

# Putting the East in Southeast Asia — China Railway Group Ltd sets up regional hub in Greater Kuala Lumpur

China Railway Group Ltd (CREC) is setting up its first regional hub outside of China in Kuala Lumpur, under its subsidiary China Railway Dongfang Group. It has made headlines for choosing Greater Kuala Lumpur as its location for key business dealings in the region, pumping US\$2 billion in foreign direct investment into Malaysia.

The CREC Group is one of the largest construction companies in the world and is listed on the Shanghai and Hong Kong stock exchanges. The multibillion-dollar company is a global leader in construction and infrastructure and is known for undertaking many railway projects worldwide, including the Anaco-Tinaco railroad, Beijing-Shanghai high-speed railway, the Iran Electrified railway, the Qinghai-Tibet railway and Singapore's Sengkang LRT.

One of the most impressive projects CREC has completed to date is the 1,956km Qinghai-Tibet railway. It spans the Tanggula Pass, which at 5,072m above sea level is the highest spot in the world where a railway has been built. This attests to the group's extensive expertise and experience in railroads.

It has also had a hand in large projects outside of railroads, such as the Palm Islands of UAE, the Shanghai F1 racing circuit and social housing projects in Angola.

That is why CREC was named the master developer for Bandar Malaysia with the utmost confidence. The future urban metropolis will be the model transport hub in the region and is part of the modern-day Silk Road master plan.

It is interesting that this international behemoth would choose Kuala Lumpur to house its first regional business hub over the rest of Southeast Asia. But according to Cai Zemin, the general manager of China Railway Dongfang Group, the decision was an easy one.

"CREC is always looking to go global and increase overseas activity," Cai says. This is part of the company's strategic plan for the next three to five years.

## A FIRST CHOICE FOR CREC'S SECOND HOME

The first part of its plan was to find a suitable location for its regional hub and it landed quickly on Malaysia. "In all of the world, we felt that Southeast Asia and Malaysia have good political stability, compared with other regions like the Middle East or Africa," Cai shares.

And when the region was narrowed down, Malaysia came under the spotlight for multiple reasons.

## THE MOST STRATEGIC LOCATION IN THE WORLD

First is its strong geographical location. "Malaysia has its own unique propositions that other countries in the region don't have. For one, it is located at the centre of Asean," Cai says.

Historically, he continues, the Strait of Malacca is known for its strategic oceanic trade route, connecting the Indian Ocean with the Pacific Ocean, as one of the world's most important shipping channels.

Even now, Malaysia has potential to leverage its ports for logistics flow. "Singapore used to be strong in its seaway logistics because other parts of the region had yet to offer such extensive services. But now that Malaysia has developed its port infrastructure, the TEU [20-foot equivalent unit, used to measure a ship's cargo carrying capacity] traffic in Singapore is decreasing," Cai says.

"With the North Port expansion, Malaysia's TEU traffic will go up since it can utilise the maritime silk route to India and other parts of the world."

## A CULTURAL MELTING POT

The second reason is, of course, that the country is a melting pot of cultures. "Malaysia is incredibly diverse. It is multiracial with many religions yet it remains peaceful. It has a vibrant culture and everyone here is multilingual," Cai says. Malaysians being able to speak Mandarin and other Chinese dialects makes it easy for mainland Chinese to feel at home here.

"I have even met Indian people who speak fluent Mandarin and it is very impressive!" Cai says. "I believe no matter who comes to Malaysia, whether it is to visit or do business, they will feel at home. The Middle Easterners who come to Malaysia feel at home, business people from India also feel welcome and we Chinese feel that too."

Malaysians' strong command of English meets international business standards, making it easy for CREC to conduct business from its future regional hub in Malaysia.

## STRONG INTERNATIONAL TIES

Thirdly, says Cai, the country has strong socioeconomic and political ties with most parts of the world. "It will be very easy for us to do business from Malaysia because of its strong trade relations and the free trade agreement within Asean."

In addition, the country being a member of the Commonwealth also helps with CREC's global expansion plans. "Since Malaysia has good relationships with other Commonwealth countries, this is highly beneficial to a Chinese company like us. We also like that the business ecosystem here follows the British legal system. This makes it internationally acceptable."



Cai: "Overall, I do believe Malaysia has a bright future."

Malaysia also has strong ties with the Muslim world. This is particularly important to CREC because much of its business is with the Middle East. "We feel that Malaysia is respected by other Muslim countries, which makes these markets very accessible to us."

## A CONDUCTIVE BUSINESS LANDSCAPE

The fourth reason, Cai says, is that the country is still seen as stable in its political and economic development. Singapore's currency may be strong, but Malaysia has the most potential to develop, he says.

His fifth reason is that since CREC deals mainly in construction, it is important that the country's infrastructure supports this business in order for it to scale. "We can see the investment in Malaysia growing. In the past, many investors were pumping large sums of money into Singapore, but we see a changing landscape now and foreign direct investment is flowing into Malaysia."

The country has the liquidity, infrastructure and ecosystem CREC is looking for, he adds. It is becoming more competitive because of its thriving engineering, procurement and construction industry. Since there are plenty of EPC companies in Malaysia, CREC believes it can build a close relationship with them to help them expand their business faster.

Sixth, Cai says Malaysia has many other strong industries, including tourism and manufacturing. Not to mention that he believes the country has the right talent to fit CREC's plans. Through the Bandar Malaysia project and future endeavours, he hopes CREC will be able to create more than 10,000 jobs.

"Overall, I do believe Malaysia has a bright future," Cai opines.

## HOW CREC HOPES TO BENEFIT MALAYSIA

CREC is a full turnkey EPC company that provides solutions for its clients that encompass even the financing aspect. "Whether it is public-private partnership or build-operate-transfer, we have done everything from helping to raise capital to being guarantors for projects while also being the operator," Cai says.

CREC is different from other infrastructure players because it is versatile. It builds entire townships with a balanced ecosystem. "We are able to do this because we are in control of the project from start to finish," Cai says.

What CREC hopes to bring to Malaysia, in addition to foreign direct investment and job creation, is the transfer of technological know-how. "We have been in this industry for many years now and we have made mistakes and learnt from them. That is why we are able to deliver our projects so quickly," he says.

Furthermore, with Western businesses entering the Chinese market in the 1980s, Chinese companies have also picked up a lot of their methods and best practices. "We hope that we can do the same for Malaysia, bringing in our best practices so Malaysians can take this opportunity to adapt and even improve on them," Cai says.

Once the Bandar Malaysia project is up, Cai believes it will benefit the country, as it will be a world-class destination that will attract world-class talent that local talent can work with.

Cai hopes China Railway Dongfang Group's contribution to the overall CREC Group will reach at least 5% a year in three to five years. CREC Group's gross revenue was US\$100 billion last year.

"I foresee that we are going to be very proud of the contribution that comes from Malaysia and this region," he says.

## INVESTKL'S INDISPENSABLE HELP

When asked what kind of advice Cai would offer to other Chinese companies looking to set up offices in the Greater Kuala Lumpur area, he had one thing to say, "Find your partner in InvestKL."

He believes the work that InvestKL has done with CREC was absolutely essential in ensuring everything was smooth sailing from the start. "InvestKL made it so easy for us to bring the necessary personnel into Malaysia as expatriates by providing us with the network to local authorities and government agencies," Cai says.

"We believe that what we have achieved so far was only possible with its help," he says.

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Plan to **Create** more than **10,000 Jobs**

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