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

PROPOSED JOINT VENTURE IN CAMBODIA

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1. INTRODUCTION

The Board of Directors of Vicplas International Ltd. (the "**Company**" or "**VIL**" and, together with its subsidiaries, the "**Group**") is pleased to announce that it intends to establish a new manufacturing facility in Cambodia, pursuant to which Vicplas Investment Pte. Ltd. ("**VIPL**") (a wholly-owned indirect subsidiary of the Company) has entered into the following agreements for the purpose of establishing such facility:

1.1 a joint venture agreement (the "**LHCo JVA**") with Mr Hang Kea (the "**LHCo Partner**") in relation to the establishment of a joint venture company in Cambodia (the "**LHCo**") for the purposes of acquiring land and property (the "**Site**") necessary for the new manufacturing facility in Cambodia (the "**Facility**"); and

1.2 a joint venture agreement (the "**OpCo JVA**" and, collectively with the LHCo JVA, the "**JVAs**") with Mr Hang Kea, Mr Ng Yong Loo, Mr Lim Boon Hock and Ms Chhim Sopheap (the "**OpCo Partners**" and, collectively with the LHCo Partner, the "**JV Partners**") in relation to the establishment of a joint venture company in Cambodia (the "**OpCo**" and, collectively with LHCo, the "**JVCos**") for the principal purpose of carrying out manufacturing operations at the Facility,

(collectively, the "**Proposed Transactions**").

2. INFORMATION ON JV PARTNERS AND JVCOS

2.1 Information on JV Partners

Mr Hang Kea is a Cambodian national, and is also the managing director of Highplas Industries Co Ltd ("**HICL**") and a director and shareholder of Highspeed-Diesel (Cambodia) Co., Ltd ("**HDCL**"). Mr Ng Yong Loo is a Singapore national and a director of HDCL. Mr Lim Boon Hock is a Singapore national and the executive director of HICL, and Ms Chhim Soheap is an investor and a Cambodian national.

HICL is engaged in the business of distributing uPVC pipes and pipe fittings and is based in Phnom Penh, and is the current distributor of such products for the Group in Cambodia. HDCL is engaged in the business of dealing in power generators.

2.2 Information on LHCo

LHCo will be established as a private limited company under the commercial laws of Cambodia for the purposes of acquiring the Site and establishing the Facility (which will initially be leased to OpCo in accordance with the Lease Agreement (as defined below)) and such other purposes as the board of directors of LHCo may determine from time to time. On the incorporation of LHCo, VIPL will hold 49 per cent. of the shares in LHCo (the "**LHCo Shares**") and the LHCo Partner will hold 51 per cent. of the LHCo Shares.

2.3 Information on OpCo

OpCo will be established as a private limited company under the commercial laws of Cambodia for the purposes of leasing the Facility from LHCo in accordance with the Lease Agreement to carry out manufacturing operations. On the incorporation of OpCo, VIPL will hold 60 per cent. of the shares in OpCo (the "**OpCo Shares**") and the OpCo Partners will collectively hold 40 per cent. of the OpCo Shares.

3. PRINCIPAL TERMS OF THE JVAS

3.1 Conditions Precedent

Based on the JVAs, the operational provisions of the JVAs will not come until effect until the fulfilment or waiver of the following conditions (collectively, the "**Conditions**"):

3.1.1 the incorporation and registration of the JVCos;

3.1.2 payment of the registered capital of the JVCos by VIPL and the relevant JV Partners in accordance with the terms of the relevant JVA;

3.1.3 the acquisition of the Site by the LHCo;

3.1.4 the delivery and/or execution by the LHCo Partners of appropriate security documents in respect of the Site to and/or in favour of VIPL, on terms to be agreed between the LHCo Partner and VIPL; and

3.1.5 the execution of a long term lease in respect of the Facility, with a term of at least 15 years, between the LHCo and OpCo (the "**Lease Agreement**").

In the event that any of the Conditions are not fulfilled or waived on or before 31 August 2017, either VIPL or the relevant JV Partners may terminate the relevant JVA, and if such JVA is terminated, the other JVA will not come into effect.

3.2 Consideration

Based on the JVAs, VIPL will be required to subscribe for an aggregate of 1,715,000 LHCo Shares (the "**VIPL LHCo Shares**") and 1,200,000 OpCo Shares (the "**VIPL OpCo Shares**") with an aggregate capital contribution of US$2,915,000.

The capital contributions in respect of the VIPL LHCo Shares and VIPL OpCo Shares were arrived at on a "willing-buyer willing-seller" basis, taking into consideration the costs of acquiring the Site and constructing the Facility and the working capital and capital expenditure requirements of the JVCos.

3.3 Other Terms

The JVAs will include other terms relating to (i) the transfer of the respective JVCo Shares held by each of VIPL and the relevant JVCo Partners and (ii) corporate governance matters.

4. RATIONALE FOR THE PROPOSED TRANSACTIONS

The Proposed Transactions are part of the Group's regional growth plans, and will allow the Group to establish a manufacturing presence in Phnom Penh, Cambodia through OpCo. The acquisition of the Site (in relation to which foreign ownership is limited to 49 per cent.) by LHCo will provide scope for future growth in the emerging Cambodia market. This will also provide a platform for the Group to tap into other neighbouring countries to Cambodia.

5. FINANCIAL INFORMATION

5.1 Valuation

Vicplas Holdings Pte Ltd, a wholly owned subsidiary of the Company, has commissioned Knight Frank (Cambodia) Pte Ltd to value the Site. In their report dated 30 March 2016 (the "**Valuation Report**"), the market value of the Site is approximately US$2.07 million.

5.2 Funding for the Proposed Transactions

The Company 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 audited consolidated financial statements of the Group for the financial year ended 31 July 2016 ("**FY2016**"), 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 net tangible assets value ("**NTA**") per ordinary share in the share capital of the Company ("**Share**") and 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 assumption that the Company acquires all the VIPL OpCo Shares and the VIPL LHCo Shares at the same time. As the JVCos will be newly incorporated entities, no audited or unaudited financial statements of the JVCos are available as at the date of this Announcement.

6.2 NTA

For illustrative purposes only and assuming the Proposed Transactions had been completed on 31 July 2016, 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 FY2016 will remain unchanged at S$0.11 per Share.

6.3 EPS

For illustrative purposes only and assuming the Proposed Transactions had been completed on 1 August 2015, 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 FY2016 will remain unchanged at S$0.011 per Share.

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 of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**") 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	Proposed Transactions (%)
(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 VIPL OpCo Shares and VIPL LHCo Shares acquired, compared with the Group's net profits[(1)]	Not applicable
(c)	The aggregate consideration compared with VIL's market capitalisation[(2)]	6.8
(d)	The number of equity securities issued by VIL as consideration for the Proposed Transactions, compared with the number of equity securities of VIL previously in issue	Not applicable[(3)]

Notes:

(1) 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. Rule 1006(b) is not applicable, as the JVCos will be newly incorporated with no net profits.

(2) The market capitalisation of the Company of approximately S$60.0 million is determined by multiplying 500,177,699 issued shares of the Company as at the date of this Announcement by the closing price of S$0.120 per Share as at 15 February 2017 (being the last trading day prior to the date of this Announcement).

(3) 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(c) exceeds five per cent. but does not exceed 20 per cent., the Proposed Transactions would constitute a discloseable transaction as defined in Chapter 10 of the Listing Manual.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

No Director or controlling Shareholder has any interest, direct or indirect, in the Proposed Transactions, save in respect of his/its shareholding (if any) in the Company.

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 Valuation Report 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

Cheng Liang
Acting Group Chief Executive Officer
1 March 2017