

Big ticket China projects in Malaysia – Yay or nay?

IN November last year, Malaysia's government initiated one of its largest investment agreements with China.

A total of 14 agreements worth RM144 billion were exchanged between Malaysian and Chinese companies during Prime Minister Datuk Seri Najib Tun Razak's official visit to China last year.

The agreements and memoranda of understanding include:

1. Engineering, Procurement, Construction and Commissioning Agreement between Malaysia Rail Link Sdn Bhd, China Communications Construction Company Limited (CCCC) and China Communications Construction Company (M) Sdn Bhd (CCCCM)

2. Memorandum of Agreement for Investment, Development and Construction of Melaka Gateway Project (KAJ Development and Power China)

3. Heads of Agreement between Bandar Malaysia Sdn Bhd and Greenland Holdings Group Overseas Investment Company Limited in respect of the Proposed Purchase of Land and Development thereon in Bandar Malaysia

4. Heads of Agreement between Selat PD Sdn Bhd and CCCC Dredging (Group) Co Ltd

5. Framework Cooperation Agreement between the State Government of Sarawak, Hebei Xinwuan Steel Group and MCC Overseas Limited on the Proposed Development of Steel Plant in Sarawak

6. Memorandum of Agreement between KAJ Development Sdn Bhd, Power China, Shenzhen Yantian Port and Rizhao Port

for partnership collaboration on Melaka Gateway Port

7. Heads of Agreement for the Bandar Malaysia Financial Scheme between IWH CREC Sdn Bhd and Industrial and Commercial Bank of China (ICBC)

8. Memorandum of Understanding between East Coast Economic Region Development Council (ECERDC) and Wuxi Suntech Power Co Ltd for Production of Crystalline Silicon Solar Cells and Module within the Malaysia-China Kuantan Industrial Park

9. Memorandum of Agreement between BHS Industries Bhd and China Nuclear Huaxing Construction Co Ltd for Green Technology Park in Pekan, Pahang, Malaysia

10. China Construction Bank (Malaysia) Bhd was granted a banking licence by the Minister of Finance under the Financial Services Act 2013. With an initial paid-up capital of US\$200 million, China Construction Bank will be able to provide infrastructure financing to support Malaysia's infrastructure development

11. Memorandum of Understanding between Yanming Resources Sdn Bhd and Fuzhou Xin Zibu Culture Communication Co Ltd for the Growth and Development of Bird's Nest Market in China

12. Memorandum of Understanding between Malaysia External Trade Development Corp (MATRADE) and Alibaba.com

13. Research and Development Collaboration Agreement between Royal Bird's Nest, Walet Company-International Private Limited

Company and Peking University on Standardisation of Edible Bird's Nest Extract and Medical Properties for Pharmaceutical Drug Discovery

14. Memorandum of Understanding between Aladdin Group Sdn Bhd and Suzhou Lian Cheng Yihao Information Technology Co Ltd

While under China's 'One Belt, One Road', according to Deloitte, Chinese outbound foreign direct investment towards countries covered by the Belt and Road Initiative in 2016 reached a stunning US\$14.5 billion, of which most went to Singapore, Indonesia, India, Thailand, and Malaysia.

All these investments in Malaysian construction is growing – but what do China bring with them?

AllianceDBS Research explained, most of the time, the initiative is driven by the Chinese government via G-to-G initiatives and would tag along with government agencies when exploring the overseas markets.

"Generally, the government will appoint the contractors according to the types of projects. As an example, China Communications Construction Company Limited (CCCC) is perceived to be strong in port-related projects and China Railway Construction Corporation Limited (CRCC) and China Railway Group Limited (CREC) more in terms of rail-based projects.

"But the individual company will also do its own assessment in terms of the viability of the projects. Generally, the overseas projects generate better margins," it said.

Chinese contractors – Impact on selected listed companies

Company	Building Works		Internal Property Business	Infrastructure Works
	Public sector	Private Sector		
Gamuda			X	X
IJM		X	X	X
WCT		X	X	X
Sunway Construction	X	X	X	X
Kimlun		X		X
Muhibbah				X
Kerjaya		X	X	
Ahmad Zaki			X	X
Gadang	X		X	X
Ireka		X	X	
Mudajaya			X	X
Mitrajaya	X	X	X	X
Bina Puri			X	X

Source: AllianceDBS