

HD Cardia Bioplastics Announces Proposed Merger with Stellar Films Group

WC 770 words

PD 26 November 2014

SN Emerging Markets Business Information News

SC EMBIN

LA English

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Cardia Bioplastics Limited is pleased to announce that it has signed a terms sheet with privately held Stellar Films Group (Stellar Films) under which it is proposed to merge the businesses of the two groups. The merger, should it proceed, is intended to create a leader in sustainable packaging. The proposed merger is subject to completion of satisfactory due diligence by both parties, execution of a sale agreement, Shareholder and regulatory approval and other customary closing conditions. Under the terms of the proposed merger, Cardia Bioplastics will acquire all of the shares and units issued in Stellar Films and issue ordinary shares in Cardia Bioplastics to the owners of Stellar Films. Following completion of the proposed merger, it is currently anticipated that Cardia shareholders will own 42% of the merged group and the owners of Stellar Films will own 58% of the merged group.

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An Extraordinary General Meeting of Cardia Bioplastics shareholders is expected to be held in early 2015. A notice of meeting setting out all relevant information for shareholders, including an Independent Expert's Report, would be circulated to Cardia Bioplastics shareholders prior to the meeting. The terms sheet provides for an exclusivity period of 4 months from 21 November 2014. During the exclusivity period the parties will undertake due diligence enquiries and act in good faith to agree the commercial terms of the proposed merger, and enter into a sale agreement. Cardia, Stellar and the owners of Stellar have agreed to no shop, no talk and no due diligence restrictions for the duration of the exclusivity period. The no talk and no due diligence restriction will not apply where not responding to a competing proposal would be likely to result in a party breaching its fiduciary obligations. Background to Proposed Merger Cardia Bioplastics and Stellar Films originally partnered to produce environmentally friendly, high quality and cost competitive Biohybrid films tailored for the global personal care and hygiene products industry. The Biohybrid film produced on Stellar Films proprietary cast film process, exhibits a high performance property profile. It is differentiated through its unique soft touch and warm feel that is ideal for personal care product applications such as nappies/diapers, feminine or incontinence products. The close and efficient cooperation between the companies over the last three years has clearly drawn out the strategic fit of the two businesses and the major benefits of a merger, including scale and geographic footprint of combined operations, market access and reach, production and operational savings, complementary intellectual property positions, resources to deliver business strategy and high quality management teams. Stellar Films is an Australian privately owned company that manufactures and globally markets high quality cast films to the personal care, hygiene and medical product industries. The company is headquartered in Melbourne and operates manufacturing facilities in Melbourne and Port Klang, Malaysia. Over the last fifteen years, Stellar Films Group with average sales over the last three years of over \$21 million has developed partnerships with customers in over twenty-seven countries throughout North America, Asia, Africa, the Middle East and Australia/New Zealand. In addition, Stellar holds an interest of 50.8% in Akron Industries. Akron manufactures silicone-coated paper and film products at their Nilai, Malaysia operation supplying the global hygiene and medical packaging markets as well as the sustainable energy sector. Cardia Bioplastics develops, manufactures and markets its patented renewable resource-based materials and finished products, derived from Cardia's proprietary technology for the global packaging and plastic products industries. The company holds a strong patent portfolio and its growth is fuelled by the global trend towards sustainable packaging. Established in Australia in 2002, the company Headquarters and Global Application Development Centre is in Melbourne. Cardia Bioplastics' Product Development Centre and resins manufacturing plant is in Nanjing, China. Cardia's manufacturing plants for film and bag products are in Nanjing, China and São Paulo, Brazil with further offices in Australia, China, USA, Brazil and Malaysia, and a network of leading distributors across the Americas, Asia and Europe. Cardia Bioplastics Chairman, Richard Tegoni, stated The Cardia Bioplastics Board is excited about the intended merger with Stellar Films Group, a business that will complement and strengthen our Cardia Bioplastics business in its product offering, market position and global reach. The combined business has the scale and resources to deliver the successful implementation of our profitable business growth strategy in our carrier bags, films & packaging, and waste management target market

segments. We look forward to working with the Stellar **Group Board** and management to bring the merger **transaction** to a successful conclusion.

CO cardmn : Cardia Bioplastics Limited | stfilm : Stellar Films Group Pty Ltd

IN i25 : Chemicals | i2514 : Resin/Synthetic Rubber | i483 : Plastics Products | ibasicm : Basic Materials/Resources | iindstrls : Industrial Goods

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AN Document EMBIN00020141126eabq000jw