

China scraps Indonesia's Asia Pulp deal

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Shanghai — China will block Indonesia's Asia Pulp and Paper's planned buyout of Yunnan Yunjing Forestry and Paper over concerns that the assets are being sold to cheaply, the government said Thursday.

The deal is being blocked by central government authorities due to fears the state will lose valuable assets, said State Forestry Bureau spokesman Cao Qingyao.

According to the agreement, Hainan Jinhai Pulp and Paper, the Indonesian group's China unit, was to acquire 58% of state-owned papermaker Yunnan Yunjing, but had violated national policies.

"The necessary appraisal for transferring

forest assets has not been undertaken . . . and the agreed price is far below that obtained in the (valuation) report."

Last August, Asia Pulp and Paper, Asia's largest paper firm, signed an agreement to invest more than 700 million yuan (\$90 million) in state-owned Yunnan Yunjing Forestry and Paper.

The acquisition by Asia Pulp would have given the group rights to log in 667 square kilometres (1,670 square miles) of forests in China's southwest Yunnan province.

The move was the latest by Chinese authorities to keep a tighter rein on the

sale of state assets amid criticism the ruling Communist Party is selling its inefficient state companies at firesale prices.

In December last year and again last month, China promulgated new regulations aimed at providing for better guarantees that the sale of strategic sector corporations would not endanger the nation's economic security.

In one high profile case last year, US private equity firm Carlyle Group bid for an 85% stake in state-owned Xugong Machinery, but was eventually forced to reduce its bid to 50% and pay more than earlier agreed. AFP