FGV Signs an MOU with China Machinery Engineering Corporation – Jointly establish EFB based paper pulp production facilities

FGV Holdings Berhad (FGV) has signed a Memorandum of Understanding (MoU) with the China Machinery Engineering Corporation (CMEC) with the aim to explore the feasibility of a joint venture or other collaborations that primarily involves the establishment of paper pulp production facilities, as well as the potential distribution and commercialisation of the paper pulp business to the global market.

CMEC's core business is engineering contracting, specialising in the construction of power projects, trading, investment, R&D and international services. CMEC also collaborates with research institutes in Hangzhou and Guangxi, using technology to convert empty fruit bunches (EFB) into paper pulp for commercialisation. It is currently listed on the Hong Kong Stock Exchange with a current market capitalisation of HKD15.88 billion (RM8.58 billion).

FGV's Interim Group President and Chief Executive Officer, Azhar Abdul Hamid said that given the volatility of CPO prices, this initiative is in line with FGV's strategy to focus on downstream activities, by making sure that we fully utilise the by-products from our existing operations to create value for the group.

"FGV produces approximately 3.47 million tonnes of EFB per year from its 68 mills all over Malaysia. This green project also aligns with our waste to wealth initiative in order to ensure the operations are more sustainable.

"With this MoU, FGV hopes to explore the opportunity to integrate the operations of its existing mills with CMEC's engineering expertise, to establish the paper pulp production facilities with an initial capacity of 50,000 MT per annum (1st phase). Furthermore, FGV can leverage on CMEC's extensive engineering and domestic knowledge on China's pulp market," he said.

Azhar added, "Public awareness on the use of green and sustainable products such as paper pulp is increasing every year. This is a great business potential for FGV to explore as we leverage on the huge raw material source to our competitive advantage".

China's pulp and paper industry has been growing at an exponential pace, registering growth of 182.3% from 2006 to 2016. This is in line with China's import volume of paper pulp between 2009 and 2017 which shows a growth of 73.4% growth with 23.72 million tonnes imported in 2017. Given the pulp price per tonne of close to USD900, FGV expects to capitalise on China's demand for paper.

Ends.