

POIC ACHIEVED 1 MILLION MT CARGO PORT THROUGHPUT

(1) INFRASTRUCTURE AND LOCATIONAL ADVANTAGES

Port throughput growth since POIC ports started operation in 2013 has been very good – reaching 1 million MT in 2017. This rapid growth trajectory is expected to continue because it makes business sense to operate in POIC. The 1 million MT comprised mainly CPO, refined oil and fertilizer.

POIC has a dry bulk jetty, liquid bulk jetty, barge landing site and now a container port. This range of facilities makes it possible for investors to handle a wide variety of cargo. It also has a total of 1,369 acres of fully developed industrial land adjacent to the ports which means:-

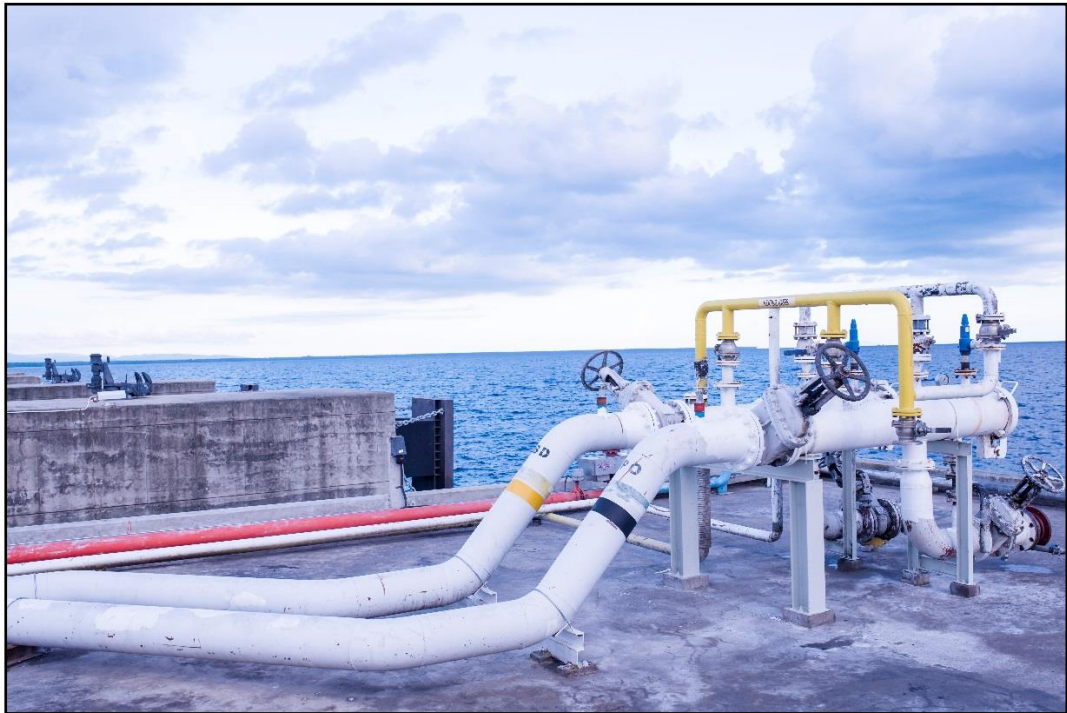
- Factories are built very near to the port for loading and unloading cargo (see Figure 1)

FIGURE 1



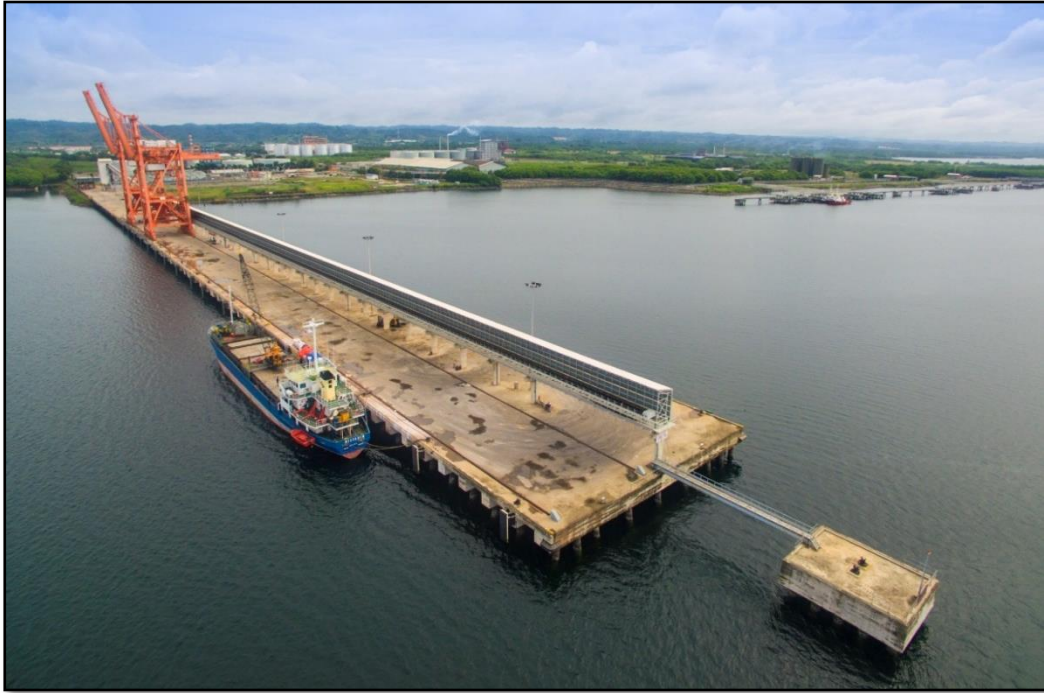
- Pipelines connect direct from factories to ship and bulking tanks through piperacks (see Figure 2)

FIGURE 2



- Conveyor belt, STS bulk unloader cranes available in dry bulk jetty for efficient unloading and loading (see Figure 3)

FIGURE 3



- Fully developed industrial land available to build large warehouses – economies of scale

These are the key basic factors underlying investors' decisions in choosing to locate their factories in POIC. The facilities are designed and built to optimise operational efficiency thereby lowering the cost of doing business. Other key considerations are as follows:-

- Proximity to Lahad Datu township/airport facilities means easy access to (see Figure 4):-
 - Banks
 - Airport
 - Schools
 - Clinics
 - Hospitals
 - Hardware shops

- Legal, accounting services
- Supermarket
- Housing
- Hotels
- Restaurants
- Post offices
- MPOB (Malaysia Palm Oil Board)

FIGURE 4

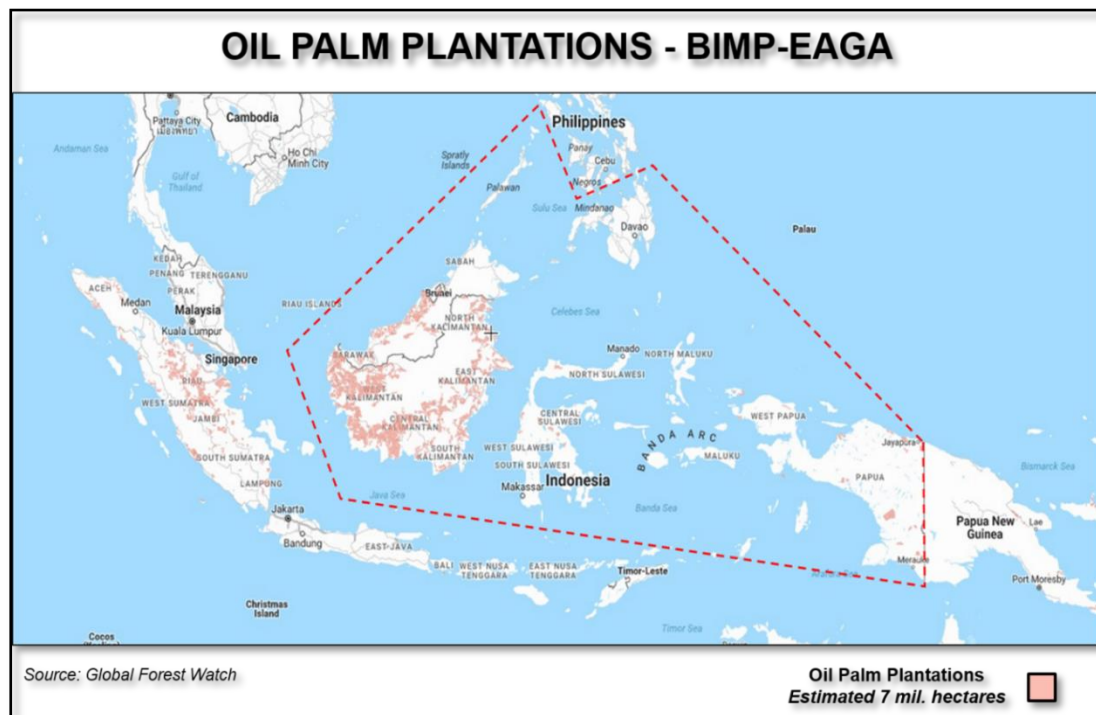


No industry park in Sabah is built as near a major town as POIC. A major consideration in the choice of the location is to optimise operational efficiency; in investors being able to access all basic support services needed for business operation. Both the Lahad Datu Township and airport are only about 10 minutes away from POIC.

- Lahad Datu logistically central to Sandakan and Tawau, which means advantages in distribution cost and delivery time

- Regional export and import possibilities (see Figure 5)
 - Southern Philippines
 - East Kalimantan
 - Sulawesi
 - P & G

FIGURE 5



Taken together, the infrastructure and locational advantages have been and will continue to serve as the key attributes of POIC. As more specialised infrastructure are being developed, POIC will be even more relevant to investors.

Broadly, logistics and distribution cost is a very significant part of a business (typically about 1/3 of the total cost), which means, the lower the logistics cost, the lower the cost of doing business in Sabah. Such a scenario gives POIC significant advantages in logistics and cost of doing business.

(2) ADVANTAGES OF INDUSTRIAL CLUSTERS

POIC is developed on the basis of industrial clustering. Already a fertilizer industrial cluster is forming in POIC.

Industrial cluster has the effect of lowering the cost of doing business because suppliers and support sectors such as stevedoring, port cargo handling, transporters, distributors and service providers such as banks, power and water providers would overtime develop specific knowledge of the industry's needs and thus able to more efficiently deliver the service. Evolving from all these will be a pool of experienced and skilled workers unique to that industry.

Broadly, industrial clusters are said to

- Increase productivity through specialised inputs, access to information and public goods
- Faster and better ways of doing things through more intense competition leading to increasing by better ways of doing thing.
- Lead to new businesses and expanding the boundaries of the cluster structure in order to stay ahead of the competition.

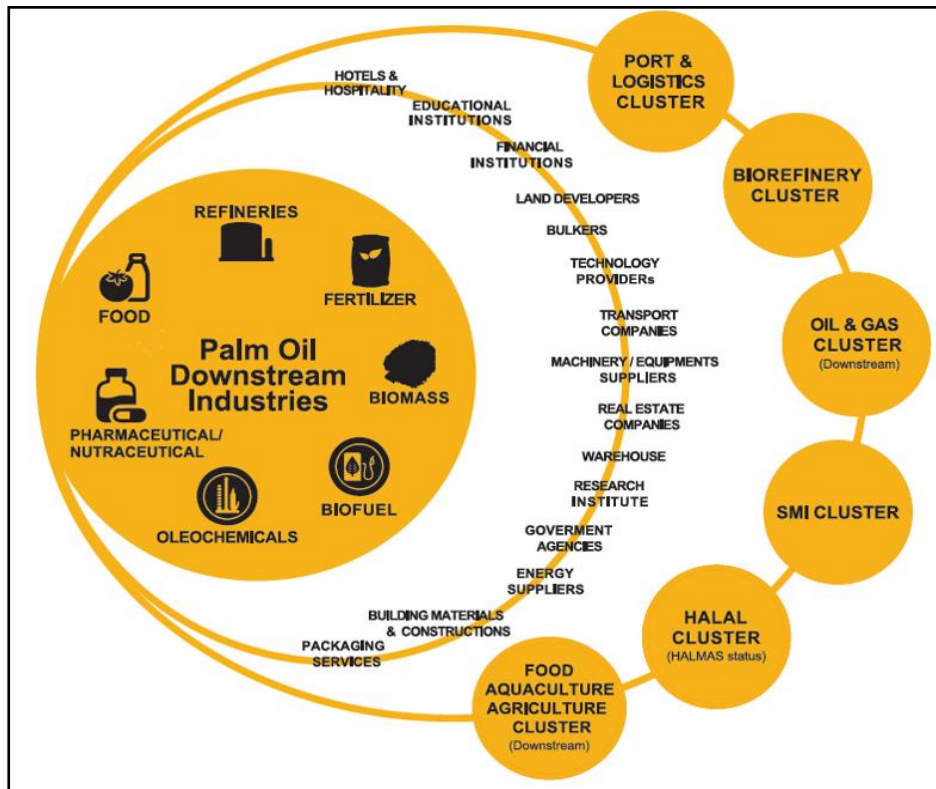
The rationale of Industrial Clustering can be used to explain why the Silicon Valley, Hollywood are so successful. In fact all successful industries whether it is the watch industry in Switzerland, tiles in Italy, cars in Japan, shipbuilding in Korea, can be explained compellingly from an industrial clustering perspective. Industrial clusters because of its intrinsic advantages tend to attract related support and key industries into a defined geographic area.

Moving forward, given the facilities POIC has, it will proceed to explore possibility of developing other industrial clusters (see Figure 6)

- SMI
- Halal
- Agriculture, aquaculture
- Oil bunkering and tank terminal

- Fabrication
- Ship servicing

FIGURE 6



(3) POIC: ROTTERDAM OF THE EAST

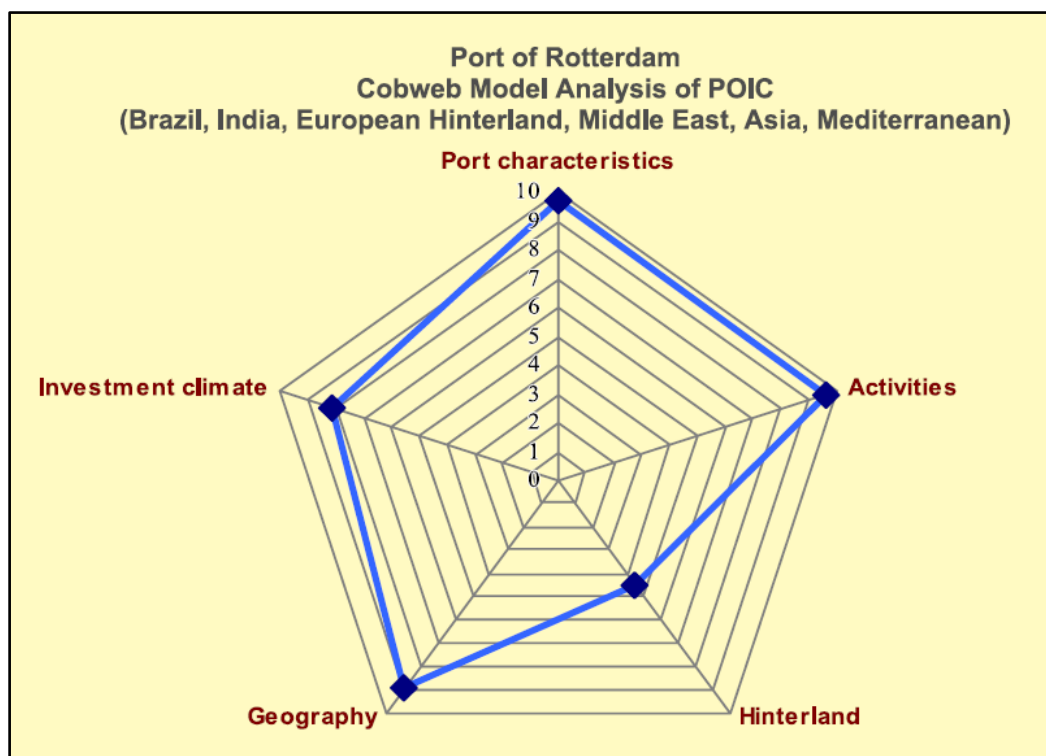
10 years ago, the port of Rotterdam worked with POIC to develop it as the Rotterdam of the East.

A comprehensive study done by the Port of Rotterdam identified POIC as one of the best sites (see Figure 7) in the world in global logistics positioning due to its natural water depth and its location along one of the busiest shipping lane in SEA – the Lombok-Makassar Straits.

Out of 6 regions (Brazil, India, European Hinterland, Middle East, Asia and Mediterranean) globally under study by the Port of Rotterdam then, POIC had the highest score taking into account port characteristics, investment climate, geography, activities and hinterland. The score for ‘hinterland’ then was lower

due to poor road and transportation links from POIC to other parts of Sabah. However with the recent building of the Pan Borneo highway, this hinterland score will improve substantially.

FIGURE 7



(4) INFRASTRUCTURE NO LONGER A CONSTRAINT TO DEVELOPMENT IN POIC

With all the key port and developed land infrastructure in placed, especially the container port, virtually any palm related manufacturing can now be developed and shipped out of POIC, Lahad Datu. Prior to completion of the container port, it was not possible to develop oleochemical or bio-chemical industries because the products to be shipped out would need to be containerised.

POIC has reached a stage where it now has the infrastructure and geographic locational advantage in relation to raw materials and export facilities along the second busiest shipping land in South East Asia. With these, Sabah's East Coast through POIC is likely to see the largest industrial development based on the oil palm industry alone.

In fact, the East Coast of Sabah is likely to witness the most dynamic growth of all the three main economic sectors – agriculture, manufacturing and services (through tourism). Already these three key economic sectors are more dynamic, more varied and developed and generating more jobs and investment opportunities than the west coast. With the possibility of oil and gas fields opening up along the East Coast, virtually all main industrial activities will be concentrating along the East than the West Coast of Sabah.