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Lion Group's RM4.3b joint venture with China firm

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The Lion Group of Companies and the Pulp & Paper Industry Co Ltd of China yesterday signed an agreement with the Sabah State Government to establish a RM4.3 billion joint-venture forest plantation and pulp and paper mill project in Sabah.

The signing agreement witnessed by Prime Minister Datuk Seri Dr Mahathir Mohamad and his Chinese counterpart Li Peng has been said to be the single largest foreign investment in forest plantations and paper mill by China outside its country.

The signatories were Lion Group chairman Tan Sri William Cheng, the vice chairman of the State Planning Commission of China, Chen Tong Hai and Sabah Chief Minister Datuk Yong Teck Lee.

Lion Group also announced that two joint venture companies would be incorporated locally to undertake the forest plantation project and pulp and paper mill respectively.

The joint venture company for the forest plantation project will have an equity structure of 60 per cent Malaysian and 40 per cent Chinese while the company for the pulp and paper mill's equity structure will be 40 per cent Malaysian and 60 per cent Chinese.

The project will have a production capacity of 750,000 tonnes of pulp and 225,000 tonnes of paper per annum.

Lion Group in a statement issued after the signing ceremony at the Prime Minister's Department said a substantial portion of the production would be exported to China, generating foreign exchange earnings and savings in excess of RM1 billion per annum for Malaysia.

"This project will bring about economic, social and environmental benefits to the country, particularly to Sabah. About 6,500 including 200 managerial and technical positions will be created.

"To ensure a continuous supply of raw material for the pulp and paper mill, this project will have its own sustainable forest management programme. This will include converting and rehabilitating waste and idle land into productive forest plantations.

"An estimated 220,000 hectares of forest plantations will be established with an annual production of 3.8 million cubic metres of pulpwood to feed the pulpmill while a small portion of the plantation wood can be used as commercial log to support the downstream wood-based industries," the statement said.

It added that the equity partners for the project are also looking into other possible sites in Malaysia to establish another pulp and paper mill of similar capacity.

Yong, in a statement, said the agreement was a follow-up of a Memorandum of Understanding executed in August last year between the Primary Industries Ministry and the State Planning Commission of China to promote co-operation in the pulp and paper industry on the basis of mutual benefit.

Among the benefits for Sabah includes employment opportunities, economic growth, foreign exchange earnings, utilisation of idle land and provision of infrastructure.

"The size and nature of the project will not only put Sabah ahead of other States in term of forest development and environmental conservation, it will put Sabah into the Asia Pacific profile as well.

"The fact that China and Malaysia are willing to start a nation-to-

nation project of such magnitude in Sabah, clearly shows their confidence in the forestry policies and management of Sabah," his statement said.

He said the project would enhance economic activities as well as development for the forest area to be leased by the State Government for a period of 99 years.

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