

**MALAYSIAN INVESTMENT IN CHINA: A  
STUDY OF SELECTED PUBLIC LISTED COMPANIES**

**LIEW CHING WEN**

**Dissertation submitted to the Department of Chinese  
Studies of University Malaya, Kuala Lumpur, in  
fulfilment of the requirements for the degree of M.A.**

**1999**

Perpustakaan Universiti Malaya



A510031271

**Title: MALAYSIAN INVESTMENT IN CHINA: A STUDY OF  
SELECTED PUBLIC LISTED COMPANIES**

**TABLE OF CONTENTS**

<b>Abstract</b>	-----	iii
<b>Abbreviations</b>	-----	v
<b>List of tables</b>	-----	vii
<b>List of maps and figures</b>	-----	ix
<b>Acknowledgements</b>	-----	x
<b>INTRODUCTION</b>	-----	1
<b>CHAPTER ONE</b>	<b>HISTORICAL BACKGROUND</b>	
	I. Historical Background of China	
	-Malaysia Relations-----	5
	II. Recent Political and Economic China	
	-Malaysia Relations-----	20
<b>CHAPTER TWO</b>	<b>CHINA IN THE WORLD ECONOMY</b>	
	I. The Contemporary World Situation-----	29
	II. Development of China's Economy	
	After 1949: the Mao Era-----	37
	III. FDI and Joint Ventures in China	
	After 1978: the Deng Era-----	44
<b>CHAPTER THREE</b>	<b>CONTEMPORARY MALAYSIAN INVESTMENTS IN CHINA</b>	
	I. Malaysian Investments In China	
	Before 1985-----	57
	II. Malaysian Investment in China by	
	Public Listed Companies From 1985	
	-1996, Trends and Characteristics-----	64
<b>CHAPTER FOUR</b>	<b>CASE STUDIES</b>	
	I. Hai-O-----	80
	II. FACB Industries-----	85

	III. The Lion Group-----	90
	IV. Southern Steel-----	102
	V. Muda Holdings-----	106
	VI. Metro Kajang-----	109
<b>CHAPTER FIVE</b>	<b>CONCLUSION</b>	
	I. Similarities and Differences Between Malaysian Investments and International Investments-----	113
	II. Factors Which Account For Successful Investment in China-----	117
	III. Reasons for Failure-----	121
	III. Prospects Of Malaysian Investment----- to China	129
<b>APPENDIX A</b>	Joint Communique of Malaysia and China-----	133
<b>APPENDIX B</b>	Map of China: Administration-----	135
<b>APPENDIX C</b>	Map of China: Special Economic Zones-----	136
<b>APPENDIX D</b>	Company Profile: Hai-O-----	137
<b>APPENDIX E</b>	Company Profile: FACB Industries-----	143
<b>APPENDIX F</b>	Company Profile: Amsteel Berhad-----	150
<b>APPENDIX G</b>	Company Profile: Southern Steel Berhad-----	164
<b>APPENDIX H</b>	Company Profile: Muda Holdings Berhad-----	169
<b>APPENDIX I</b>	Company Profile: Metro Kajang Berhad-----	175
<b>APPENDIX J</b>	Advertisement of the Lion Group-----	181
<b>APPENDIX K</b>	Advertisement of HSBC-----	182
<b>CHARACTER LIST</b>	-----	183
<b>BIBLIOGRAPHY</b>	-----	188

## **ABSTRACT**

The purpose of this thesis is to examine Malaysian investment in China, with special focus on selected PLCs. The study is placed against the context of rapid intra-regional investment in Asia and is divided into six sections.

The introduction points out the purpose of this study, the methodology used as well as the shortcomings. The second part discusses the historical background of China-Malaysia relations and the recent political and economic changes. The third part explores briefly China in the world economy, how China developed its economy after 1949 and what is the state of FDI and joint ventures after 1978. The fourth part analyses the motives of earlier Malaysian investment in China and subsequently evaluates the trend of PLC's investments in China from 1985-1996, which can be divided into three phases. The fifth part comprises case studies of six selected PLCs, namely Hai-O, FACBI, the Lion Group, Southern Steel, Muda Holdings and Metro Kajang. The objective of tracing the development of these six companies was to find out a more detailed picture of their investment patterns in China.

In the final part, the researcher evaluates the similarities and differences of Malaysian investment and international investment. The researcher will try to establish what are the factors which contribute to success and reasons for failure of investments in China. The future prospects of Malaysian investment in China is also discussed.

## ABSTRAK

Tujuan thesis ini adalah untuk mengkaji pelaburan Malaysia di China, dengan memberi tumpuan kepada beberapa buah syarikat yang tersenarai di Bursa Saham Kuala Lumpur. Kajian ini dijalankan dalam konteks pelaburan sesama negara Asia dan dibahagikan kepada enam bahagian.

Bahagian pendahuluan menyatakan tujuan kajian, metodologi dan juga kelemahannya. Bahagian kedua membincangkan sejarah perhubungan China dengan Malaysia dan perubahan politik serta ekonomi sejak kebelakangan ini. Bahagian ketiga mengisahkan China dalam ekonomi sedunia, bagaimana China mengembangkan ekonominya selepas tahun 1949 dan bagaimana perkembangan pelaburan asing dan syarikat usaha sama selepas tahun 1978. Bahagian keempat menganalisis motif rakyat Malaysia yang mula-mula melabur di China dan menilai tren syarikat tersenarai di BSKL yang melabur di China dari tahun 1985-1996, yang mana boleh dibahagikan kepada tiga peringkat. Bahagian kelima pula cuba mengkaji enam buah syarikat yang tersenarai di BSKL, iaitu Hai-O, FACBI, Lion Group, Southern Steel, Muda Holdings dan Metro Kajang. Perkembangan keenam-enam syarikat ini dikaji untuk mengetahui keadaan pelaburan mereka di China.

Dalam bahagian yang terakhir, penyelidik menilai persamaan dan perbezaan antara pelaburan Malaysia dengan pelaburan negara lain. Penyelidik akan cuba menentukan apakah faktor yang menyumbang kepada kejayaan dan juga sebab kegagalan pelaburan di China. Masa hadapan pelaburan Malaysia di China juga akan dibincangkan.

## ABBREVIATIONS

ACCCIM	Associated Chinese Chamber of Commerce and Industry of Malaysia
ASEAN	Association of South East Asian Nations
BT	Business Times
CCP	Chinese Communist Party
CMEA	Council for Mutual Economic Assistance
DSSB	Dreamland Spring Sendirian Berhad
EEC	European Economic Community
EJV	Equity Joint Venture
FACB	First Allied Corperation Berhad
FACBI	FACB Industries
FDI	Foreign Direct Investment
FEER	Far Eastern Economic Review
FTM	Fleet Trading and Manufacturing Sendirian Berhad
GATT	General Agreements on Tariff and Trade
GDP	Gross Domestic Product
GTMV	Great Tang Mountain Villa
Hexagon	Hexagon Point Sendirian Berhad
HLI	Hong Leong Industries
IMF	International Monetary Fund
KLSE	Kuala Lumpur Stock Exchange
LDC	Less Developed Countries
MCBP	Malaysia-China Bees Product Sendirian Berhad
MCP	Malayan Communist Party

Metro	Metro Kajang Berhad
MIDA	Malaysian Industrial Development Authority
MNC	Multinational Corporation, Multinational Company
MoU	Memorandum of Understanding
NatSteel	Southern NatSteel
NEP	National Economic Policy
NIC	Newly Industrialized Countries
NST	New Straits Times
NYSP	Nanyang Siang Pau
PERNAS	Permodalan National
PLC	Public Listed Company
PRC	People's Republic of China
SCJP	Sin Chew Jit Poh
SEA	South East Asia
SEZ	Special Economic Zone
SSB	Southern Steel Berhad
US	United States
Vina	Vina NatSteel
WB	World Bank
WED	World Executive Digest
Wujin	Wujin Qianyang Steel Limited
《BCJM	Xinbao Caijing Monthly
《ZHZK	Yazhou Zoukan
“OPFAN	Zone of Peace, Freedom and Neutrality

## List of Tables

1.	Table 1.1	Number of Chinese in the Straits Settlements-----	8
2.	Table 1.2	Selected Chinese Business Groups in Traditional Businesses-----	9
3.	Table 1.3	Malaysia's Trade with China, 1950-69-----	11
4.	Table 1.4	Malaysia's Trade with China, 1970-94-----	14
5.	Table 1.5	Malaysian Businessmen Visiting the Canton Trade Fair, 1971-76-----	15
6.	Table 1.6	High Level Chinese Officials Who Visited Malaysia from 1978-94-----	22
7.	Table 1.7	Number of Malaysian Visitors to China, 1987-94-----	23
8.	Table 1.8	Number of Chinese Visitors to Malaysia, 1990-97-----	23
9.	Table 1.9	Number of Chinese Delegations to The K.L. and Selangor CCCI-----	24
10.	Table 1.10	List of High Level Officials who Exchanged Visits in 1994-----	27
11.	Table 1.11	New PLC Ventures in China, 1990-96-----	28
12.	Table 2.1	Estimates of Net Domestic Product by Components: 1957 and 1966-----	40
13.	Table 2.2	Indexes of Industrial Output During the Cultural Revolution-----	42
14.	Table 2.3	Transport and Commerce During the Cultural Revolution-----	42
15.	Table 2.4	Agricultural Outputs and Inputs During the Cultural Revolution-----	43
16.	Table 2.5	Share of Gross Domestic Product by Sector (%)-----	46
17.	Table 2.6	List of 14 Coastal Cities-----	47
18.	Table 2.7	List of Coastal Open Economic Zones-----	48
19.	Table 2.8	FDI in China, 1979-1996-----	51
20.	Table 2.9	FDI in China by General Situation-----	53
21.	Table 2.10	FDI in China by Source-----	55
22.	Table 3.1	PLCs in Hong Kong with Malaysian Interest, 26/9/97-----	62
23.	Table 3.2	Malaysian PLCs Invested in China, 1985-90-----	66
24.	Table 3.3	Some Figures of KLSE, 1991-1996-----	68
25.	Table 3.4	Percentage of Successful FDIs in China-----	70



26.	Table 3.5	Top 10 Mega Investments in China Announced by PLCs-----	70
27.	Table 3.6	Regional Distribution of Malaysian PLCs Investment -----	72
28.	Table 3.7	Average Scale of FDI in China-----	76
29.	Table 3.8	Examples of PLCs Alliance in China-----	77
30.	Table 4.1	Six PLCs in Respective Periods-----	79
31.	Table 4.2	MoUs Signed by Lion Group During P.M.'s Visit, 1993-----	91
32.	Table 4.3	The First 25 PLCs Invested in China in Chronological Order----	92
33.	Table 4.4	Number of Amsteel's Associated Companies and Subsidiary Companies in China, 1994-1998-----	93
34.	Table 4.5	List of Parkson Operations in China-----	95
35.	Table 4.6	Turnover and Profit & Loss Account for Parkson China-----	96
36.	Table 4.7	List of Lion's Breweries in China, 1998-----	98
37.	Table 4.8	Comparison of Manufacturing Sector Labour Costs-----	111
38.	Table 5.1	Distribution of FDI in China (%)-----	114

## List of Maps and Figures

1.	Figure 2.1	Stages of Economic Development Asian Countries in 1992-----	36
2.	Figure 2.2	Three Degrees of Autonomy-----	50
3.	Figure 3.1	China's FDI Inflow-----	75
4.	Map 4.1	Location of Hai-O's Investments in China-----	84
5.	Map 4.2	Distribution of FACBI's Investments in China-----	89
6.	Map 4.3	Lion's Motorcycle Joint Ventures in China-----	97
7.	Map 4.4	Location of Investments of The Lion Group-----	101
8.	Map 4.5	Location of Southern Steel Berhad's Investments-----	103
9.	Map 5.1	Spratlys Island-----	131

## ACKNOWLEDGEMENTS

Thank is due, first of all, to my supervisor, Dr. Tan Ooi Chee for his guidance and who made available to me his collections of newspaper clippings. Without his advice, the writer would never have been able to begin research on Sino-Malaysian relationships.

My greatest appreciation and gratitude also to my co-supervisor, Dr. Loh Wei Leng, who indirectly provided much of the intellectual inspiration for the research. On her fell the tedious task of patiently ploughing through several drafts before the final version. Without her help, I would not have been able to meet the deadline.

I am indebted to a great number of friends (far too many to mention individually) who have supported and encouraged me along the way. I would like to express my gratitude to Dr. Ho Khai Leong, Lee Yip Lim and Chua Tia Guan for providing useful materials and resources. Special thanks are due to Lim Choon Bee and Liew Yoon Fei for rushing me materials from the National University of Singapore at the last minute. And, to all the interviewees, especially those who found time for me despite other more pressing responsibilities, a big thank you.

Finally, I would like to dedicate the thesis to my mother, who endures her unruly eldest son for failing to live up to her expectations. To my family members, the writer can do no more than reaffirm his eternal gratefulness.

## INTRODUCTION

This dissertation is a study of Malaysian investment in China by public listed companies (PLCs). The study begins in 1985 when the first PLC, DSSB started its operation in China and ends in 1996 before Hong Kong rejoined China in mid 1997. However, some latest figures for the companies which serve as case studies are also included.

The study covers the years from 1985 to 1996 as a period which saw significant changes of PLCs' investment trend with important implications on the Malaysian economy. Trends of investment are analyzed against the backdrop of political changes within Malaysia as well as in the international arena. This study, therefore, tries to apply a political economic approach which begins with a brief historical review of Sino-Malaysian relations.

There is a long history of relations between China and Malaysia. The contacts between both countries can be traced back to ancient times. However, it was only in the nineteenth century that relations between the two countries became closer. The colonial government encouraged the Chinese to work in the colony. After which the Chinese started to migrate to *Nanyang* in a large scale. Majority of them eventually settled down and subsequently played an increasingly important role in this region.

Large populations of Chinese in Southeast Asia precipitated relations between China and the countries in Southeast Asia. Malaysia, especially, has been the mainstay of China's overall trade with the region despite political differences. However,

due to political conflict, relations between the two countries showed little improvement, even after Malaysia had resumed diplomatic relations with China in 1974.

In response to the rapid economic and political changes in China after it opened to the outside world, the Malaysian government changed its policy towards China adopting a more pragmatic approach (Wong 1997: 8), that is, to allow Malaysian Chinese to visit China. The rapprochement of Sino-Malaysian relations reached new heights when Prime Minister Mahathir paid an official visit to China in 1985. Besides the rise of bilateral trade to a record level, the visit also paved the way for a number of trade agreements to be signed in the following years.

In the meantime, the world economy moved further towards multipolarization. Multinational companies were all out to invest overseas. China with the promise of a potentially huge market, has once again attracted world attention. The second part of this study will reveal the process of economic development in China as well as the flow of foreign investment in a world perspective.

How does Malaysia react to China, a magnet to the world investors? To begin with, the researcher tries to evaluate the first batch of Malaysian Chinese who started to invest in Hong Kong in the 1970's and eventually ventured into the China market. Later, when Malaysian Chinese investment in China has the approval of the governing elite, many PLCs swarmed into China with a hope to tap the huge market. The trends and characteristics of these PLCs will be analysed in the third part of the dissertation.

To get a clearer picture of Malaysian investment in China, the writer chose six PLCs, namely Hai-O, FACB Ind., the Lion Group, Southern Steel, Muda Holdings and Metro Kajang because each represents different phases of the investment trend. Annual Reports of various years and related materials of these six companies have been studied. In the final part, the writer tries to assess the similarities and differences of Malaysian investment with other investors in China. The factors which make for success and the reasons for failure will also be listed. Prospects of Malaysian investments in China will also be examined.

There has been numerous works on the economic activities of the Asian region by both the Normura Research Institute and the Institute of Southeast Asia Studies. However, to the knowledge of the writer, not much research has been conducted on issues related to Malaysian economic relations with China. Lin Jin Zhong's Masters thesis, "A Study on Malaysia-China Economic Relations With Special Reference to Bilateral Trade" is an exception. As his study focused on trade, there is a gap with reference to investment trends. This study, therefore, aims to complement Lin's research towards a more complete picture of Sino-Malaysian economic relations.

This study is conducted by library research and interviews. Another important reference is the newspapers reports and records of companies. A variety of sources were consulted for this study. Newspapers, especially Chinese newspapers have been found to be extremely rich and useful sources of information. Interviews and features contained in contemporary newspapers have helped the researcher to gather extra information on many entrepreneurs to whom the writer does not have access to.

As for magazines such as *XBCJM*, *Capital*, *Forbes* and *Common Wealth*, papers and essays by scholars are often published, which is of great help to the researcher. Finally, interviews with many of the personnel involved in the investments in China have helped the researcher to understand and appreciate the different perspectives concerning investing in China as well as the business world in general. Information gathered from interviews has been integrated into the text although by their request, the name of the interviewees has not been mentioned.

It should be noted, however, that due to the difficulties in getting first hand information, the picture of Malaysian investment in China is often inconsistent or incomplete. Many Malaysian companies invest in China through their Hong Kong subsidiaries or associated companies. Furthermore, Malaysian companies are not obliged to report to any Malaysian governmental or statutory body such as MIDA. To make things worse, many companies the writer approached have refused to release relevant figures in the name of “business secret”. Although PLCs are obliged to announce to the public the progress of their business from time to time, it must be noted that the figures and material released are still limited and actual figures may be several times higher.