

PRESS RELEASE

KOTA KINABALU, Tues. (June 15, 2010) - Sabah expects to see a quantum leap in industries' contribution to economy under the 10th Malaysia Plan (10MP).

The increase in industrialisation activities will translate into greater demand for services, creation of more high-wage jobs and wider business activities, Minister of Industrial Development Datuk Raymond Tan said.

The 10MP, unveiled by Prime Minister Datuk Sri Najib Tun Razak in Parliament on June 10, identified 12 national key economic areas (NKEAs) to drive the national economy from middle-income to high-income.

Two of the NKEAs relevant to Sabah's on-going industrialisation ambition are in oil & gas and palm oil and related products.

Oil & gas is represented in the Sipitang O&G hub and the proposed Kimanis petrochemical complex, while the palm oil industrial clusters in Lahad Datu and Sandakan are torch-bearers of Sabah's drive to develop a multi-billion Ringgit palm oil downstream processing sector.

"The fact that that the implementation of these NKEAS come directly under the Economic Delivery Unit with the Prime Minister himself providing overall leadership illustrates the level of importance these projects are accorded," said Datuk Raymond, who is also chairman of POIC Sabah Sdn Bhd, a government company developing the Lahad Datu palm oil industrial cluster.

He also touched on cluster-based development which the Prime Minister said in his 10MP speech was aimed at:

- promoting high-value industries to attract investments and skilled workforce intended to transform several cities in Malaysia as destinations to attract high-tech investments, talent and knowledge workers;
- exploiting the potential and available resources and serve as a catalyst to growth;
- focusing on selected sectors as well as identifies key investors, including GLCs and the private sector, to lead the development clusters in the development corridors.

Datuk Raymond pointed out that POIC Lahad Datu in particular and the oil palm plantations in Sabah's east coast in general are the anchor economic

activities of the eastern region of the Sabah Development Corridor blueprint.

“Everything in the 10MP seems in sync with our planning in the last few years (POIC Lahad Datu began in 2005) and we are optimistic that our requests for development funding will be fully met so that we can take industrialisation in Sabah to a whole new level,” he enthused.

POIC Lahad Datu is Malaysia’s first dedicated palm oil industrial cluster. About 30 investors have bought land there for various palm oil and related industries. The investors are in various stages of implementing their projects. Their combined investments is about RM2 billion, and POIC Sabah Sdn Bhd has predicted that the downstream palm oil sector can generate about RM100 billion of investment value.

The industrial sector’s contribution to the State’s gross domestic product is estimated to be about 12%, compared to the national average of about 32%.

In line with the 10MP, the planning concept of especially POIC Lahad Datu takes into consideration the future of greater Lahad Datu and aims to ensure linkages and connectivity with the project site and its hinterland to ensure that these areas benefit directly from the development.

“We have (as proposed in the New Economic Model) identified oil palm as the catalyst for growth in the east coast of Sabah. The implementation of POIC Lahad Datu will not only narrow the develop imbalance between the east coast and the west coast, but also narrow the regional gap between Peninsular Malaysia and Sabah and eventually bring Sabah up to the national level of development.

“What we will see in Lahad Datu in the coming years is a greater inflow of development funds, investments and technologies and their spread effects will have a tremendous impact on Sabah, especially its industrialisation thrust.”

The minister said although much of the details of the 10MP allocation are yet to be revealed, the outline provided by the Prime Minister was enough to convince the Sabah people that their state is very much on the radar of the national planners and policy-makers.

He said he shared the optimism of Chief Minister Datuk Musa Haji Aman about the future prospects of the Sipitang O&G Hub and that Sabah’s desire to have a more meaningful participation in the sector will be

fulfilled through the cordial relations between the state and federal governments.

Sabah's off-shore oil fields are a major contributor to the national O&G revenue, which contributed RM68.3 billion (13.1% of the GDP) and this is expected to increase to RM81.9 billion in 2015. Aside from receiving an annual royalty the national petroleum company, Petronas, which owns all prospecting and extraction rights, Sabah's role in the O&G sector is minimal and a subject of much political contention.

Malaysia's export earning from oil palm is about RM69.3 billion. Sabah is the biggest palm oil producer in the country, contributing about 31% of the output.

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