

**VICPLAS INTERNATIONAL LTD**  
Incorporated in the Republic of Singapore  
(Company Registration No. 199805362R)

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**PROPOSED INVESTMENT IN ARROW MEDICAL LIMITED**

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**1. INTRODUCTION**

The Board of Directors of Vicplas International Ltd (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to announce that Forefront Medical Investment Pte. Ltd. (“**Forefront**”), a wholly-owned subsidiary of the Company, has on 5 November 2018 entered into a subscription agreement (the “**Subscription Agreement**”) with Arrow Medical Limited (“**Arrow**”) in relation to:

- (i) the subscription by Forefront for new ordinary shares in the capital of Arrow (“**Ordinary Shares**”) constituting 20 per cent. of the enlarged ordinary share capital of Arrow (the “**Subscription Shares**”) (the “**Initial Subscription**”); and
- (ii) the grant of options to Forefront to subscribe for and/or offer to purchase (at its option) additional Ordinary Shares which, together with the Subscription Shares, will constitute up to 60 per cent. of the enlarged ordinary share capital of Arrow (the “**Option Shares**” and collectively with the Subscription Shares, the “**Arrow Shares**”),

in each case, on the terms and subject to the conditions of the Subscription Agreement (collectively, the “**Proposed Transactions**”).

**2. INFORMATION ON ARROW**

Arrow is a medical device manufacturer incorporated in England and Wales on 31 July 1989 with nearly 30 years of experience in the assembly of complex medical devices and is principally engaged in, *inter alia*, the following activities:

- (i) **Clean Room Assembly.** Arrow maintains multiple clean room assembly facilities for the assembly of single use devices and other products used in anesthesia, emergency and cardiac treatments;
- (ii) **Textiles and Radio Frequency Welding.** Arrow has significant experience in precision fabric assembly techniques allied to precision cutting, punching, multi-layer assembly and forming. These techniques are used to manufacture products for orthopedics, compression therapy, wound care products and also devices for the prevention of deep vein thrombosis; and
- (iii) **Silicon Injection Molding.** Arrows business started with Silicon Injection Molding and now it continues to produce a full range of precision silicon molded components for use in both medical devices and breathing apparatus for the safety industry.

Arrow has an established Quality Management System which complies with the requirements of quality certification of ISO 13485:2016 (Medical devices—Quality management systems—

Requirements for regulatory purposes) and the U.S. Food & Drug Administration's Good Manufacturing Practices.

### **3. PRINCIPAL TERMS OF THE PROPOSED TRANSACTIONS**

#### **3.1 Initial Subscription**

##### **3.1.1 Consideration**

Forefront will be subscribing for 275,000 Subscription Shares, at an aggregate subscription price of £100,000 (the "**Subscription Price**"). The Subscription Price is payable in cash to Arrow on the date of completion of the Initial Subscription ("**Subscription Completion**").

The Subscription Price was arrived at on a willing-buyer and willing-seller basis, taking into consideration various factors including the historical performance of Arrow and an assessment by Forefront of Arrow's production capability, capacity and additional service offerings including the expected improvements to Arrow that could be synergistic to those of Forefront in the future.

##### **3.1.2 Conditions Precedent**

Subscription Completion is subject to and conditional upon the satisfaction of the following conditions (the "**Conditions Precedent**"):

- (i) the receipt by Forefront of:
  - (a) copies of duly executed undertakings from specified lenders of Arrow (the "**Loan Holders**") to Arrow in relation to the suspension of repayment and waiver of interest in respect of certain loans granted by the Loan Holders to Arrow as at the date of the Subscription Agreement (the "**Existing Loans**");
  - (b) the financial statements of each of Arrow and its subsidiary, Arrow Medical Products Limited (collectively, the "**Arrow Group**"), in respect of the one-year period ended on 31 December 2017 (the "**2017 Financial Statements**"), such financial statements being satisfactory to Forefront (in its sole discretion);
  - (c) copies of duly executed waivers from each shareholder of Arrow in respect of any and all rights of pre-emption over the allotment and issuance of the Subscription Shares and the Option Shares; and
  - (d) the forecast cash flow statement of the Arrow Group on a monthly basis for the period from 1 June 2018 to 30 April 2019, such forecast being satisfactory to Forefront (in its sole discretion);
- (ii) the completion by Mazars Group, the accountants of Arrow, of their review of the 2017 Financial Statements and the lodgement of the same with the Registrar of Companies of the United Kingdom (the "**UK Companies House**"), in each case to the satisfaction of Forefront (in its sole discretion); and

- (iii) the rectification of certain lodgements made by Arrow with the UK Companies House in relation to its shareholding structure as at July 2018, in a form satisfactory to Forefront (in its sole discretion).

In the event that the Conditions Precedent are not satisfied or waived on or before 16 November 2018 or such other date as may be agreed in writing between Forefront and Arrow, Forefront may elect to terminate the Subscription Agreement (other than certain surviving provisions) and neither Forefront nor Arrow shall have any claim against the other under it (save for antecedent breaches).

### **3.1.3 Subscription Completion**

Subject to the satisfaction and/or waiver of the Conditions Precedent, Subscription Completion is intended to take place on four business days after notification by Arrow to Forefront of the satisfaction of the last remaining Condition Precedent, or such other date as may be agreed in writing between Forefront and Arrow.

### **3.1.4 Use of Proceeds**

The Subscription Price shall be utilised solely for the day-to-day operations of Arrow, in accordance with its budget and business plan in respect of 2018 and 2019 and the cash flow forecasts delivered to Forefront, as approved by the board of directors of Arrow, and shall not otherwise be expended outside of Arrow, distributed to any of its shareholders, or utilised for the repayment of any loans (including any interest accrued thereon) granted by the Loan Holders to Arrow.

## **3.2 First Option**

### **3.2.1 First Option**

Subject to the Initial Subscription taking place, Forefront shall be entitled to subscribe for such number of Ordinary Shares ("**First Option Shares**") which, together with the Subscription Shares, will constitute 40 per cent. of the enlarged ordinary share capital of Arrow at the relevant time (the "**First Option**").

### **3.2.2 Consideration**

The aggregate subscription price for the First Option Shares shall be £100,000. The subscription price was arrived at on a willing-buyer and willing-seller basis, taking into consideration various factors including the historical performance of Arrow and an assessment by Forefront of Arrow's production capability, capacity and additional service offerings including the expected improvements to Arrow that could be synergistic to those of Forefront in the future.

### **3.2.3 Exercise Period**

The First Option is exercisable at the absolute discretion of Forefront at any time during the six month period from the date of adoption of the financial statements of Arrow in respect of its first profitable financial year following Subscription Completion (the "**Reference Date**"), or such earlier date and/or period as may be agreed in writing between Forefront and Arrow (the "**First Option Exercise Period**").

### 3.2.4 Lapse of the First Option

The First Option shall lapse and cease to have any further effect in the event that:

- (i) Forefront does not exercise the First Option in accordance with the terms of the Subscription Agreement during the First Option Exercise Period; or
- (ii) Arrow does not record a net profit after tax which is positive in any financial year following the date of the Subscription Agreement up to the financial year ending 31 December 2023,

whichever is earlier.

## 3.3 Second Option

### 3.3.1 Second Option

Subject to:

- (i) the exercise and completion of the First Option; and
- (ii) the repayment by Arrow of all outstanding amounts under the Existing Loans (other than the loans from Venner Capital S.A. ("**VC**"), Bird Island Trust ("**BIT**") and Bird Island Investment SA ("**BIISA**")),

Forefront shall be entitled to subscribe for additional Ordinary Shares (the "**Second Option**") and/or offer to purchase Ordinary Shares from the other shareholders of Arrow (the "**Purchase Shares**"), in such numbers whereby the aggregate number of Ordinary Shares under the Second Option and Purchase Shares will, together with the Subscription Shares and the First Option Shares, constitute 60 per cent. of the enlarged ordinary share capital of Arrow at the relevant time (the "**Second Option**").

### 3.3.2 Consideration

The aggregate subscription price for the Second Option Shares shall be up to £125,000, depending on the number of Purchase Shares, whereby the aggregate consideration payable for the Second Option Shares and the Purchase Shares shall be £125,000. Such consideration was arrived at on a willing-buyer and willing-seller basis, taking into consideration various factors including the historical performance of Arrow and an assessment by Forefront of Arrow's production capability, capacity and additional service offerings including the expected improvements to Arrow that could be synergistic to those of Forefront in the future.

### 3.3.3 Exercise Period

The Second Option is exercisable at the absolute discretion of Forefront at any time during the period commencing from the Reference Date and ending on 31 December 2023, or such earlier date and/or period as may be agreed in writing between Forefront and Arrow (the "**Second Option Exercise Period**").

### 3.3.4 Expiry of the Second Option

The Second Option shall lapse in the event that Forefront does not exercise the Second Option in accordance with the terms of the Subscription Agreement during the Second Option Exercise Period.

## 4. RATIONALE FOR THE PROPOSED TRANSACTIONS

The Proposed Transactions can assist Forefront in the following three ways:

(i) Expand Forefront's manufacturing footprint outside of China and Singapore to reduce risk associated with uncertain international trading conditions

As part of its business strategy, Forefront seeks to widen and deepen both its range of medical device products and medical device production capabilities to its customer base. Currently, Forefront's two major production facilities are based in China where recently, additional tariffs have been imposed or announced by the government of the United States of America ("USA") on a wide variety of China-manufactured products. Forefront hopes to ameliorate this situation by offering its existing and future customers an alternative production facility in the United Kingdom ("UK") if requested. Due to the longstanding historical and trade relationships between USA and the UK, Forefront believes that having access to a production facility in UK may provide additional comfort to customers who request it.

Arrow currently has excellent core competency in the manufacture and assembly of complex medical devices through an experienced and stable labour force. The proposed investment, once completed, will add immediate production capacity to Forefront's current manufacturing footprint at a cost effective entry price without the need to invest in, or wait for the development of, a 'greenfield' facility.

(ii) Establish Forefront's business development base in Europe in a cost effective manner in order to expand its portfolio of European customers and reduce its concentration risk

Forefront's existing customer base is largely USA-focused. Developing and winning new projects and customers in Europe forms part of Forefront's long-term strategy to build a more diverse customer base, thereby reducing concentration risk. The Proposed Transactions provide an opportunity for Forefront to leverage Arrow's existing resources to build a long-term sales and marketing presence within Europe to enable regular customer contact and future project generation.

In addition, as the customer portfolio of Arrow is quite different from that of Forefront, there could be cross selling opportunities for both companies in the short to medium term.

(iii) Provide Forefront access to complementary manufacturing capabilities

Arrow has manufactured complex medical devices for nearly 30 years. Over that time it has built substantive capability in some areas that are complementary to those of Forefront, such as fabric assembly, precision cutting, multi-layer assembly and radio frequency welding. These additional services could be offered in the short term to Forefront's customer base, providing further opportunities to improve sales and profitability in the medium term.

## 5. FINANCIAL INFORMATION

### 5.1 Arrow Shares

**5.1.1 Book Value:** Based on the unaudited financial statements of Arrow as at 31 July 2018, the book value attributable to the Arrow Shares is approximately negative S\$677,734 (assuming an exchange rate of £1 : S\$1.79).

**5.1.2 NTA Value:** Based on the unaudited financial statements of Arrow as at 31 July 2018, the net tangible asset (“**NTA**”) value attributable to the Arrow Shares is approximately negative S\$677,734 (assuming an exchange rate of £1 : S\$1.79).

**5.1.3 Net Loss attributable to the Arrow Shares:** Based on the unaudited financial statements of Arrow for the 12-month period ended 31 July 2018, the loss before taxation attributable to the Arrow Shares is approximately S\$130,551 (assuming an exchange rate of £1 : S\$1.79).

### 5.2 Funding for the Proposed Transactions

The Group will use its own internal resources to finance the Proposed Transactions.

## 6. FINANCIAL EFFECTS

### 6.1 Bases and Assumptions

The financial effects have been prepared based on the unaudited financial statements of the Group for the financial year ended 31 July 2018 (“**FY2018**”), being the most recently completed financial year for which financial statements are publicly available as at the date of this Announcement, and are for illustrative purposes only and are neither indicative of the actual financial effects of the Proposed Transactions on the NTA per share in the capital of the Company (“**Share**”) and the earnings per Share (“**EPS**”), nor do they represent the actual financial position and/or results of the Group immediately after the Proposed Transactions. The financial effects have also been prepared based on, *inter alia*, the following assumptions:

- (i) Forefront subscribes for all of the Subscription Shares and Option Shares at the same time; and
- (ii) the exchange rate used is £1 : S\$1.79.

## 6.2 NTA

For illustrative purposes only and assuming the Proposed Transactions had been completed on 31 July 2018, being the end of the most recently completed financial year of the Group, the pro forma financial effects on the NTA of the Group for FY2018 are as follows:

	Before the Proposed Transactions	After the Proposed Transactions
NTA (S\$'000)	56,627	55,949
No. of Shares ('000)	505,217	505,217
NTA per Share (Singapore cents)	11.2	11.1

## 6.3 EPS

For illustrative purposes only and assuming the Proposed Transactions had been completed on 1 August 2017, being the beginning of the most recently completed financial year of the Group, the pro forma financial effects on the EPS of the Group for FY2018 are as follows:

	Before the Proposed Transactions	After the Proposed Transactions
Net profit attributable to shareholders of the Company (S\$'000)	2,950	2,819
Weighted average number of Shares ('000)	503,262	503,262
EPS (Singapore cents) - Basic	0.59	0.56
Adjusted weighted average number of Shares ('000)	503,897	503,897
EPS (Singapore cents) - Diluted	0.59	0.56

## 6.4 Share Capital

The Proposed Transactions will not have any impact on the issued and paid-up share capital of the Company.

## 7. DISCLOSEABLE TRANSACTION

Chapter 10 of the listing manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) governs the continuing listing obligations of listed companies in respect of acquisitions and disposals. The relative figures of the Proposed Transactions computed on the bases as set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006	Bases	Relative Figures (%)
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable
(b)	The net profits attributable to the Arrow Shares, compared with the Group's net profits <sup>(1)</sup>	-8.26
(c)	The aggregate consideration compared with the Company's market capitalisation <sup>(2)</sup>	1.16
(d)	The number of equity securities issued by the Company as consideration for the Proposed Transactions, compared with the number of equity securities of the Company previously in issue	Not applicable <sup>(3)</sup>

### Notes:

- <sup>(1)</sup> Under Rule 1002(3)(b) of the Listing Manual, “net profits” is defined as profit or loss before income tax, minority interest and extraordinary items.

The loss before taxation of Arrow for the 12-month period ended 31 July 2018 was approximately £121,556 (equivalent to approximately S\$217,585, assuming an exchange rate of £1 : S\$1.79). Accordingly, the loss before taxation attributable to the Arrow Shares for the same period was approximately S\$130,551. The unaudited consolidated profit before taxation of the Group for the financial year ended 31 July 2018 was approximately S\$1,580,000.

- <sup>(2)</sup> The indicative maximum consideration for the Proposed Transactions is £325,000 (equivalent to S\$581,750, assuming an exchange rate of £1 : S\$1.79, and that all of the Arrow Shares are subscribed for or acquired by Forefront). The market capitalisation of the Company of approximately S\$50,016,453 is determined by multiplying 505,216,699 Shares (excluding treasury shares) as at 2 November 2018 by the weighted average price of approximately S\$0.099 per Share as at 2 November 2018 (being the last market day on which the Shares were transacted on the SGX-ST before the date of the Subscription Agreement).

- <sup>(3)</sup> Rule 1006(d) of the Listing Manual is not applicable, as no equity securities will be issued by the Company as consideration pursuant to the Proposed Transactions.

As the relative figure under Rule 1006(b) is a negative figure, the SGX-ST was consulted



pursuant to Rule 1007 of the Listing Manual. Following such consultation, the SGX-ST has confirmed that shareholders' approval is not required for the Proposed Transactions, and that the Proposed Transactions constitute a discloseable transaction as defined in Chapter 10 of the Listing Manual.

## **8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

### **8.1** Shareholders should note that:

**8.1.1** VC, BIT and BIISA have granted loans to Arrow, of which an aggregate amount of £496,650 remains outstanding as at the date of this Announcement;

**8.1.2** VC is a controlling shareholder of the Company, and VC and BIISA are wholly-owned by BIT;

**8.1.3** Mr Robert Gaines-Cooper, a Director of the Company, is the sole beneficiary under BIT and is also a Director and the Chairman of VC;

**8.1.4** Mrs Jane Rose Philomene Gaines-Cooper, a Director of the Company, is the protector under BIT, a Director and the President of VC and is the spouse of Mr Robert Gaines-Cooper; and

**8.1.5** Mr Christopher P. Lee, a Director of the Company, is a Director of VC.

### **8.2** Other than as disclosed above and apart from their shareholdings (if any) in the Company, no Director or controlling Shareholder has any interest, direct or indirect, in the Proposed Transactions.

## **9. DIRECTORS' SERVICE CONTRACTS**

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

## **10. DOCUMENT AVAILABLE FOR INSPECTION**

A copy of the Subscription Agreement 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.

BY ORDER OF THE BOARD

Esther Au  
Company Secretary  
6 November 2018