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Sino-Malaysian paper project to take off soon

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AFTER four years of equity problems, the country's first Sino-Malaysian pulp and paper joint venture in Sabah, worth RM3.2 billion, is expected to take off at the end of the year.

It will start with the incorporation of a forest plantation joint venture company between the partners - China state-owned company China Fuxing Pulp and Paper Co and local investors comprising Innoprise Corp Sdn Bhd (subsidiary of Yayasan Sabah) and Lion Group Bhd.

The project, covering 220,000ha in Kalabakan Tawau, involves manufacturing and the planting of trees to produce writing and printing paper.

The joint venture company will start planting trees by the end of next year, followed by the construction of a factory by end-2003. Production is expected to start in 2006 or 2007.

Details of the project were made available by parliamentary secretary to the Ministry of International Trade and Industry Fu Ah Kiow in Parliament yesterday.

He was replying to a question by Mr Philip Benedict Lasimbang (BN-Penampang), who wanted clarification on the status of the pulp and paper project.

Fu also produced the implementation schedules of the project to the House.

Earlier reports said the Lion Group would get a 20 per cent stake in the proposed pulp and paper project in Sabah. The Chinese Government would take up 40 per cent, while the Sabah State Government would 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.

In addition, it has been decided that the Malaysian parties, including Lion Group, will hold 60 per cent of the forest plantation and 40 per cent of the proposed pulp and paper mill.

Fu said the ministerial meeting between the two Governments in Beijing on October 29-31 had resolved various issues which had hampered the implementation of the project. These include the Environment Impact Assessment, implementation schedules and financing.

"With the problems solved, it will help speed up the implementation of the project," he said.

He reiterated that the Government will continue with the project as it is important for the country to reduce its pulp and paper imports.

At the same time, the project can also help develop technology to process the country's oil palm biomass into products with better economic value.

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

This waste can be turned into pulp and paper and medium-density fibreboard, and the Chinese can help with the technology and capital to carry out the process.

Malaysia also imports some seven million tonnes of pulp a year.

The proposed pulp and paper project can only produce some 750,000 tonnes of pulp annually.

Lion Group's Lion Forest Industry and Sabah-owned Innoprise had signed

an agreement with China's Fuxin Pulp and Paper in Beijing in August last year 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 at the time for a working visit.

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

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