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A step forward for Oilcorp in fisheries

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MOVING from oil and gas to fishing may seem a step backward for some, but for Oilcorp Bhd, the latter seems to hold more promise than what many people believe.

The company sees revenue contribution from deep-sea fishing activity reaching in excess of RM300mil in five years, which would be far greater than what its current other core businesses, oil and gas (O&G) and property, would generate. Its O&G division is projected to earn RM200mil in revenue and its three property projects RM60mil.



"The ocean is big and there is fish everywhere. When we get into the second phase (of the fishing project), there is no limit as to how far we can grow," said Oilcorp managing director Sunny Ng H.T. told *StarBiz* last week.

"For deep-sea fishing, we don't need a year or two (for the project to take off). We can do it fast and we are moving fast already."

Oilcorp landed the windfall of larger potential revenue and profit, courtesy of its role of spearheading Konsortium Perikanan Nasional Bhd (KPNB).

Sunny Ng H.T.

KPNB is envisioned to be a full-fledged and integrated fishing consortium, which will have a modern fleet of shipping vessels and marketing and distribution networks, and fish processing capability.

Oilcorp is heading the five-member KPNB through 70%-owned subsidiary Layar Visi Sdn Bhd, which will have a 51% stake in KPNB.

Ng said the fishing consortium would start business by year-end and would start contributing to Oilcorp from then. Oilcorp is expecting gross profit for 2006 to double from 2005 due to KPNB operations and new contracts from both Malaysia and the Middle East for its existing O&G business.

The ball has already started rolling for KPNB. The consortium held a board meeting last week, where its members gave the go-ahead to buy 25 vessels. The CEO of the consortium was given the responsibility to source for more boats, and other committees within the consortium were also formed.

There was also a cash call of RM10mil, to be paid proportionately based on the shareholding in KPNB. The targeted paid-up capital for KPNB is RM100mil.

KPNB has identified possible ports for KPNB's activities. The port of call for KPNB fleet of purse seiners, trawlers and long-liners will be Batu Maung in Penang ; Tok Bali in Chendering, Kuantan; and Endau in Johor.

Ports in East Malaysia will be Kota Kinabalu, Semporna and Labuan in Sabah, and Tanjung Manis and Miri in Sarawak.

Ng said KPNB had secured the relevant experts in the fishing industry who would manage and operate the consortium. These people were formerly from Safma Fishing Sdn Bhd and other fishing companies and together have 200 years of experience in the fishing industry.



“We are lucky to get ex-staff of Safma. Before we started this business, we signed a memorandum of understanding (MoU) with an Indonesian party based in Jakarta and Bali that does a lot of purse seining, trawling and tuna fishing. This is how we acquired our expertise,” he said.

KPNB is expecting its total fleet size to swell to 700 vessels over the next decade, of which 300 foreign charter vessels have been earmarked for replacement.

“We expect our investments over the next 10 years to be easily around RM1bil, which is for vessels, upgrading port facilities and downstream activities,” said Ng.

Downstream and processing activities, which will be done at fisheries complexes, will be conducted close to fishing grounds and ports that have a host of facilities.

Ng said Oilcorp was not thinking of the entire value chain of fishing just yet as food processing activity by new fishing companies had proved to be more of a drag than a

benefit. He said that would start as the size of the catch by KPNB increased and as skilled labour for such work was sourced.

Ng said the potential investment of RM1bil would be money well spent, given the large size of the Malaysian market.

“The value of fish exported and imported from and into Malaysia is RM4bil and it is the 19th largest fish-producing nation. But we are still far behind Indonesia, Thailand and other neighbouring countries like Vietnam,” he said.

Catching fish sounds like the easy part, since the waters surrounding Malaysia is said to be rich in fish, but selling them will be a challenge. Ng, however, feels that since Malaysia is still a net importer of fish, substituting the catch sold by KPNB with imported fish should not prove too difficult.

KPNB also plans to establish marketing and distribution networks through alliances. Oilcorp believes the consortium would eventually have the largest market share in Malaysia.

Apart from purse seining and trawling, Ng believes that tuna fishing, with the higher prices it fetches, offers great promise to the consortium, which will fish in the South China Sea, Indian Ocean and Pacific Ocean.