VICPLAS INTERNATIONAL LTD

(Incorporated in the Republic of Singapore)
(Registration No. 199805362R)

PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF CHELLE MEDICAL LIMITED

1. INTRODUCTION

1.1 Proposed Acquisition

The Board of Directors (the "**Board**") of Vicplas International Ltd ("**Vicplas**" or the "**Company**", and together with its subsidiaries, the "**Group**" or the "**Vicplas Group**") wishes to announce that Forefront Medical Technology (Pte) Ltd (the "**Purchaser**") has today entered into a conditional share purchase agreement (the "**Agreement**") with Robert Gaines-Cooper ("**RGC**"), Venner Capital S.A. ("**VC**" or "**Venner Capital**"), David Curtis-Bennett ("**DCB**") and Dangar Holdings Limited ("**DHL**" and collectively with RGC, VC and DCB, the "**Sellers**") for the purchase of the whole of the issued shares in Chelle Medical Limited ("**Chelle**") by the Purchaser from the Sellers for a total consideration of US$5,000,000 (approximately S$6,800,000) (the "**Proposed Acquisition**").

For the purpose of foreign exchange translation from US$ to S$ in this Announcement, the exchange rate used is US$1.00 : S$1.36.

1.2 Information on the Purchaser

The Purchaser is in the medical devices segment, one of the two core businesses of the Group, and is a wholly-owned subsidiary of the Company. The Purchaser is principally engaged in the design, development and manufacture of medical devices, has quality certification of ISO 13485:2012 and is registered under the United States Food and Drug Administration (FDA) as a "contract manufacturer for medical devices".

1.3 Information on Chelle

Chelle is a medical device contract manufacturer incorporated in the Republic of Seychelles (the "**Seychelles**") on 1 February 1975. Chelle operates in the International Trade Zone in the Seychelles, and has been engaged in the manufacture of medical devices since 1996.

Chelle has a quality management system including cleanrooms which complies with the requirements of ISO 13485:2016 for medical devices. Chelle's principal activities comprise the manufacturing and assembly of three groups of medical devices, namely, the Laryngeal Mask Airway ("**LMAs**"), the APA™ video laryngoscope ("**APAs**") and the Venner PneuX™ Tracheal Seal Monitor ("**TSMs**").

Further information on Chelle's operations is set out in Paragraph 6.1 below.

As at the date of this Announcement, Chelle has an entire issued and paid-up share capital of SCR1,000,000 comprising 100,000 ordinary shares of SCR10 each ("**Sale Shares**"), which are held by the Sellers in the following proportions:

Seller	Number of Sale Shares	Proportion of Sale Shares
RGC (in his capacity as nominee of and trustee for VC)	80,000	80%
DCB	1,000	1%
DHL	19,000	19%

DHL is a company in which DCB is the sole shareholder.

1.4 Ancillary Agreements

Under the Agreement, it is envisaged that as part of the Proposed Acquisition:

(a) Vicplas will enter into a letter of commitment (the "**Vicplas Commitment Letter**") with Venner Medical (Singapore) Pte. Ltd. ("**VMS**") in relation to the manufacture by the Vicplas Group of TSMs for VMS and its related corporations and associated companies (collectively, the "**VMS Group**") under which the Vicplas Group will (1) be appointed as the preferred manufacturer of TSMs for the VMS Group; and (2) have the right of first refusal to manufacture, on a per annum basis, at least 50% of all of the units of TSMs in excess of the first 3,000 units of TSMs manufactured by Chelle pursuant to the Chelle Commitment Letter (referred to in sub-paragraph (b)(i) below), respectively, for a period of five years from the Closing Date (as defined in Paragraph 2.3 below); and

(b) Chelle will enter into the following agreements:

(i) a letter of commitment (the "**Chelle Commitment Letter**") with VMS in relation to the manufacture by Chelle of APAs and TSMs for the VMS Group under which Chelle will be appointed as (1) the exclusive manufacturer of APAs for the VMS Group, with the exclusive right to manufacture all units of APAs (to the extent that Chelle determines it has the manufacturing capability and capacity to do so); and (2) the preferred manufacturer of TSMs for the VMS Group with the exclusive right to manufacture at least the first 3,000 units of TSMs per annum (to the extent that Chelle determines it has the manufacturing capability and capacity to do so), respectively, for a period of five years from the Closing Date; and

(ii) a loan agreement (the "**Loan Agreement**") with VC to record the terms and conditions of the various interest-free loans extended by VC to Chelle (the "**Loans**") (of which an aggregate amount of US$500,000 is outstanding), and which will provide (amongst other things) that with effect from the date of the Loan Agreement, (1) no repayments by Chelle in respect of the Loans shall be made in the financial year immediately following the Relevant Financial Year (as defined below) where the net profit after tax of Chelle as set out in its audited accounts ("**Profit After Tax**") less the aggregate amount of all capital expenditure incurred or accrued (as set out in the audited accounts) for the Relevant Financial Year (the "**Relevant Amount**") is less than US$500,000,

and (2) in the event that the Relevant Amount in respect of any financial year (the "**Relevant Financial Year**"), as audited, is not less than US$500,000, the progressive repayment of the Loans by Chelle out of the portion of the Relevant Amount which is in excess of US$500,000 at a rate of no more than US$25,000 per month until the end of the financial year immediately following the Relevant Financial Year or until the amount by which the Relevant Amount exceeds US$500,000 has been applied in full towards such repayments;

(iii) service agreements with its key executives (as identified in the Agreement) (collectively, the "**Service Agreements**") respectively to formalise the terms of their continued employment with Chelle for an initial term of 2 years from the Closing Date;

(iv) an advisory agreement with DCB (the "**Advisory Agreement**") in relation to the provision by DCB to the board and/or senior management of Chelle, for a term of 2 years from the Closing Date, of advice and historical perspective on Chelle's business, on an as and when required basis; and

(v) an appointment letter with a non-executive director of Chelle (as identified in the Agreement) (the "**Director Appointment Letter**") to formalise the terms and conditions on which he will continue his role as a director of Chelle.

The Vicplas Commitment Letter, the Chelle Commitment Letter, the Loan Agreement, the Service Agreements, the Advisory Agreement and the Director Appointment Letter (collectively, the "**Ancillary Agreements**"), are in agreed forms and are appended to the Agreement.

Further information relating to the Proposed Acquisition, including the Ancillary Agreements, are set out in Paragraph 2 below.

1.5 Directors' and Controlling Shareholders' Interests

As at the date of this Announcement:

(a) RGC and his wife, Jane Rose Philomene Gaines-Cooper ("**JRP**"), both non-executive Directors of the Company, are also the Chairman of the Board of Directors of VC, and the President of VC, respectively;

(a) based on the Company's Register of Substantial Shareholders, VC has a direct interest in approximately 56.06% of the issued shares of the Company (excluding treasury shares); VC is owned by the Bird Island Trust, a fully discretionary trust under Liechtenstein law, the trustee of which is CTX Treuhand AG, a trust company based in Liechtenstein, and RGC is the sole beneficiary and protector under the trust; and

(c) based on the Company's Register of Substantial Shareholders, RGC is deemed to be interested in the shares of the Company owned by the Bird Island Trust through VC.

In relation to the Proposed Acquisition, RGC is a Seller for and on behalf of VC, as the beneficial owner, of 80% of the shares in Chelle (of which RGC is the registered holder/trustee). VC and RGC are each an "interested person" of the Company for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), as

VC is regarded as a "controlling shareholder" of the Company and RGC is both a Director as well as a "controlling shareholder" of the Company. In addition, RGC is an "associate" (as that term is defined in the Listing Manual) of an "interested person" for the purposes of Chapter 9 of the Listing Manual by virtue of his spousal relationship to JRP, who, in her capacity as a Director of the Company, is regarded as an "interested person" for the purposes of Chapter 9 of the Listing Manual.

Therefore, the Purchaser's entry into the Agreement with (among others) VC and RGC constitutes an "interested person transaction" for the purposes of Chapter 9 of the Listing Manual. Certain Ancillary Agreements (mentioned in Paragraph 1.4 above) which are to be entered into by the Company or Chelle with a counter-party who is VC or VMS (the latter being an "associate" as that term is defined in the Listing Manual, of VC and RGC respectively) prior to or at Closing (as defined in Paragraph 2.2 below) may also be regarded as "interested person transactions". Further information in relation to these transactions relative to Chapter 9 of the Listing Manual is set out in Paragraph 4 below.

As at the date of this Announcement, Christopher P. Lee ("**CL**"), a non-executive Director of the Company, is also a Director of VC and the Chief Executive Officer of Venner Medical International Inc which is part of the VMS Group. In addition, DCB, who was a non-executive Director of the Company from October 2009 until his retirement from the Board on 28 November 2016, was the Managing Director of Chelle until January 2017. DCB, together with DHL (a company in which DCB is the sole shareholder), are the minority shareholders in Chelle with a collective stake of 20%.

Save as disclosed in this Announcement, and based on the information available to the Company as at the date of this Announcement, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition (otherwise than through their shareholdings, if any, in the Company).

2. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

2.1 Consideration

2.1.1 The aggregate consideration of US$5,000,000 for the purchase of the Sale Shares (the "**Consideration**") will be apportioned among the Sellers in proportion to their respective shareholdings in Chelle.

The Consideration was arrived at on a willing-buyer and willing-seller basis, taking into account various factors including the historical Profit After Tax earnings of Chelle multiplied by a multiple within a reasonable market range for the industry, an assessment by the Purchaser of Chelle's future earnings outlook and an independent valuation report by RSM Corporate Advisory Pte. Ltd. ("**RSMCA**") which has been appointed by the Company to provide a fair market value range of 100% of the share capital of Chelle ("**Fair Market Value Range**"). According to RSMCA, the Fair Market Value Range is US$6.1 million to US$7.0 million as at 31 May 2017, the latest date on which unaudited management accounts of Chelle are available. The Fair Market Value Range has been estimated by RSMCA as the sum of future free operating cash flows expected to be generated by Chelle discounted to present value as at 31 May 2017 using the weighted average cost of capital, on a stand-alone going concern basis.

Based on the audited financial statements of Chelle for the financial year ended 31 December 2016, the audited net tangible asset value of the Sale Shares was approximately US$1,994,000 (approximately S$2,712,000).

The Consideration is currently expected to be funded by internal resources.

2.1.2 The Consideration is payable in cash and in the following manner:

(a) the payment of US$1,000,000 on the Closing Date;

(b) the payment of US$1,000,000 within 10 business days of the date of finalisation of the audited accounts of Chelle in respect of the financial year ended 31 July 2018 ("**FY2018**") (which shall be in or around October 2018);

(c) the payment of US$1,000,000 within 10 business days of the date of finalisation of the audited accounts of Chelle in respect of the financial year ended 31 July 2019 ("**FY2019**") (which shall be in or around October 2019); and

(d) in respect of the financial years ended 31 July 2020 ("**FY2020**") and 31 July 2021 ("**FY2021**") respectively, the payment of an aggregate sum of US$2,000,000 (the "**FY2020/2021 Payment**") subject to adjustment in accordance with the terms of the Agreement.

2.1.3 Under the Agreement, the FY2020/2021 Payment may be adjusted depending on the total Profit After Tax for FY2018 and FY2019 (the "**Two Year PAT**") and is payable as follows:

(a) if the Two Year PAT is equal to or more than US$1,000,000, the Purchaser shall pay to the Sellers (in proportion to their respective shareholdings in Chelle):

(i) a sum of US$1,000,000 within 10 business days of the date of finalisation of the audited accounts of Chelle for FY2020 (which shall be in or around October 2020); and

(ii) a sum of US$1,000,000 within 10 business days of the date of finalisation of the audited accounts of Chelle for FY2021 (which shall be in or around October 2021); and

(b) if the Two Year PAT is less than US$1,000,000 but more than zero, the Purchaser shall pay an amount calculated in accordance with the following formula:

$$A = \left(\frac{B}{1{,}000{,}000} \times 5{,}000{,}000 \right) - 3{,}000{,}000$$

where:

"**A**" means the amount of the FY2020/FY2021 Payment, subject to a minimum of zero; and

"**B**" means an amount equal to the Two Year PAT,

and such amount will be the balance amount of the Consideration to be paid for FY2020 and FY2021 over and above the minimum aggregate amount of Consideration payable to the Sellers of US$3,000,000 (the "**FY2020/2021 Payment Amount**") and payable to the Sellers (in proportion to their respective shareholdings in Chelle) in the following manner:

(i) if the FY2020/2021 Payment Amount is greater than US$1,000,000:

(1) the payment of a sum of US$1,000,000 within 10 business days of the date of finalisation of the audited accounts of Chelle for FY2020 (which shall be in or around October 2020); and

(2) the payment of the balance amount of the FY2020/2021 Payment Amount within 10 business days of the date of finalisation of the audited accounts of Chelle for FY2021 (which shall be in or around October 2021); and

(ii) if the FY2020/2021 Payment Amount is equal to or less than US$1,000,000, the FY2020/2021 Payment Amount shall be paid in full within 10 business days of the finalisation of the audited accounts of Chelle for FY2020 (which shall be in or around October 2020) and no further payment shall be due from the Purchaser to any of the Sellers after this payment is made.

If the Two Year PAT or the FY2020/2021 Payment Amount is equal to or less than zero, no payments shall be due from the Purchaser to any of the Sellers for FY2020 or FY2021. For the avoidance of doubt, the total amount of the Consideration payable to the Sellers shall be not less than US$3,000,000 and not more than US$5,000,000, and the amount of Profit After Tax achieved by Chelle in respect of FY2020 or thereafter shall not affect the aggregate amount of Consideration payable to the Sellers.

2.1.4 The payment structure for the Consideration as described in Paragraphs 2.1.2 and 2.1.3 above, affords the following protections to the Company and its shareholders generally:

(a) If the Conditions Precedent (as defined in Paragraph 2.2 below) are not satisfied, the Purchaser may elect to terminate the Agreement, so that the Proposed Acquisition does not proceed. No amount towards the Consideration would then be payable by the Purchaser at all, and therefore the Vicplas Group would not be at risk.

(b) If the Two Year PAT threshold of US$1,000,000 referred to in Paragraph 2.1.3(a) above is not met, the Consideration will be adjusted downward. The Purchaser (and hence, the Vicplas Group) would thereby not be at risk of paying out a sum which would need to be clawed back.

2.1.5 Under the Agreement, the Sellers shall be accountable for Chelle achieving an aggregate Two Year PAT of US$1,000,000.

2.2 Conditions precedent

Completion of the sale and purchase of the Sale Shares (the "**Closing**") is subject to and conditional upon the satisfaction of, *inter alia*, the following conditions (the "**Conditions Precedent**"):

(a) the receipt by the Purchaser of:

(i) the audited accounts of Chelle for the 7-month or 12-month period (as the case may be) ending on 31 July 2017 (such period, the "**2017 Financial Period**");

(ii) a detailed budget of Chelle in respect of each of FY2018 and FY2019;

(iii) a detailed forecast of Chelle's business in respect of each of FY2018, FY2019, FY2020 and FY2021 (including, without limitation, customer and unit forecasts in relation to the manufacture of TSMs and APAs); and

(iv) evidence that the Profit After Tax in respect of the 2017 Financial Period is not less than:

(1) US$425,000 (if the 2017 Financial Period is a 12-month period); or

(2) US$248,000 (if the 2017 Financial Period is a 7-month period),

in each case, such documents and/or information being satisfactory to the Purchaser (acting reasonably);

(b) the entry into the Chelle Commitment Letter;

(c) the entry into the Vicplas Commitment Letter;

(d) the entry into the Loan Agreement;

(e) the entry into the Service Agreements;

(f) the entry into the Advisory Agreement;

(g) the entry into the Director Appointment Letter; and

(h) the approval of the shareholders of the Company for the acquisition of the Sale Shares by the Purchaser and (where applicable) the transactions contemplated by the Agreement in accordance with the requirements of the listing rules of the SGX-ST having been obtained.

In the event that the Conditions Precedent are not satisfied or waived (save that the Condition Precedent referred to in Paragraph 2.2(h) above shall not be capable of being waived by the Purchaser or the Sellers) on or before 31 October 2017 or such other date as may be agreed in writing between the Purchaser and the Sellers, the Purchaser or the Sellers may elect to terminate the Agreement (other than certain surviving provisions) and neither the Sellers nor the Purchaser shall have any claim against the other, save for any claim arising from antecedent breaches of the Agreement.

2.3 Closing

Closing will take place on the first business day falling three business days after the satisfaction or waiver (as the case may be) of the last of the Conditions Precedent in the Agreement (other than those conditions that by their nature are to be satisfied at Closing), or such other date as may be agreed in writing between the Sellers and the Purchaser (the "**Closing Date**").

The Sale Shares shall be sold free from encumbrances, and with all rights and advantages attaching thereto as at Closing (including the right to receive all dividends or distributions declared, made or paid on or after 1 August 2017). Upon Closing being accomplished, Chelle will be a wholly-owned subsidiary of the Purchaser and a member of the Vicplas Group.

2.4 Restrictions on the Sellers

Pursuant to the Agreement, each of the Sellers has undertaken with the Purchaser and Chelle that it will not and will procure that none of the members of its Seller's Group (as defined below) or their respective directors will in any Relevant Capacity (as defined below) during the Restricted Period (as defined below):

(a) directly or indirectly carry on, be engaged in or be economically interested in any business which is of the same or similar type to the business of Vicplas, the Purchaser, Chelle or their respective subsidiaries and associated companies in the Restricted Territories (as defined below) as now carried on and which is or is likely to be in competition with the business of Chelle as now carried on;

(b) canvass or solicit the custom of any person, firm or company who has within two years prior to Closing been a regular customer of Chelle in relation to the business of Chelle in the Restricted Territories; or

(c) induce or seek to induce any present Restricted Employee (as defined below) to become employed whether as employee, consultant or otherwise by any member of its Seller's Group, whether or not such Restricted Employee would thereby commit a breach of his contract of service,

(collectively, the "**Restrictions**"), provided that the Restrictions shall not operate to prohibit VC or any of its subsidiaries from manufacturing Venner PneuX™ EndoTracheal Tubes or from using any device manufacturer other than Chelle or any member of the Vicplas Group for the manufacture of Venner PneuX™ EndoTracheal Tubes.

For the foregoing purposes:

(i) "**Relevant Capacity**" means for its own account or for that of any person (other than the Purchaser or Chelle) or in any other manner and whether through the medium of any company controlled by it (for which purpose there shall be aggregated with its shareholding or ability to exercise control the shares held or control exercised by any person connected with such Seller) or as principal, partner, director, employee, consultant or agent;

(ii) "**Restricted Employee**" means any relevant employee who (i) has access to trade secrets or other confidential information of Chelle; (ii) has participated in discussions relating to the transaction pursuant to the Agreement; or (iii) holds the position of

manager or higher;

(iii) "**Restricted Period**" means:

(1) from the Closing Date to the first anniversary of the Closing Date;

(2) from the first anniversary of the Closing Date to the second anniversary of the Closing Date; and

(3) from the second anniversary of the Closing Date to the third anniversary of the Closing Date;

(iv) "**Restricted Territories**" means Singapore, the People's Republic of China, the United States of America, Europe and the Republic of Seychelles; and

(v) "**Seller's Group**" means, in respect of any Seller, such Seller and its connected persons from time to time, and "**connected persons**" shall have the same meaning as its definition in the Securities and Futures Act, Chapter 289 of Singapore.

3. FINANCIAL EFFECTS

3.1 Illustrative Nature of Financial Effects

The financial effects of the Proposed Acquisition on the net tangible assets ("**NTA**") per share and the earnings per share ("**EPS**") of the Company, based on (i) the audited consolidated financial statements of the Group for the financial year ended 31 July 2016 ("**FY2016**") (being the most recently completed financial year of the Group for which audited financial statements have been prepared), (ii) the audited financial statements of Chelle for the financial year ended 31 December 2016 (being the most recently completed financial year of Chelle for which audited financial statements are available), and (iii) the total Consideration payable of US$5,000,000 (please refer to Paragraphs 2.1.1 and 2.1.2 above), are set out below. The financial effects are computed using different financial year ends because they are the latest periods in which audited financial statements are available.

The financial effects set out below are purely **for illustrative purposes only** and are therefore not necessarily indicative of the actual financial position of the Group after the Closing.

3.2 NTA

Assuming that the Proposed Acquisition had been completed on 31 July 2016, the financial effects on the NTA per share of the Company as at 31 July 2016 after taking into consideration Chelle's audited NTA as at 31 December 2016 would be as follows:

	Before Proposed Acquisition	**After Proposed Acquisition**
NTA (S$'000)	57,187	53,098
Number of issued shares ('000)	498,727	498,727
NTA per share (Singapore cents)	11.47	10.65

The decline in NTA as set out above under "After Proposed Acquisition" is due to the accounting requirement to recognise goodwill resulting from the Proposed Acquisition as an intangible asset.

3.3 EPS

Assuming that the Proposed Acquisition had been completed on 1 August 2015, the financial effects on the EPS of the Company for FY2016 after taking into consideration Chelle's audited profits for the financial year ended 31 December 2016 would be as follows:

	Before Proposed Acquisition	**After Proposed Acquisition**
Net profit after tax attributable to shareholders (S$'000)	5,381	5,819
Weighted average number of shares ('000)	487,573	487,573
EPS (Singapore cents) - Basic	1.10	1.19
Adjusted weighted average number of shares ('000)	490,578	490,578
EPS (Singapore cents) - Diluted	1.10	1.19

3.4 Gearing

As the Consideration is currently expected to be funded by internal resources, the Proposed Acquisition will not have any material impact on the gearing of the Group.

3.5 Share capital

As the Consideration is payable in cash by the Purchaser and not by an issue of shares by Vicplas, the Proposed Acquisition will not have any impact on the issued share capital of Vicplas.

4. INTERESTED PERSON TRANSACTION

4.1 Shareholders' approval

Based on a total Consideration payable of US$5,000,000 (assuming that the FY2020/2021 Payment is not adjusted) of which 80% is payable to an interested person, the value of the proposed interested person transaction of US$4,000,000 would represent approximately 9.5% of the audited NTA of the Group (being S$57,204,000 in respect of FY2016).

In accordance with Chapter 9 of the Listing Manual, the Proposed Acquisition is subject to the approval of the Company's minority shareholders as the value of the transaction with an interested person to which the Company is considered to be at risk (as described in the preceding paragraph) is more than 5% of the latest audited NTA of the Group. By approving the Proposed Acquisition on the terms of the Agreement, shareholders would be taken to also be approving the Ancillary Agreements which are contemplated by the Agreement as part of the Proposed Acquisition.

Additionally, the Company has in place a shareholders' mandate for interested person transactions (the "**Shareholders' Mandate**") which was most recently renewed, pursuant to Chapter 9 of the Listing Manual, at the Company's Annual General Meeting held on 28 November 2016. The Shareholders' Mandate enables the Company, its subsidiaries and associated companies that are "entities at risk" (as that term is used in Chapter 9 of the Listing Manual) to enter into Mandated IPTs (as defined below) in the ordinary course of the Group's business, with the classes of interested persons of the Company as specified in the Shareholders' Mandate, namely, Venner Capital, its subsidiaries and associates (collectively, the "**VC Group**"). The categories of transactions with the VC Group (of which the VMS Group is a part) which are covered by the Shareholders' Mandate include (i) the supply of medical device products and components, and (ii) the provision of mould fabrication and maintenance services (collectively, the "**Mandated IPTs**").

Provided that the Shareholders' Mandate continues to subsist and the Proposed Acquisition has been completed, those transactions which arise (i) between Chelle (by then, a wholly-owned subsidiary of the Purchaser) and the VMS Group pursuant to the Chelle Commitment Letter, and (ii) between the Vicplas Group and the VMS Group pursuant to the Vicplas Commitment Letter, respectively, will come within the ambit of the Mandated IPTs and be subject to the guidelines and review procedures which have been established with regard to the Shareholders' Mandate. In accordance with the requirements of Chapter 9 of the Listing Manual, the Shareholders' Mandate is subject to annual renewal by shareholders of the Company as well as satisfactory periodic reviews by the Audit Committee to ensure that the guidelines and procedures established under the Shareholders' Mandate continue to be appropriate and adequate to ensure that the Mandated IPTs will be transacted on commercial terms and will not be prejudicial to the interests of the Company and minority shareholders.

A circular setting out relevant information in relation to the Proposed Acquisition (the "**EGM Circular**"), will be issued in due course to shareholders of the Company, together with notice of an Extraordinary General Meeting ("**EGM**") to be convened for the purpose of obtaining minority shareholders' approval for the Proposed Acquisition.

4.2 Independent Financial Adviser

Hong Leong Finance Limited (the "**IFA**") has been appointed to provide an opinion to the Directors of the Company (including members of the Audit Committee) who are independent in relation to the Proposed Acquisition, as to whether it is on normal commercial terms and is not prejudicial to the interests of Vicplas and its minority shareholders. The IFA's opinion will be included in the EGM Circular.

4.3 Audit Committee's Statement

As at the date of this Announcement, the Audit Committee of the Company comprises Ng Cher Yan (Chairman of the Audit Committee), Yeo Wico and JRP.

The Audit Committee (other than JRP) is obtaining an opinion from the IFA before forming its view (which will be disclosed in the EGM Circular) as to whether the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

As JRP is the spouse of RGC and therefore an "associate" of RGC, she has recused and will continue to recuse herself from (and hence not participate in) the Audit Committee's view on the Proposed Acquisition.

4.4 Total Value of Interested Person Transactions

4.4.1 For the current financial year commencing on 1 August 2017 up to the date of this Announcement, the aggregate value of all transactions between the Group and RGC and/or VC and their respective associates (excluding transactions which are less than S$100,000 but including the Proposed Acquisition and transactions carried out under the Company's shareholders' mandate for interested person transactions) is approximately S$5,494,000, representing approximately 9.6% of the Group's latest audited consolidated NTA.

4.4.2 Except as disclosed in Paragraph 4.4.1 above, there were no other interested person transactions entered into by the Group for the current financial year commencing on 1 August 2017 up to the date of this Announcement (excluding transactions which are less than S$100,000 and transactions carried out under the Company's shareholders' mandate for interested person transactions).

4.5. Voting Restrictions

RGC, JRP and CL have recused (and will continue to recuse) themselves from the Board's decision making in relation to the Proposed Acquisition and will abstain from participating in any recommendation to be made by the Board with respect to the Proposed Acquisition.

In addition, RGC and VC, being "interested persons" in relation to the Proposed Acquisition will abstain, and will undertake to ensure that his/its associates (as defined in the Listing Manual) will abstain, from voting on the resolution to be proposed at the EGM to approve the Proposed Acquisition. JRP is the spouse of RGC and therefore his "associate". Accordingly, JRP will also abstain from voting on the resolution to be proposed at the EGM to approve the Proposed Acquisition.

Furthermore, each of RGC, JRP and CL will decline to accept appointment as proxy for any minority shareholder of Vicplas to vote in respect of the resolution at the EGM, unless the shareholder concerned shall have given instructions in his proxy form as to the manner in which his votes are to be cast in respect of the resolution.

Although DCB is neither an "interested person" nor an "associate" of an interested person in relation to the Proposed Acquisition for the purposes of Chapter 9 of the Listing Manual, and he had retired as a Director of Vicplas since 28 November 2016, DCB has informed the Company of his wish, in the interests of transparency, to voluntarily abstain from voting as a shareholder in the Company in relation to the resolution to be proposed at the EGM in respect of the Proposed Acquisition. As at the date of this Announcement, DCB holds approximately 1.6% of the issued shares in the Company (excluding treasury shares).

5. SHAREHOLDING INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

5.1 Interests of Directors

The interests of the Directors of the Company in shares of the Company, as recorded in the Company's Register of Directors' Shareholdings, as at the date of this Announcement are set out below:

	Direct Interest		Deemed Interest		
Directors	**No. of Shares**	**%(1)**	**No. of Shares**	**%(1)**	**No. of Shares comprised in outstanding Options**
Yeo Wico	6,021,738	1.20	-	-	5,250,000
Ng Cher Yan	3,217,390	0.64	-	-	-
Robert Gaines-Cooper	10,849,400	2.17	280,852,441	56.06	-
Christopher P. Lee	750,000	0.15	-	-	2,250,000
Jane Rose Philomene Gaines-Cooper	5,000,000	1.00	-	-	-

Note:

(1) "**%**" is based on 500,966,699 issued shares of the Company (excluding treasury shares) as at the date preceding this Announcement.

5.2 **Interests of Substantial Shareholders**

The interests of the substantial shareholders of the Company in issued shares of the Company, as recorded in the Company's Register of Substantial Shareholders as at the date of this Announcement are set out below:

	Direct Interest		Deemed Interest	
Substantial Shareholders	**No. of Shares**	**%(1)**	**No. of Shares**	**%(1)**
Venner Capital	280,852,441 (2)	56.06	-	-
CTX Treuhand AG, as trustee of the Bird Island Trust	-	-	280,852,441 (2)	56.06
Robert Gaines-Cooper	10,849,400	2.17	280,852,441 (3)	56.06

Notes:

(1) "**%**" is based on 500,966,699 issued shares of the Company (excluding treasury shares) as at the date preceding this Announcement.

(2) Venner Capital is owned by the Bird Island Trust, a fully discretionary trust under Liechtenstein law, the trustee of which is CTX Treuhand AG, a trust company based in Liechtenstein. Mr Robert Gaines-Cooper is presently the sole beneficiary and protector under the trust.

(3) Venner Capital is owned by the Bird Island Trust, a fully discretionary trust under Liechtenstein law, the trustee of which is CTX Treuhand AG, a trust company based in Liechtenstein. Mr Robert Gaines-Cooper is presently the sole beneficiary and protector under the trust. Mr Robert Gaines-Cooper is deemed to be interested in the shares of the Company owned by the Bird Island Trust through Venner Capital.

6. RATIONALE FOR THE PROPOSED ACQUISITION

6.1 Chelle's operations in the Seychelles

The Seychelles is an island-country in the Indian Ocean, consisting of an archipelago of 115 islands, to the north east of Madagscar.

Chelle operates from a 1,525 sq metre purpose-built facility in the International Trade Zone ("**ITZ**") in the Seychelles located about 3 km from the Seychelles' capital, Victoria (also known as Port-Victoria) on the island of Mahe. The Chelle facility has easy access to/from the international airport located about 5 km to the south-east of Victoria.

Chelle holds an ITZ licence issued by the Seychelles International Business Authority and is therefore eligible for concessions granted to ITZ companies in the Seychelles including exemption from business tax, withholding tax and customs duties on capital equipment to be used in the ITZ.

Chelle has around 60 staff, an experienced management team and an established Quality Management System which complies with the requirements of ISO 13485:2016.

Chelle currently manufactures three groups of medical devices:

- LMAs – a reusable airway management device that keeps a patients airway open during surgical procedures requiring anesthesia. Chelle has manufactured and assembled this product for more than 15 years.

- APAs – a handheld endoscopic device used to assist during laryngoscopy and endotracheal intubation. Chelle has manufactured and assembled this product for more than 5 years.

- TSMs – a portable electro mechanical device designed for the delivery and control of inflation cuff pressure to PneuX™ Endotracheal tubes to prevent ventilator–associated pneumonia (VAP) during long term ventilation. Chelle has started to manufacture and assemble this product in 2017.

6.2 **Rationale, benefits and challenges for the Proposed Acquisition**

(a) **Expand range of the Group's medical devices products and further strengthen the Group's strategic position**

The Group seeks as its strategy to widen and deepen both its range of medical devices products and medical devices production capabilities. In February 2016, the Group expanded its design capabilities beyond polymeric medical devices to include electro-mechanical devices through the acquisition of an 81% stake in XentiQ (Pte.) Ltd. The Proposed Acquisition reinforces and advances this strategy by further enabling and expanding the Group's manufacturing capability beyond polymer-based components to electro-mechanical assemblies and whole devices.

Chelle currently has excellent core competency in manufacturing and assembly of electro-mechanical devices through an experienced and stable labour force in its facility in the Seychelles. The Proposed Acquisition, once completed, will add to the Group's capabilities for electro-mechanical device manufacture and potentially accelerate commercial production of such devices whenever opportunities arise without the need to invest in, or wait for the development of, a 'greenfield' facility.

(b) **Increase the Group's capabilities to take advantage of future growth opportunities in electro-mechanical medical devices**

The markets which are currently served by Chelle are expected to grow due to a combination of factors, namely, (i) the increasing demand for medical care generated from illnesses principally associated with a global ageing in population, (ii) the introduction of new innovative devices into the market, and (iii) an increase in the number of surgical procedures globally.

Cardiac and respiratory diseases generally affect people who are in their 60s or older and this demographic is forecast to increase from 901 million people in 2015 to 1.4 billion people by 2030, an increase of 55% (Source: *World Population Ageing 2015*, United Nations, Department of Economic & Social Affairs, Population Division (2015)). That said, the rate of growth may differ depending on the market and the maturity of the medical device. For example, the reusable LMA market is largely a niche market where growth expectations should be tempered. According to Technavio's market research report *Global Anesthesia Video Laryngoscope Market 2016-2020*, the global market for anesthesia video laryngoscope (such as APAs) is estimated to grow at a compound annual growth rate of over 14% by 2020. The TSM is a new pneumonia prevention system which is designed to reduce the incidence of ventilator-associated pneumonia, a common hospital-acquired infection experienced in the intensive care unit of hospitals following mechanical ventilation procedures. The TSM is rapidly gaining acceptance in its initial market of the United Kingdom where the National Health Service ("**NHS**") has estimated that pneumonia prevention systems like the TSM could save thousands of lives and result in savings to hospitals (Source: *The NHS England Innovation and Technology Tariff 2017 to 2019 Technical notes*). The product is receiving increased interest in other markets as well as the United Kingdom and the overall global market is expected to increase.

With Chelle's appointment as the preferred manufacturer with the exclusive right to manufacture the first 3,000 units of TSMs annually and Vicplas Group being appointed as the preferred manufacturer of TSMs for the VMS Group, with the right of first refusal to manufacture, on a per annum basis, at least 50% of all of the units of TSMs in excess of the first 3,000 units of TSMs manufactured by Chelle, under the Chelle Commitment Letter and Vicplas Commitment Letter (respectively referred to in Paragraphs 1.4 and 2.2 above), respectively for a period of five years from the Closing Date as part of the Proposed Acquisition, the Group would be well positioned to benefit from the anticipated market growth.

Regardless of the potential or anticipated market growth as described in the paragraphs above, it should nonetheless be noted that the manufacturing opportunities available to Chelle eventually will ultimately depend on the future sales of the medical devices that it manufactures, over which it (being a contract manufacturer and not the product owner or distributor) has no control.

(c) **Acquisition of a profitable asset**

Chelle is profitable and pays no business tax in the Seychelles due to its status as an ITZ company. The Proposed Acquisition, when completed, will be immediately accretive to the Group's annual revenue and profit. In addition, under the Agreement,

the payment terms for the Consideration stretched over 4 years together with a one way (downwards) adjustment mechanism would soften the cash flow impact for the Group as well as reduce its financial risk.

(d) **Challenges and potential opportunities**

The Group's management ("**Management**") believes that currently there are two major challenges for Chelle that would be presented by the Proposed Acquisition, and the Group would seek to respond to these challenges through the adoption of strategies that leverage on Chelle's as well as the Group's strengths.

(i) High concentration risk – With three product groups being manufactured for only two customers, the loss of any one customer could have a significant impact on Chelle's results.

Management believes that this risk may be mitigated by leveraging on the Group's track record, capability and experience to source and commercialise new projects at Chelle to attract new customers and thereby moderating customer concentration risk over the mid to long term. In addition, the Group could also leverage on Chelle's experience with electro-mechanical medical devices in order to provide a new value added service to the Group's customer base.

(ii) Logistics – The Seychelles' location in the Indian Ocean about 1,500 km east of mainland East Africa distances it from major markets, which can be a factor hindering the competitiveness of products originating in the Seychelles. That said, the Seychelles, which is better known as an international leisure destination, has an international airport served by premium airlines such as Turkish Airlines, Qatar Airlines, Etihad and Emirates and is also serviced by freight companies regularly both by air and sea. The geographical location of the Seychelles, however, presents greater logistical challenges compared to other locations better-served by shipping or air connections.

To address this challenge, Management believes it could mitigate the current logistics constraints through improved sourcing and consolidation of supply chain via the Group's headquarters in Singapore. In addition, the Group would look to reduce any potential logistic cost increases by offering the Group's existing and potential customers (especially those with low to mid-volume projects requiring meticulous, or high dexterity in, assembly operations) a lower labour cost environment through Chelle than its existing Singapore or China plants.

7. ADDITIONAL INFORMATION

The relative figures in relation to the Proposed Acquisition computed on the relevant bases set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006	Bases	Relative Figure (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	N.A.[(1)]
(b)	Net profits attributable to Chelle, compared with the Group's net profits	10.9[(2)]
(c)	Aggregate value of the consideration given or received, compared with Vicplas' market capitalisation based on the total number of issued shares excluding treasury shares	11.4[(3)]
(d)	Number of equity securities issued by Vicplas as consideration for the Proposed Acquisition, compared with the number of equity securities previously in issue	N.A.[(4)]
(e)	Aggregate volume or amount of proved and probable assets to be disposed of, compared with the aggregate of the Group's proved and probable reserves	N.A.[(5)]

Notes:

(1) Rule 1006(a) of the Listing Manual is not applicable to an acquisition of assets.

(2) For the purpose of comparing between similar calendar periods, the relative figure under Rule 1006(b) of the Listing Manual was computed using the figures for the financial period from 1 August 2016 to 31 January 2017 based on (i) unaudited net profits of Chelle for the six months ended 31 January 2017 of approximately US$180,000 (approximately S$245,000) and (ii) the Group's latest unaudited consolidated net profits for the six months ended 31 January 2017 of approximately S$2,239,000. "Net profits" is defined under Rule 1002(3)(b) of the Listing Manual as profit or loss before income tax, minority interests and extraordinary items.

(3) The relative figure under Rule 1006(c) of the Listing Manual was computed based on the assumption that the Consideration payable is US$5,000,000 (that is, that the FY2020/2021 Payment is not adjusted) and the market capitalisation of Vicplas based on the total number of issued shares (excluding treasury shares) as at 31 August 2017, being the last market day on which shares of the Company were transacted on the SGX-ST before the date of the Agreement.

(4) The Consideration is payable in cash, and no equity securities will be issued by Vicplas as consideration for the Proposed Acquisition.

(5) Rule 1006(e) of the Listing Manual is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of assets.

As the relative figures in Rule 1006(b) and Rule 1006(c) exceed 5% but do not exceed 20%, the Proposed Acquisition constitutes a "discloseable transaction" for the purposes of Chapter 10 of the Listing Manual.

8. SERVICE CONTRACTS

No person is proposed to be appointed as a director of Vicplas in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between Vicplas and any such person.

9. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of each of the Agreement and RSMCA's independent valuation report (in respect of the Sale Shares) is available for inspection during normal business hours at the registered office of

the Company at 35 Joo Koon Circle, Singapore 629110, for a period of three months commencing from the date of this Announcement.

10. TRADING WITH CAUTION

Shareholders should read this Announcement and any further announcement by the Company carefully. Shareholders and potential investors should exercise caution when trading in the Company's shares, and where in doubt as to the action they should take, they should consult their stock broker or other professional adviser immediately**.**

BY ORDER OF THE BOARD

Cheng Liang
Acting Group Chief Executive Officer

Singapore
8 September 2017