

INCREASE IN SHAREHOLDING IN ARROW MEDICAL LIMITED

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 today entered into share purchase agreements (“**SPAs**”) with each of the shareholders (the “**Vendors**”) of Arrow Medical Limited (“**Arrow**”), in relation to the acquisition by Forefront of shares in the capital of Arrow on the terms and subject to the conditions of the SPAs (the “**Acquisition**”). Arrow is currently an associate of the Company, and Forefront holds 20 per cent. of the ordinary share capital of Arrow.

2. PRINCIPAL TERMS OF THE ACQUISITION

2.1 Acquisition of Arrow Shares. Forefront will acquire 1,100,000 ordinary shares and 1,000,001 deferred shares in the capital of Arrow (collectively, the “**Arrow Shares**”) from the Vendors, representing approximately 80 per cent of the ordinary share capital and 100 per cent. of the deferred share capital of Arrow, for an aggregate consideration of £21,250 (“the **Consideration**”).

2.2 Consideration. The Consideration was arrived at on a willing-buyer and willing-seller basis, taking into consideration various factors, including the historical performance and recent liquidity position 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 the Group’s medical devices segment (“**MDS**”) in the future.

The Consideration will be paid wholly in cash to the Vendors on the date of completion under the SPAs (“**Completion**”).

2.3 Conditions Precedent. Completion is subject to and conditional upon the satisfaction of the following conditions precedent:

2.3.1 the receipt by Forefront of copies of duly executed undertakings from specified lenders of Arrow (the “**Loan Holders**”) to Arrow in relation to the write down of approximately 90 per cent. of the aggregate amount outstanding under certain loans granted by the Loan Holders to Arrow (the “**Existing Loans**”);

2.3.2 the execution by each of the Vendors of an SPA to sell all of their holdings of Arrow Shares to Forefront at the agreed price, such that Forefront will be the sole shareholder of Arrow immediately following Completion; and

- 2.3.3 the agreement by National Westminster Bank plc to extend Arrow's overdraft facility at no less than its current level until 30 June 2020 at the earliest.

In the event that the conditions above are not satisfied or waived on or before the date falling 20 business days after the date of the SPAs (or such other date as may be agreed in writing between Forefront and the Vendors), Forefront may elect to terminate the SPAs (other than certain surviving provisions) and neither Forefront nor the Vendors shall have any claim against the other under these SPAs (save for antecedent breaches). As of the date of this announcement, all of the conditions above are satisfied and Completion is expected to take place on or before 15 April 2020. On the date of Completion, Arrow will become a wholly-owned subsidiary of Forefront.

3. RATIONALE FOR THE PROPOSED TRANSACTION

- 3.1 Arrow is a medical device manufacturer incorporated in England and Wales on 31 July 1989 with decades of experience in the assembly of complex medical devices and is principally engaged in Clean Room Assembly, Textiles and Radio Frequency Welding and Silicon Injection Molding.
- 3.2 On 5 November 2018 Forefront entered into a subscription agreement with Arrow for the subscription by Forefront for 275,000 ordinary shares in Arrow, which constituted 20% of the enlarged ordinary share capital of Arrow and allowed for a grant of options based on certain milestones which together with the subscription shares would give Forefront 60% of the issued capital of Arrow over a number of years.
- 3.3 Forefront believes that a more direct and timely approach involving purchasing 100 per cent. of the issued capital of Arrow is required and that this approach can assist MDS in the following three ways:

3.3.1 Provide MDS access to complementary manufacturing capabilities

Over the past decades Arrow has built substantive capability in certain areas that are complementary to those of MDS, such as fabric assembly, precision cutting, multi-layer assembly and radio frequency welding. These additional services could be offered to MDS' customer base, providing further opportunities to improve sales and profitability in the medium term.

3.3.2 Establish MDS' 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 focused on global customers headquartered in the United States of America ("USA"). Developing and winning new projects and customers in Europe forms part of MDS' long-term strategy to build a more diverse customer base, thereby reducing concentration risk over time. The Acquisition provides an opportunity for MDS to leverage Arrow's existing resources to build a permanent sales and marketing presence within Europe to enable regular customer contact and future project generation.

3.3.3 Expand MDS' manufacturing footprint outside of Asia to the western hemisphere to reduce the risk associated with uncertain international trading conditions

As part of its business strategy, MDS seeks to widen and deepen both its range of medical device products and medical device production capabilities to its customer base. Currently, MDS' two major production facilities are based in China where additional tariffs have been imposed by the government of the USA on a wide variety of China-manufactured products. In addition, due to the recent situation with the Covid-19 virus, concerns could develop where certain customers may wish to diversify their current supply chain.

MDS hopes to ameliorate this situation by offering its existing and future global customers an alternative production facility in the UK if requested. MDS believes that having access to a wholly owned subsidiary with production capabilities in the UK may provide additional comfort to those customers who request it.

Arrow has excellent core competency in the manufacture and assembly of complex medical devices through an experienced and stable labour force and is currently running at full staff establishment despite the Covid-19 situation.

- 3.4** The Acquisition, once completed, will add immediate production capacity to MDS' current manufacturing capacity at a very cost effective entry price without the need to invest in, or wait for the development of, a 'greenfield' facility. In addition, it will provide MDS with a footprint to offer services to customers in the UK, the 5th largest economy in the world, as well as expand its manufacturing presence to the western hemisphere for the first time.

4. FINANCIAL INFORMATION

Based on the unaudited financial statements of Arrow for the six-month period ended 31 January 2020, the net book value and net tangible assets attributable to the Arrow Shares (representing 80 per cent. of the issued share capital of Arrow) is approximately negative S\$362,000 and negative S\$362,000 respectively (assuming an exchange rate of £1 : S\$1.75).

As per paragraph 2.3.1 above, the write down of the Existing Loans by the Loan Holders is an integral part of the terms of the Acquisition. At Completion, based on the unaudited financial statements of Arrow for the six-month period ended 31 January 2020, the net book value and net tangible assets attributable to the Arrow Shares (representing 80 per cent. of the issued share capital of Arrow) after the write-down of the Existing Loans would be approximately positive S\$1,263,000 and positive S\$1,263,000 respectively (assuming an exchange rate of £1 : S\$1.75).

Arrow has incurred losses for the six-month period ended 31 January 2020 of approximately S\$42,000 (assuming an exchange rate of £1 : S\$1.75) based on its unaudited financial statements. Arrow has also incurred losses for a number of previous financial years. MDS will focus on turning around the performance of Arrow as the immediate priority and orientate Arrow's future development within MDS' growth strategy over the mid to long term.

The Acquisition is not expected to have a material effect on the net tangible assets or earnings per share of the Group for the financial year ending 31 July 2020.

5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

5.1 Shareholders should note that:

- 5.1.1 Venner Capital S.A. ("VC"), Bird Island Trust ("BIT") and Bird Island Investment SA ("BIISA") have granted loans to Arrow, of which an aggregate amount of £646,650 remains outstanding as at the date of this Announcement. This amount will be written down to £64,665 at Completion;
- 5.1.2 VC is a controlling shareholder of the Company, and VC and BIISA are wholly-owned by BIT;
- 5.1.3 the late Mr Robert Gaines-Cooper, formerly a Director of the Company, was the sole beneficiary under BIT and was also a Director and the Chairman of VC;
- 5.1.4 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 widow of the late Mr Robert Gaines-Cooper; and
- 5.1.5 Mr Christopher P. Lee, a Director of the Company, is a Director of VC.

5.2 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 Acquisition.

BY ORDER OF THE BOARD

Esther Au
Company Secretary
6 April 2020