they are the world's No 1 market and manufacturers for EV vehicles," he said.

China today has some 500 electric carmakers, including home-grown names like Nio, Xpeng and Li Auto, competing for what is certainly the world's largest vehicle market.

In 2018, Vun came back to Malaysia. He saw an opportunity. South-East Asian had a population of 650 million and not many established EV players back then.

"In China, you have several hundred EV manufacturers. In South-East Asia, you can count them on one hand. So much less competition in this region," he said. This prompted him to form a company providing technology to EV companies.

A year later, he joined Treetrik, badged as the first Malaysian



The lower-end bikes are priced between RM7,110 and RM16,590, the mid-range ones between RM28,440 and RM33,180, while the race bikes can go up to RM142,200

company to locally manufacture a fully electric bike. "Our sales were weak. There are many reasons for it — lacking awareness, infrastructure, vehicle pricing is expensive and electric bikes being considered a rich man's toy," he said.

Before the Covid-19 pandemic hit the world, Vun went to the US to establish his own brand to sell electric scooters in the US. This time, he believes he has found the niche that he had always been looking for in Thamlev USA Ltd.

"In the US, we sold 100-200 units per month in 2020 and 2021. Now, it's 400 to 500 every month," he said. The lower-end bikes are priced between US\$1,500 to US\$3,500, the mid-range ones between US\$6,000 to US\$7,000, while the race bikes can go up to US\$30,000 (RM142,200).

But those electric bikes are manufactured in the US and China. Now, he is moving the manufacturing capability to Malaysia.

"We don't do sales in Malaysia. We will focus on the US market. Our production used to be in Long Island, New York. Due to logistics, we moved some production

capabilities to Zhejiang Province in China. Now I want to move it to Malaysia," he told *The Malaysian Reserve* in an interview. Vun is based in Washington, US.

"The US market gives us a higher profit margin. So, we are a US brand, manufactured in Malaysia," he added.

Once the brand is established, Vun hopes to penetrate neighbouring Thailand and the Philippines in the leisure superbike segment.

Moving Plant

In October, the Arkansas, US-based Thamlev announced Malaysia as its manufacturing base in South-East Asia for the production of electric bikes outside the US. The new site will expand upon its existing manufacturing capacity and will help raise the profile and development of the EV sector in Malaysia, according to a statement released by Malaysian Investment Development Authority (Mida).

With a total investment project value of RM100 million in the light electric vehicle (LEV), the company's capital investment is set to



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transform the country into a LEV hub such as eMoped, eMotorcycle, eMicrocar, for the global market and generating approximately 750 jobs opportunities in Malaysia, the statement added.

Thamlev's expansion into Malaysia was in line with our National Automotive Policy with the aim to position Malaysia as a regional leader in EV manufacturing, engineering, technology and sustainable development. Identified as one of the key sectors under the National Investment Aspirations, Malaysia is committed to driving the growth of EVs and its entire ecosystem which in turn helps to elevate the EV landscape in Malaysia to become more competitive in South-East Asia, according to the statement.

Vun said the RM100 million would go into the plant, research and development (R&D), production and manpower over the next five years.

The company has a plant in Balakong, Kuala Lumpur, which can support production of up to 500 units per month. In five years, they aim to ramp up annual sales to 100,000 units. "We will then need a larger place. Our strategy is to make Malaysia an EV hub for export," he said.

In December 2021, the same statement noted that Thamlev has signed a memorandum of agreement with NanoMalaysia, the commercialisation agency under the Science, Technology and Innovation Ministry and Hyundai Kefco Corp on EV micro-mobility ecosystem amounted to US\$30 million. The adoption of the EV micro-mobility ecosystem will be the catalyst for the company to advance into LEV, in line with the global technological revolution.

Thamlev is also teaming up with

Curo Co Ltd, Hyundai Electric and Energy Systems Co Ltd Daegu Mechatronics and Materials Institute and Signet EV to form a Battery Swap Station (BSS) consortium in Malaysia. Through this new technological adoption, Thamlev is anticipating to increase its annual production target up to 100,000 units per year by 2025.

Thamlev's new manufacturing base in Malaysia will serve as a central hub for the company's R&D process department, including the development of its full vehicle system design and integration, Gallium Nitride-based Power Train R&D and BSS equipment. It will also become the main manufacturing hub to export the LEV to the high-potential export market such as the US and the European markets beginning January 2023. Meanwhile, China will supply a wide range of general parts and bike frames. Adding on to this, Thamlev is also committed to empowering the graduates by working closely with prestigious universities in enhancing research collaboration and technology transfer such as artificial intelligence in autonomous driving and big data analysis.

Strong Weapon

The ongoing trade war is not about to end anytime soon. One of the outcomes was the higher cost of doing business. There is now a hefty 25% duty tax when manufacturers import from China to the US. There is no such tax if they bring in the parts from China to Malaysia. More than 90% of the parts for Thamlev electric bikes are manufactured in China and South Korea.

"We will have a strong advantage against competitors if we move production to Malaysia. This 25% savings can go towards lowering prices or be reinvested in R&D in Malaysia for product development. This is a strong weapon," he said.

From the marketing perspective, Vun also noted the US-China political tension have also dampened sentiment for products made in China. "They are becoming less welcoming. The same for Europe," he said.

But the move is not without challenges. Taking their product capabilities away from China means a longer lead time from receiving and fulfilling orders. "Compared to producing in China and exporting to the US, it will now take an extra 15-20 days. A longer lead time equals to higher cost. We are discussing with the local authorities to smoothen the process," he said.



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SUMMARIES

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