

China's Sino Hua-An mulls coke plant here

Company aims to tap rising demand in region

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CHINA-based Sino Hua-An International Bhd has admitted that it was mulling to set up a coke manufacturing plant in Malaysia, to increase its capacity and tap into the rising demand for metallurgical coke in Southeast Asia.

Metallurgical coke is a raw material used as energy source for the manufacturing of steel.

"We don't deny the fact that we may set up a plant in Malaysia. However, it is at a preliminary stage and we are now conducting a viability study," managing director Liu Guodong told pressmen after the company's annual general meeting in Kuala Lumpur yesterday.

It was reported recently that the company was looking at several sites in Malaysia including Sarawak to build the factory.

Sino Hua-An is the third largest coke producer in Shangdong, China, with a 10 per cent market share in China's third largest coke producing province.

Sino Hua-An executive director Cedric Choo Sia Teik said the company's plans to build a plant outside China was to cater to the under-served region.

"We believe that there is an inadequate supply of coke in the region. We do see demand returning with the pick-up in economic activity," he said.

Sino Hua-An's intention to have an overseas factory could also be the result of the Chinese government's cap on steel production to control oversupply.

"Currently, there is an oversupply of steel in China although steel demand and supply have increased by more than 10 per cent," said Liu.

"The Chinese government is trying to control or reduce production capacity to ensure no steel

oversupply in China so that steel prices will go up and steel millers as well as coke makers like us make profit," he explained.

On the outlook of steel prices in 2010, Liu said it will depend on the cost and demand for coke and iron ore.

He said China's steel millers have failed to negotiate with the world's top three iron ore producers, namely Companhia Vale do Rio Doce (Vale), BHP Billiton Ltd and Rio Tinto Group, which have monopolised the price and largely the pricing terms that the remaining producers follow.

The dominant iron ore producers have increased the benchmark iron ore price, and simultaneously ditched annual price fixing in favour of a quarterly pricing mechanism.

Furthermore, he said, the property bubble burst in China may also impact negatively on steel demand. "However, there is no doubt that the demand for steel will apparently slowly increase. And, not forgetting the supply of steel will increase as well."



The company is conducting a viability study on the plan, says Liu