

The Advertiser

SE Business
HD **China** sold on fibre plant
BY CAMERON ENGLAND CHIEF BUSINESS REPORTER
WC 409 words
PD 10 March 2014
SN The Advertiser
SC ADVTSR
ED Advertiser
PG 26
LA English
CY © 2014 News Limited. All rights reserved.

LP

PAPYRUS Australia has struck a deal with a **Chinese** investor group to set up a factory in Hainan, in what could be a saviour for the struggling **company**.

The Adelaide **firm** has announced it has done a deal with the CIG to set up a banana fibre processing plant and a banana fibre manufacturing factory in Hainan, which is an island province of **China** where there are significant banana plantations.

TD

Since listing in 2005 Papyrus has been trying to commercialise its process, which can make a variety of paper and board products from banana fibres.

The **company** has claimed its paper-making process is much cheaper than traditional methods and does not require the use of water, which is currently used in great amounts.

However, a series of agreements over the years have failed to **lead** to a profitable business model for the **company**, which had a cash balance of just \$118,220 at the end of December.

The new agreement obliges the **Chinese** entity to set up a **company** which Papyrus will have a 20 per cent **stake** in.

The group will have to capitalise the new **company** to the tune of 20 **million Chinese** yuan, or \$3.6 **million**. "CIG is also required to secure land and buildings for the factory and all **Chinese** Government licenses," Papyrus said.

A business plan will also be developed and agreed upon and the agreement should **lead** to early cash flow, with the **Chinese** group committing to purchasing two plants.

"CIG is obliged to **purchase** at least one patented Papyrus banana veneering unit and one patented Papyrus banana fibre production unit together with necessary proprietary fibre panel production machinery to establish the first factory," Papyrus said "The memorandum of agreement requires CIG to pay a 50 per cent deposit for the patented Papyrus machinery by July 31, 2014." Papyrus said the products intended to be produced in the fibre processing plant were veneer and fibre. "And the products to be manufactured in the banana fibre product manufacturing factory are fibre panels such as chipboard, particle board and MDF panels, all for use in the furniture making and building construction industries.

"CIG has committed to a five-stage program designed to achieve a successful business model in **China** to meet the demands in **China** for decorative veneer and fibre board." Papyrus shares closed 0.2c higher at 2.6c on Friday.

NS gcat : Political/General News

RE china : China | saustr : South Australia | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania |
austr : Australia | bric : BRIC Countries | chinaz : Greater China | devgcoz : Emerging Market Countries |
dvpcoz : Developing Economies | easiaz : Eastern Asia

PUB News Ltd.

AN Document ADVTSR0020140309ea3a000ee