

**Issuer:** Vicplas International Ltd

**Security:** Vicplas International Ltd

**Meeting details:**

Date: 28 November 2017

Time: 2.30 p.m.

Venue: Devan Nair Institute for Employment and Employability, Event Hall 1 (Level 1), 80 Jurong East Street 21, Singapore 609607

**Company Description**

Vicplas International Ltd, an investment holding company, researches, designs, develops, manufactures, and assembles medical devices in Singapore, Malaysia, and China. The company operates through two segments, Pipes and Pipe Fittings, and Medical Devices. It also manufactures, trades in, 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. The company markets its products under the VicPlas brand in Singapore, the Middle East, Bangladesh, and the Asia Pacific. In addition, it engages in the sale of medical and pharmaceutical products; and the provision of project design and engineering services. The company was founded in 1993 and is based in Singapore. Vicplas International Ltd is a subsidiary of Venner Capital S.A.

(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.** On 8 September 2017, the group announced the proposed acquisition of all the issued shares of Chelle Medical Limited, whose 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”).

In particular, it was envisaged that the acquisition would allow the group to gain a footing in the manufacture of TSMs.

As announced on 31 October, the group announced that *“not all of the Conditions Precedent have been satisfied and no agreement has been reached between the Parties on extending the Cut-Off Date”*. The Agreement was terminated by the Parties on 31 October 2017.

- a) Can the company elaborate further if it is still exploring other arrangements or partnership with Chelle on the manufacturing of TSM?**

In the announcement dated 31 October 2017, the company had said that it seeks to “implement its strategic intent of expanding its manufacturing capability beyond polymer-based components to electromechanical assemblies and whole devices by pursuing organic growth opportunities...”

- b) Can the company elaborate further on the progress made in its expansion of its range of manufacturing services to include electromechanical capabilities?**

As stated in the Statement by Chairman (page 2), the revenue for the medical devices segment dropped nearly a quarter to \$24.9 million due to the substantial decrease in orders from the major customer.

- c) Can the company provide better visibility into the split of revenue from the major customer and other customers/new business?**

**Q2.** The pipes and pipe fitting segment remains the group’s main contributor to revenue and profits, with revenue amounting to \$38.8 million and segment results hitting \$7.5 million in FY2017. It was mentioned that the decline was *“mainly due to lower revenue, higher raw materials cost and increased competition”*.

- a) Given that the segment is the main contributor to profits, what are management’s pro-active plans to maintain profit margin?**

- b) How will the focus on “civil engineering projects, regional growth and product expansion” impact the profit margin?**

In Note 37 (page 97 – Subsequent event), it was disclosed that the group has made a partial capital injection of US\$343,000 for a 49% proportionate equity interest in its joint venture company in Cambodia. The new manufacturing plant in Cambodia is expected to be operational by the last quarter of the financial year ending 31 July 2018.

- c) What is the expected capital expenditure for the group’s joint venture in Cambodia?**

- d) Can the company provide shareholders with better visibility on the profile of the joint venture partner?**

**Q3.** The group has a property located at 35 Joo Koon Circle which is used in both the manufacturing and sale of the Group’s products as well as to earn rental income.

- a) Can management tell shareholders how much of the 14,906 sq metre leasehold property is being used for the group’s operations?**

In Note 12 (page 74 – Investment property), the portion of 35 Joo Koon Circle that is recognised as “investment property” (as it is held to generate rental income) was valued at \$6.02 million. The property rental income generated was \$72,000 in 2017 (2016: \$105,000) while the direct operating expenses arising on the investment property amounted to \$52,000 (2016: \$50,000) in the current year.

**b) What is the occupancy rate of the group’s investment property?**

Based on the disclosure in Note 12, the group derived a pre-tax net rental income of \$20,000 in 2017, for a property that has a fair value of \$6.02 million.

**c) Can management help shareholders understand how it could maximise the return of the investment property?**

**d) Is the investment property strategic to the group’s operations?**

A copy of the questions for the Annual Report for the financial year ended 31 July 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Sysma%20Holdings%20Ltd>

The company’s response could be found here: -----