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China keen to invest in Sabah

Qi (fourth left) and POIC Sabah Sdn Bhd chief executive officer Datuk Dr Pang Teck Wai (fourth right) with their respective officials at POIC's office in Kota Kinabalu.

KOTA KINABALU: China companies are keen to invest in Sabah through an integrated approach involving aiding in infrastructure development, direct investments and bringing in related investors.

This was revealed by top officials of Tangshan Chunhua Grain & Oil Group CO., Ltd - a diversified China multi-national with major interests in vegetable oils and logistics.

The company's chief executive officer George Qi and some of his managers visited the Lahad Datu palm oil industrial cluster (POIC Lahad Datu) this week and walked away impressed with the potentials of the state-owned industrial park.

And, it now wants assurance of raw materials supply to enable it to build an oleochemical plant at POIC Lahad Datu.

It also would look into encouraging Chinese small and medium industries to invest in related sectors and explore possibilities of securing funding infrastructure development in Sabah under China's One Belt One Road (OBOR) initiatives.

For China companies to qualify for OBOR funding here, they must have joint venture agreements with Malaysian companies.

Qi said that on the company's drawing board is a 200,000-metric ton bulking facilities (tank farms) that would require it to rent or buy 25 acres of land at POIC Lahad Datu.

Tangshan, along with three other Chinese companies signed memorandums of understanding with POIC Sabah Sdn Bhd, developer of POIC Lahad Datu, in Beijing in May.

The visit here was at the invitation of Deputy Minister of Plantation Industries and Commodities Datuk Datu Nasrun Datu Mansur, who witnessed the Beijing signing.

Based in Tangshan, Hebei province, Tangshan Chunhua has 14 subsidiaries and representative offices in Malaysia, Senegal, Canada and Hong Kong.

The company is a major producer of peanut oil and is diversifying into palm oil.

It has a 100,000-hectare peanut plantation in Sudan and recently completed a palm oil refinery and fractionation plant at Tangshan City.

"We are keen to work with palm oil players in Malaysia, especially in the business of blending cooking oil for northern region of China, and will be expanding further downstream to produce margarine and shortening," Qi told state officials.

In addition to oils and fats business, Tangshan Chunhua is actively involved in bulking of palm oil, food processing, logistics, trading and animal feed.

POIC Lahad Datu was set up in 2005 to spearhead downstream palm oil industries and thus far it has attracted about RM3.5 billion in investments.

The park with about 2,000 acres developed, is supported by a comprehensive port system including a dry bulk terminal, a liquid terminal and a soon-to-be-commissioned container terminal. Port operations began in March 2013.

It handled about 500,000 tons of cargo belonging to its investors and is lobbying for an open-port status.

Sabah produces about 30% of Malaysia's palm oil, most of which is exported.

The state government's desire to promote downstream industries using palm oil and biomass is hampered by supply assurance issues.

More than 80% of oil palm plantations in Sabah are owned by big-name players based in Peninsular Malaysia and most of them have committed their output to export.

Efforts to amalgamate oil palm biomass from the dispersed plantations and mills have been met with logistics difficulties and the diverse interests of the raw material owners.

Meanwhile, Sabah remains committed to the objectives of the oil palm NKEA (national key economic area) which seeks to triple oil palm revenue by 2020, as well as the National Biomass Strategy.