

ASX RELEASE

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Malaysian plant upgrade to meet demand for compostable resin

Highlights:

- **SECOS to expand its successful Malaysian operations by manufacturing and marketing compostable resin for the large and growing local film and bag market**
- **Expansion into compostable resin has been encouraged by local authorities and accompanied by 'Bionexus' status awarded by Malaysian government, bestowing fiscal incentives, grants and other guarantees to assist growth**
- **New business unit to commence operations in January 2018, having made strong sales of compostable resin to large-scale Malaysian bag manufacturers**

Sustainable and eco-friendly bioplastics developer SECOS Group Limited (ASX: SES, "the Company") is pleased to advise that its successful Malaysian operations will expand to commence manufacturing compostable resin in January 2018.

This supports SECOS' international growth strategy and follows ongoing business development at the Company's production facility at Port Klang near Kuala Lumpur.

SECOS' new strategic business unit will be named Cardia Bioplastics (Malaysia) Sdn Bhd and will operate under the Stellar Films (Malaysia) Sdn Bhd business the Company acquired in April 2015.

SECOS' establishment of a resin manufacturing facility furthers the strong 'green initiatives' set by the Malaysian Government and encourages sustainable manufacturing. This move represents the outcome of 18 months of government negotiations, dialogue with the Malaysian Plastics Association, and discussions with key players in the local film and bag industry.

These green initiatives have culminated in the Malaysian Government awarding the new strategic business unit with 'Bionexus' status. This recognition bestows fiscal incentives, grants and other guarantees to assist growth. Only certain qualified companies undertaking value-added biotechnology and/or life sciences activities qualify for Bionexus status.

The business unit will commence operations having made strong sales of compostable resin (in excess of 35 tonnes) to large-scale bag manufacturers in Malaysia. These initial sales have followed successful production trials, using resin SECOS manufactured at its Nanjing, China plant.

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SECOS Managing Director, Stephen Walters, said:

“With single-use plastic bags having become a global ecological issue, we applaud the Malaysian Government for showing leadership and making a strong commitment to bioplastics.

Establishing a new compostable resin plant in Malaysia will set the Company as a leader in the Malaysian bioplastics industry and provide SECOS with a significant growth opportunity.

The new plant will work closely with local film and bag producers to produce and market bioplastic resins that suit the needs of the large Malaysian bag market.

The Malaysian plastics industry is estimated to be worth more than A\$8 billion and is growing at 5% to 8% per annum, with a large percentage of this growth coming in the bioplastics sector.

The Company expects to reap the benefit of additional synergies through its Stellar Films Malaysia business accelerating its use of bioplastics in products for the hygiene market. The Company is increasingly offering products with higher blends of biohybrid resin that decrease the use of oil-based plastics in baby diapers and feminine hygiene products.

This initiative will strengthen SECOS’ relationship with its customers as it opens the potential for innovative new products and guarantees continuity of supply.”

SECOS’ new Malaysian resin plant will complement its existing resin plant in Nanjing, China, and will use pre-configured assets transferred from the Nanjing plant.

Cardia Bioplastics Malaysia will benefit from its own dedicated team of sales and operational personnel who will focus on opportunities to service Malaysian film and bag manufacturers.

In parallel to the new plant in Malaysia, the business intends to develop a new technology centre in Nanjing, China where it will focus on developing the next generation of bioplastic resin.

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About SECOS Group Limited

SECOS Group Limited (ASX: SES) is a leading developer and manufacturer of sustainable packaging materials. Based in Melbourne, Australia, SECOS supplies its proprietary biodegradable resins, packaging products and high-quality cast films to a blue-chip global customer base.

SECOS holds a strong patent portfolio and the global trend toward sustainable packaging is fueling the Company's growth, bringing FY17 revenue of \$22 million.

The Company's headquarters and Global Application Development Centre are based in Melbourne, Australia. SECOS has a Product Development Centre and manufacturing plant for resins and finished products in Nanjing, China, with manufacturing plants for high quality cast films in Melbourne and Kuala Lumpur, Malaysia. SECOS' annual production capacity is 7,200 tonnes of bioplastic resins, 15,000 tonnes of cast film and 2,000 tonnes of blown film and finished products.

SECOS has sales offices in Australia, Malaysia, China and the US, with a network of leading distributors across the Americas, Asia and Europe.

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