

APPLICATION PROCEDURES & CRITERIA FOR FINANCING FOREST PLANTATION PROJECT

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FINANCING FOREST PLANTATION PROJECT**

**MINISTRY OF PLANTATION INDUSTRIES AND
COMMODITIES, MALAYSIA**

**CRITERIA OF ELIGIBILITY TO OBTAIN FINANCING UNDER THE FOREST
PLANTATION DEVELOPMENT PROGRAMME BY STATE
GOVERNMENT/GOVERNMENT AGENCIES/GOVERNMENT
COMPANIES/GLC AND PRIVATE COMPANIES**

Application to obtain financing assistance in the form of soft loan is through the Malaysian Timber Industry Board (MTIB) that will be subjected to normal application procedures and the following criteria:

- a. Companies need to develop the forest plantation only with recommended species by the Technical Committee on Forest Plantation Development under the Ministry of Plantation Industries and Commodities as follows:

Region	Main Species	Additional Species
Peninsular Malaysia	1. Rubberwood 2. Acacia spp.	1. Khaya 2. Teak 3. Sentang
Sabah	1. Rubberwood 2. Acacia spp.	1. Kelempayan/Laran 2. Batai 3. Teak
Sarawak	1. Rubberwood 2. Acacia spp.	1.Kelempayan/Laran 2. Batai 3. Binuang 4. Khaya

- b. The public listed company should be Malaysian-owned with 51% local equity and non-public listed company to be with 100% local equity and registered under the Companies Act 1965;
- c. The company must have a minimum paid-up capital of at least RM500,000;
- d. Having land ownership or have at least a 30 years leasehold agreement with minimum size of:
 - 2,500 hectares for rubberwood species and 15,000 hectares for Acacia and other timber species for 15-year cycle (Peninsula Malaysia only);
 - 15,000 hectares for rubberwood species, Acacia and other timber species for 15-year cycle for Sabah and Sarawak

(Please attach the related land title and leasehold agreement);

- e. **Peninsula Malaysia:** Forest plantation to be developed must be on statelands or alienated lands and not on Permanent Reserved Forests (PRFs) that are gazetted for conservation and water catchments area.

Sarawak: Only areas with License for Planted Forest (LPF).

Sabah: Only areas that are approved as zone for Industrial Tree Plantation (ITP) under the Sustainable Forest Management Licence Agreement (SFMLA);

- f. The company must have sufficient planting materials for the forest plantation that are approved by the Malaysian Rubber Board (MRB) for rubber clones and Forest Research Institute of Malaysia (FRIM) for other wood hybrid and clones;
- g. The company must be able to provide financing at least 20% from the cost of the proposed project;
- h. The land for forest plantation must be free from other crops such as palm oil and cocoa and the fund is for the new planting of timber species approved by the Technical Committee only;

- i. The company should prove to be financially strong with satisfactory and reasonable cash-flow indicating capability for loan repayment; and
- j. Companies should not have any adverse record of borrowing from any financial institutions or government agencies

SUCCESSFUL APPLICANTS WILL BE OFFERED THE LOAN WITH THE FOLLOWING TERMS:

- a. Interest rate of 3%;
- b. Loan Period: 20 years;
- c. Grace period of 15 years (with yearly compounded interest rate); and
- d. Payback period of 5 years beginning on year 16 (with daily compounded interest rate).

DOCUMENTS NEEDED TO BE SUBMITTED:

- | | |
|---|--------------------------|
| 1. Application Letter | <input type="checkbox"/> |
| 2. Company Profile | <input type="checkbox"/> |
| 3. Working Paper of the Proposed Project (See format in Annex 1) | <input type="checkbox"/> |
| 4. Copies of Form 9, 24 and 49 under the Company Act (to be verified) | <input type="checkbox"/> |
| 5. A copy of Memorandum Article of Association (to be verified) | <input type="checkbox"/> |
| 6. A copy of Land Title [Ownership] (to be verified) | <input type="checkbox"/> |
| 7. Company's Organisation Chart (Forest Plantation Management Division) | <input type="checkbox"/> |

**FORMAT OF WORKING PAPER TO FINANCING
THE PROPOSED PROJECT**

- (i). Objective and Scope of the Project;
- (ii). Background of the Project;
- (iii). Project Location and Hectarage (Attach map of the project);
- (iv). Project Details including species of timber to be planted;
- (v). Prospect of the project;
- (vi). Implementation Plan (Date to begin and end of the project/ Planting Schedule);
- (vii). Project Costs (List all items and costs in detail);
- (viii). Project financing (Percentage of financing needed and company-owned financing);
- (ix). Marketing proposal for the timber production (for own use or to be sold elsewhere);
- (x). Project cash flow for 15-year period; and
- (xi). Company Financial Statement (to be verified).

**ALL RELEVANT DOCUMENTS NEED TO BE SENT TO THE
FOLLOWING ADDRESS:**

Director General,
Malaysian Timber Industry Board (MTIB),
Forest Plantation Division,
13-17th Floor, Menara PGRM,
No.8, Jalan Pudu Ulu, Cheras,
P.O.Box 10887,
50728 KUALA LUMPUR.

(up: Puan Hajjah Mahani Mohd Yusoff)

Tel: 03-92822235 Fax: 03-92851477

Prosidur & Kriteria Permohonan Pembiayaan Projek Ldg Hutan (BI) (7.3.08) /cta