

24/05/2000

Lion Corp to get 20pc stake in project

Fadzil Ghazali

DIVERSIFIED Lion Corp Bhd will get a 20 per cent stake in a proposed Malaysia-China RM4.56 billion pulp and paper project in Sabah that has been stalled for four years because of equity problems.

Primary Industries Minister Datuk Seri Dr Lim Keng Yaik, who has just returned from a troubleshooting trip to China, said the project that has been on hold for four years can now proceed as its equity structure has been finalised.

He said the Chinese Government will take up 40 per cent of the project while the Sabah Government will hold the remaining 40 per cent.

It has also been agreed that the Malaysian Government will hold one golden share in the project to smoothen the process of finalising the joint-venture.

"The main problems that had held up the project have been settled. All this has been resolved," he told reporters in Kuala Lumpur yesterday.

Dr Lim said the project was delayed for four years because the parties could not agree on two main issues, namely the site of the forest plantation and the equity structure of the joint-venture.

He said the Sabah Government has set aside 220,000ha for the planting of fast-growing trees that will supply raw materials for the proposed pulp and paper mill. Both plantation and the mill are to be located in Kalabakan, Sabah.

Dr Lim said it has been agreed in principle that the Malaysian parties, including the Lion Group, will hold 60 per cent of the forest plantation and 40 per cent of the proposed pulp and paper mill.

Dr Lim said Malaysia has requested the Chinese authorities to formalise the agreement quickly so that the project can begin soon.

Last August, Lion Corp's Lion Forest Industry and Sabah-owned Innoprise signed an agreement with China's Fuxin Pulp and Paper to set up the joint-venture on forest plantation and the pulp and paper project. The event was witnessed by Prime Minister Datuk Seri Dr Mahathir Mohamad who was in China then for a working visit.

Earlier in 1997, Lion Corp, the Sabah Government and Chinese authorities signed a memorandum of understanding on the project, which was reported to be China's biggest investment outside the country.

Dr Lim said the project will help Malaysia to reduce its pulp and paper imports, and at the same time develop technology to process the country's oil palm bio mass into something with better economic value.

Malaysia produces some 13 million tonnes of oil palm bio mass a year. The bio mass comes from empty fruit bunches, palm fronds and oil palm trunks.

"This waste can be turned into pulp and paper and medium density fibreboard. The Chinese could help with the technology and capital to do this," he added.

Malaysia imports some 7 million tonnes of pulp a year. The proposed pulp and paper project can only produce some 750,000 tonnes of pulp annually.

(END)