

**Issuer:** Vicplas International Ltd

**Security:** Vicplas International Ltd

**Meeting details:**

Date: 28 November 2016

Time: 14:30H

Venue: The Star Loft, 11th Floor, The Star Performing Arts Centre, 1 Vista Exchange Green, Singapore 138617

**Company Description**

Vicplas International Ltd, an investment holding company, researches, designs, develops, manufactures, and assembles medical devices in Singapore, Malaysia, and China. The company also manufactures and distributes piping systems for various industries, including waste and potable water systems for residential homes, schools, and commercial and industrial buildings; underground electrical and internal building wire piping systems; and data and signal line piping systems by telecommunications companies. VicPlas International Ltd markets its piping systems under the VicPlas brand. In addition, it engages in the wholesale of medicinal and pharmaceutical products. VicPlas International Ltd was founded in 1993 and is based in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=569](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=569))

**Q1.** Sales of medical devices dipped with the cessation of medical devices manufacturing operations in Singapore in August 2013. In its place, a new facility in Changzhou was opened in March 2013 and the 2016 segment revenue scaled up to two-thirds the level achieved prior to the disruption.

|                | 2016<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 | 2010<br>\$'000 |
|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| External sales | 32,739         | 23,257         | 21,425         | 49,346         | 47,735         | 50,408         | 37,205         |
| Segment result | (782)          | (2,737)        | (9,043)        | 3,413          | 6,339          | 1,315          | 4,532          |

(Source: Vicplas International Ltd Annual Reports – Medical devices segment)

- (a) Can shareholders understand the challenges in scaling up medical devices sales in the past three years? Why has the change of the manufacturing site caused such a prolonged drop in revenue?
- (b) What is the current utilisation of the Changzhou facility?
- (c) Please provide better visibility to shareholders on the product mix (including sales level) within the medical devices segment.
- (d) In the Statement by Chairman (page 2 of the annual report), it was disclosed that the segment “faces the challenges of uncertainty and volatility (including substantial reduction) of orders from its major customer for the year ending July 31, 2017”. **Would the group disclose the order book on a on-going basis?**
- (e) In the outlook section of the Statement by Chairman (page 3), it was stated that substantive efforts are in progress to commercialise new products but “some of their effects may only be realised beyond FY2017”. **Does management expect the segment to be profitable in FY2017?**
- (f) The company completed the acquisition of 81% interest in XentiQ (Pte.) Ltd. in February 2016. XentiQ was acquired primarily to help to expand the group’s manufacturing capability to electro-mechanical devices. **Can management quantify the addressable market and the potential of electro-mechanical devices?**

**Q2.** Following years of record breaking revenue in the pipes and pipe fitting segment, segmental revenue in 2016 was down by about 15%. The chairman stated that “the construction industry in Singapore is expected to continue slowing down”. In last year’s annual report, the group had already disclosed its strategy to focus on “regional and product expansion” so as to mitigate the effects of the slowdown in Singapore. **Can the company elaborate further on the plans to expand regionally for the pipes and pipe fitting segment? What are the new markets that the group is hoping to enter and what is the market entry strategy? Can shareholders understand how the group is going to be competitive in these new markets given that there should be existing manufacturers in these markets as well?**

**Q3.** In the Corporate Governance report, the remuneration bands of the directors are shown (page 19). Resolution 3 in the Notice of the Annual General Meeting is for the shareholder to approve the directors’ fees of S\$275,000 for the year ended 31 July 2016.

For 2016, the two independent directors received remuneration packages that included “Other benefits” ranging from 40-53% of the individual’s remuneration. In 2015, the percentage was 37-39%. Between 2012-2014, the “Other benefits” component ranged from 17% to 50%. In 2011, none of the directors received any compensation other than Director’s Fees (as disclosed in the 2011 annual report).

- (a) **Can the board/remuneration committee help shareholders understand what constitutes as “Other benefits”?**
- (b) **Can the company confirm if this component is included or excluded in the sum of S\$275,000 that is put up for shareholders’ approval as Directors’ fees (in resolution 3)?**

Section 169 (Provision and improvement of director’s emoluments) of the Companies Act (Cap 50). states that:

169.—(1) A company shall not at any meeting or otherwise provide emoluments or improve emoluments for a director of a company in respect of his office as such unless the provision is approved by a resolution that is not related to other matters and any resolution passed in breach of this section shall be void.

(2) In this section, “emoluments” in relation to a director includes fees and percentages, any sums paid by way of expenses allowance in so far as those sums are charged to income tax in Singapore, any contribution paid in respect of a director under any pension scheme and any benefits received by him otherwise than in cash in respect of his services as director.

- (c) **Can the board confirm that the company is in compliance with Section 169 of the Companies Act (Cap 50). based on the current practice?**