

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

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**ANNUAL GENERAL MEETING TO BE HELD ON 26 NOVEMBER 2020**  
**RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS**

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The Board of Directors of Vicplas International Ltd (the “**Company**”, together with its subsidiaries, the “**Group**”) would like to thank all shareholders who submitted their questions in advance of the Annual General Meeting of the Company to be held at 3:00 pm on 26 November 2020 by electronic means (the “**AGM**”).

We have grouped the substantial and relevant questions received under a few key sections. Please refer to our responses to the substantial and relevant questions received from shareholders as set out in the Appendix hereto.

BY ORDER OF THE BOARD

Cheng Liang  
Group Chief Executive Officer  
20 November 2020

## APPENDIX – RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

### Pipes and pipe fittings segment (“Pipes segment”)

- 1. How has the Pipes segment been affected by the Covid-19 situation? How badly did the Covid-19 situation affect its performance and what is the outlook for the financial year ending 31 July 2021 (“FY2021”)?**

Revenue for the Pipes segment declined by 21.7% to S\$27.5 million in the financial year ended 31 July 2020 (“FY2020”) as compared to S\$35.1 million in the financial year ended 31 July 2019 (“FY2019”). In FY2020, the construction industry in Singapore faced challenges as it sought to recover from a four-month stoppage of most construction projects due to governmental measures to contain the spread of Covid-19. This situation, coupled with manpower and supply chain disruptions, has resulted in project delays and deadline extensions which had a substantial adverse effect on the revenue for this segment in FY2020.

The Pipes segment carried out cost cutting measures where practicable and continued operations on a reduced scale at both of its manufacturing facilities in Singapore and Malaysia. The Singapore facility was designated as an essential business during the Circuit Breaker period, supplying uPVC pipes and pipe fittings to mainly temporary workers dormitory, quarantine zones, isolation facilities and other emergency Mechanical and Electrical works. Similarly, the Malaysia facility received a permit from the Malaysia government to continue operations during the Movement Control Order (“MCO”) period to avoid supply disruptions for products required for essential services.

The Pipes segment has seen a slow recovery in the early part of FY2021, as construction projects in Singapore re-commenced activities gradually. However, the segment faces uncertainties regarding the level and/or pace of demand for pipes and pipe fittings (especially for residential buildings) as the industry adjusts to new work arrangements that incorporate enhanced safety measures to contain the spread of Covid-19. As such, the performance for this segment in FY2021 is expected to be adversely impacted by these challenges, including any extensions to project completion deadlines.

Notwithstanding this challenging operating environment, this segment will continue its focus on civil engineering projects and product expansion. While this segment expects the revenue of the first half of FY2021 to be lower than the first half of FY2020 (which was not impacted by Covid-19), a higher revenue is expected in the second half of FY2021 as compared to the second half of FY2020, with the gradual recovery in the construction industry, assuming that the Covid-19 situation remains under control. Based on this recovery, the Pipes segment aims to grow its revenue incrementally in FY2021 as compared to FY2020.

- 2. In the previous few financial years, we noticed that the revenue and profit of the Pipes segment were on a declining trend, why is this so and what is done in mitigation?**

The construction industry that the Pipes segment operates in is a cyclical business and the slow-down in the residential sector of this industry over these few years has adversely affected the performance of the Pipes segment. In addition, the Pipes segment faces increasing competition which has resulted in the lowering of margins over the last few years.

As part of its mitigation efforts, the Pipes segment has embarked on marketing to regional markets, focused on civil engineering projects and developed new product(s). Currently, regional marketing has been curtailed due to travel restrictions, but will resume when permitted to do so. Sales to civil engineering projects have delivered a stream of revenue and the Pipes segment intends to develop this further in view of expected new townships and large infrastructure projects. Recently, the Pipes segment is expanding its product range to include hydro-agriculture pipes/channels as part of its product development initiative.

Further, the Pipes segment carries out continuous process improvements to lift manufacturing efficiencies and procures raw material from multiple sources to lower costs.

**3. The Pipes segment has two manufacturing facilities, what are your contingent plans should another MCO in Malaysia disrupt the supply chain?**

With regard to products manufactured by the Pipes segment's Malaysia facility, the inventory level for these products has been increased at the Pipes segment's Singapore facility as a precaution. With this buffer, the Pipes segment has the capacity to support the supply needs of its customers in Singapore for at least nine weeks in the event of a cross border closure.

Given the unprecedented nature of the Covid-19 situation, the Pipes segment will remain vigilant and is ready to take further action, if necessary.

**4. Please provide an update for the business in Cambodia and the status of the land.**

As announced previously, the Pipes segment will not proceed to build the manufacturing facility in Cambodia because of the challenging market conditions. The freehold land that was acquired by the joint venture entity established for this previously proposed manufacturing facility has been put up for sale at a price higher than its carrying value. The Pipes segment continues to sell products in Cambodia through its distributor.

**Medical devices segment ("MDS")**

**5. What plans does the segment have in diversifying its customer base and capitalising on the general increase in demand enjoyed by the medical sector due to Covid-19? Why haven't we seen a huge boost in sales and profits from Covid-19 related projects?**

MDS is a contract manufacturer specialising in medical devices, working in collaboration with its customers to manufacture their products. The focus for MDS is to improve its core capabilities, Medtech staff and facilities to attract new customers to MDS and to commence and develop new revenue streams. New revenue streams developed by MDS in FY2020 include 3D printing, Extrusion of specialty medical tubes and In vitro diagnostic product ("IVD"). In addition, Forefront Technical Centre was established in FY2020 to harness the technical efforts and technology required for focusing on such development. MDS will continue this strategy to build sustainable growth for the long term.

When Covid-19 hit in late January 2020, it was around the Chinese New Year festivities and most of MDS' employees in China had gone home for holiday and were then subject to travel restrictions due to lock down measures. The China manufacturing facilities were closed for more than forty days before getting back up and running. For some employees it took even longer to return. MDS resumed close to 90% of normal operations by early May 2020. The segment also worked with a number of customers who wanted to produce Covid-19 related products such as:

- 3D printed Swabs
- Injection Molded Swabs
- Test Kits

As these projects take time to commercialise, the revenue will likewise be recorded in tandem.

The strategic focus for MDS is on delivering sustainable growth in sales and operational performance over the long term. Although MDS focuses on long term sustainable development, it will be, and has been, very proactive in pivoting its manufacturing resources especially the Singapore facility to contribute to the fight against Covid-19.

It should always be noted that in the contract manufacturing space, the commercial success of a product is ultimately dependent on the product owner.

## **6. Who are the key customers of MDS? Do you have a strategy to grow faster?**

MDS' customers are predominantly amongst the Top 50 global corporations in the Medtech sector. The revenue of MDS increased 36% in FY2020, 41% in FY2019 and 28% in the financial year ended 31 July 2018 ("FY2018"). Clearly as the base expands, the rate of growth will naturally decline but we remain optimistic about the long-term growth trends in the outsourcing of medical devices globally. Our strategy is to equip MDS with the capabilities and the expertise to partner with the world's leading medical device companies. Building trust and long term relationships is key to building a sustainable long-term growth business model. We will continue to do this in order to maximise our opportunities to attract new customers to MDS as well as increase collaborative projects with our existing customers.

## **7. What are some of the unknowns/risks foreseen by the company management for the business in the next 1-2 years? Why do you want a 5<sup>th</sup> plant?**

The key immediate risks beyond its control faced by MDS are:

- China/USA trade tensions
- Covid-19 supply chain rebalancing

MDS refurbished its Singapore manufacturing facility in FY2020 to provide an alternative for those companies wanting to reduce tariffs or sell into specific market segments in the USA that require production to take place in Trade Agreement Act ("TAA") compliant countries. It is also making plans to establish or acquire a 5<sup>th</sup> plant outside of China for manufacturing medical devices to mitigate its China supply chain risk. Apart from providing operational diversity and resilience, this proposed 5<sup>th</sup> plant will be used to attract new potential customers or projects. As the plans are at a very early stage, no assurance can be given at this moment regarding when a 5<sup>th</sup> plant will be established or acquired, if at all.

## **8. What is the outlook for MDS in FY2021?**

The FY2020 segmental profit of S\$7.9 million was encouraging despite all the disruptions of the Covid-19 pandemic. The effects of Covid-19 were keenly felt by MDS in the second half of FY2020 and whilst there has been some improvement in some areas since, the improvement is still tentative. As many products MDS makes for its customers are used for elective surgery, there had been order delays and forecast reductions by its USA and UK/Europe customers in particular, especially relating to the first half of FY2021. Though MDS will see revenue increase from the Covid-19 related products it makes (such as nasal swabs and infusion products), the overall Covid-19 situation continues to make demand projections for elective surgery products extremely challenging and accordingly, MDS continues to manage its cost base very closely.

MDS is firmly focused on being a globally respected Medical Device Contract Manufacturer and as such will continue to focus on delivering sustainable growth in sales and operational performance through four key areas:

- Broadening and deepening our customer portfolio
- Being focused on operational and efficiency improvements to reduce costs
- Continue our collaborative innovation to add new and value adding capabilities to attract our customers
- Invest in our people to improve skills and capabilities to manage the future growth of MDS

## **Share price**

### **9. Why has the share price fluctuated so drastically? Will the Company do anything to support its share price?**

Share price performance in the short term is a function of market sentiments and other factors which are not within the Company' control. Generally in this Covid-19 impacted year, volatility in the stock market (and in particular companies in the medical devices sector) has increased significantly.

Notwithstanding the disruptions and challenges brought about by the Covid-19 pandemic, the Group has improved its performance in FY2020 and refined its strategy for long-term business growth. It is the Company's belief that delivering sustainable long-term business growth will lead to this intrinsic value being reflected in the share price eventually.