Vincent Medical Holdings Limited
永勝醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1612)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

The Board of Directors (the "**Board**" or "**Directors**") of Vincent Medical Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2016 (the "**Period**"), together with the comparative figures for the corresponding period of 2015.

HIGHLIGHTS

- Turnover for the Period increased by 6.4% to HK$237.9 million as compared to that for the corresponding period in 2015.
- Gross profit for the Period increased by 14.9% to HK$77.9 million as compared to that for the corresponding period in 2015.
- Gross profit margin for the Period increased to 32.7% as compared to that of 30.3% for the corresponding period in 2015.
- Profit attributable to owners of the Company for the Period was:
  - HK$12.1 million, based on the reported net profit; and
  - HK$29.4 million, based on the Underlying Net Profit *(Note)*, representing an increase of 33.6% as compared to that for the corresponding period in 2015.
- Basic earnings per share of the Company ("**Share(s)**") for the Period was:
  - HK2.53 cents per Share, based on the reported net profit; and
  - HK6.14 cents per Share, based on the Underlying Net Profit *(Note)*.

Note:

Underlying Net Profit represents reported net profit as set out in the Interim Condensed Consolidated Statement of Profit or Loss attributable to owners of the Company before deducting:

(i) the one-off Listing-related expenses of approximately HK$17.1 million; and

(ii) the share-based compensation expenses relating to the pre-IPO share options of approximately HK$0.2 million.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Six months ended 30 June	
		2016	2015
	Note	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Turnover	5	**237,941**	223,629
Cost of sales		**(160,022)**	(155,811)
Gross profit		**77,919**	67,818
Other income		**2,912**	1,481
Distribution costs		**(7,067)**	(7,741)
Administrative expenses		**(50,437)**	(24,619)
Profit from operations		**23,327**	36,939
Finance costs – interests on borrowings		**(196)**	(5)
Share of loss of an associate		**(41)**	(23)
Profit before tax		**23,090**	36,911
Income tax expense	6	**(5,783)**	(8,161)
Profit for the period	7	**17,307**	28,750
Attributable to:			
Owners of the Company		**12,138**	22,018
Non-controlling interests		**5,169**	6,732
		17,307	28,750
Earnings per Share	9		
Basic		**HK2.53 cents**	HK5.39 cents
Diluted		**HK2.53 cents**	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period	**17,307**	28,750
Other comprehensive income:		
Items that will be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(2,732)**	(11)
Other comprehensive income for the period, net of tax	**(2,732)**	(11)
Total comprehensive income for the period	**14,575**	28,739
Attributable to:		
Owners of the Company	**9,886**	22,012
Non-controlling interests	**4,689**	6,727
	14,575	28,739

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

	Note	**30 June 2016 HK$'000 (unaudited)**	31 December 2015 HK$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**42,166**	44,876
Goodwill		**9,591**	9,591
Other intangible assets		**12,927**	13,657
Investment in an associate		**13,342**	13,269
Total non-current assets		**78,026**	81,393
Current assets			
Inventories		**70,210**	65,422
Trade receivables	10	**108,315**	87,188
Prepayments, deposits and other receivables		**28,208**	16,662
Bank and cash balances		**94,358**	69,303
Total current assets		**301,091**	238,575
TOTAL ASSETS		**379,117**	319,968
EQUITY AND LIABILITIES			
Share capital	12	**–***	12,094
Reserves		**221,411**	157,264
Equity attributable to owners of the Company		**221,411**	169,358
Non-controlling interests		**49,433**	47,729
Total equity		**270,844**	217,087
Non-current liabilities			
Borrowings		**2,602**	3,725
Deferred tax liabilities		**2,133**	2,253
Total non-current liabilities		**4,735**	5,978
Current liabilities			
Trade payables	11	**39,272**	24,751
Other payables and accruals		**40,193**	30,777
Borrowings		**7,867**	992
Current tax liabilities		**16,206**	40,383
Total current liabilities		**103,538**	96,903
Total liabilities		**108,273**	102,881
TOTAL EQUITY AND LIABILITIES		**379,117**	319,968
Net current assets		**197,553**	141,672
Total assets less current liabilities		**275,579**	223,065

* Represents an amount less than HK$1,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

1. GENERAL INFORMATION

The Company was incorporated as an exempted company in the Cayman Islands under the Companies Law of the Cayman Islands on 19 November 2015.

The Company is an investment holding company. The Company and its subsidiaries now comprising the Group are principally engaged in manufacturing, sales, and research and development of medical devices (the "**Business**").

On 13 July 2016 (the "**Listing Date**"), the Shares were listed (the "**Listing**") on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

In the opinion of the Directors, Vincent Raya International Limited ("**VRI**"), a company incorporated in the British Virgin Islands, is the ultimate parent. Mr. Choi Man Shing ("**Mr. Choi**") and Ms. Liu Pui Ching ("**Ms. Liu**") are the ultimate controlling parties of the Company (together with VRI, known as the "**Controlling Shareholders**").

2. REORGANISATION AND BASIS OF PREPARATION

Prior to the incorporation of the Company and the completion of the reorganisation for the purpose of the Listing (the "**Reorganisation**"), the Business was carried out by companies now comprising the Group (collectively the "**Operating Companies**"). The Operating Companies were controlled by the Controlling Shareholders.

Immediately prior to and after the Reorganisation, the Business was and continues to be held by the Operating Companies. Pursuant to the Reorganisation, the Operating Companies together with the Business were transferred to and are held by the Company through Vincent Medical Manufacturing Holdings Limited and Vincent Medical Care Holdings Limited. The Reorganisation was completed on 18 February 2016 and thereafter, the Company became the holding company of the Group.

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

These condensed consolidated financial statements should be read in conjunction with the financial information for the year ended 31 December 2015 included in the accountants' report as set out in Appendix I to the prospectus issued by the Company dated 30 June 2016 (the "**Prospectus**"). The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the accountants' report for the year ended 31 December 2015 except as stated below.

Share-based payments

The Group issues equity-settled share-based payments to certain Directors, employees and consultants. Equity-settled share-based payments to Directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the Period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2016. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not have any significant effect on the condensed consolidated financial statements.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2016. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods, but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

5. REVENUE AND SEGMENT INFORMATION

The Group's turnover represents sales of medical devices to customers. An analysis of the Group's turnover by products for the Period is as follows:

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Respiratory products	**80,305**	85,008
Imaging disposable products	**92,854**	75,254
Orthopaedic and rehabilitation products	**36,974**	43,102
Others	**27,808**	20,265
	237,941	223,629

Information about reportable segment profit or loss:

	OEM	OBM	Total
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)
Six months ended 30 June 2016:			
Revenue from external customers	**206,868**	**31,073**	**237,941**
Segment profit/(loss)	**41,276**	**(1,138)**	**40,138**
Six months ended 30 June 2015:			
Revenue from external customers	195,170	28,459	223,629
Segment profit	31,792	5,364	37,156

Reconciliations of reportable segment profit or loss:

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit or loss		
Total profit or loss of reportable segments	**40,138**	37,156
Interest income	**25**	26
Interest expenses	**(196)**	(5)
Listing-related expenses	**(17,090)**	–
Share-based payments	**(182)**	–
Share of loss of an associate	**(41)**	(23)
Write back of trade payables	**2,207**	–
Unallocated corporate income	**680**	1,455
Unallocated corporate expenses	**(2,451)**	(1,698)
Consolidated profit before tax	**23,090**	36,911

Segment assets and liabilities of the Group are not reported to the Directors regularly. As a result, reportable segment assets and liabilities have not been presented in these condensed consolidated financial statements.

Geographical information:

The Group's revenue from external customers by location of operations is as follows:

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
United States (the "**USA**")	**166,331**	170,228
Netherlands	**24,238**	–
The People's Republic of China (the "**PRC**")	**17,543**	18,669
Germany	**701**	13,392
Australia	**8,392**	4,814
Japan	**7,370**	7,710
Others	**13,366**	8,816
	237,941	223,629

Revenue from major customers:

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
OEM segment		
Customer A	**96,799**	75,467
Customer B	**54,936**	30,808
Customer C *(Note)*	**N/A**	27,073

Note:

Revenue from Customer C represented less than 10% of the Group's revenue for the Period.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax		
– Hong Kong Profits Tax	**3,551**	6,529
– PRC Corporate Income Tax	**2,352**	1,632
Deferred tax	**(120)**	–
	5,783	8,161

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profits for the six months ended 30 June 2016 and 2015.

Under the Corporate Income Tax Law of the PRC which became effective from 1 January 2008, the standard corporate income tax rate is 25% except for a PRC subsidiary of the Company which is qualified as a High and New Tech Enterprise and would be entitled to a reduced corporate income tax rate of 15% from 2 July 2013. The relevant tax rates for the Company's PRC subsidiaries range from 15% to 25%.

7. PROFIT FOR THE PERIOD

The Group's profit for the Period is arrived at after charging/(crediting):

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Amortisation	**730**	–
Cost of inventories sold	**160,022**	155,811
Depreciation	**5,564**	7,075
Directors' emoluments		
– As director	**–**	–
– For management		
Salaries, bonuses and allowances	**1,614**	1,201
Retirement benefits scheme contributions	**81**	55
Equity-settled share-based payments	**16**	–
	1,711	1,256
Equity-settled share-based payments	**182**	–
Exchange loss/(gain), net	**1,184**	(1,163)
Listing-related expenses	**17,090**	–
Operating lease charges – land and buildings	**4,768**	2,785
Research and development expenditure	**3,840**	3,281
Staff costs including directors' emoluments		
Salaries, bonuses and allowances	**38,603**	32,386
Retirement benefits scheme contributions	**2,056**	2,208
Other benefits	**4,698**	2,728
Equity-settled share-based payments	**162**	–
	45,519	37,322
Write back of trade payables	**(2,207)**	–

8. DIVIDEND

The Board has resolved not to declare any interim dividend for the Period.

Prior to the Listing, a dividend of HK$21,000,000 was declared in March 2016 and paid to the then shareholders of two subsidiaries of the Company in April 2016.

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per Share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Profit attributable to owners of the Company	**12,138**	22,018
Number of Shares	***'000***	*'000*
Weighted average number of ordinary Shares used in basic and diluted earnings per Share calculation	**478,991**	408,320

The weighted average number of ordinary Shares for the purpose of calculating basic and diluted earnings per Share for both periods has been adjusted for the effect of the capitalisation issue as more fully explained in note 12(e).

The impact of the outstanding share options on diluted earnings per Share for the Period was insignificant.

No diluted earnings per Share were presented for the six months ended 30 June 2015 as there were no potential ordinary Share outstanding during that period.

10. TRADE RECEIVABLES

The general credit term of the Group granted to its customers range from 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	30 June	31 December
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**43,370**	40,149
31 – 60 days	**26,201**	25,193
61 – 90 days	**20,112**	14,500
Over 90 days	**18,632**	7,346
	108,315	87,188

11. TRADE PAYABLES

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**27,585**	9,348
31 – 60 days	**3,422**	4,104
Over 60 days	**8,265**	11,299
	39,272	24,751

12. SHARE CAPITAL

		The Company	
	Note	**Number of Shares**	**Amount** *HK$*
Authorised:			
On incorporation, at 31 December 2015 and 1 January 2016 (US$1 each)	(a)	50,000	390,000
Cancellation of Shares under the Redenomination	(b)	(50,000)	(390,000)
Creation of Shares under the Redenomination	(b)	10,000,000,000	100,000,000
At 30 June 2016 (HK$0.01 each)		10,000,000,000	100,000,000
Issued and fully-paid:			
On incorporation, at 31 December 2015 and 1 January 2016 (US$1 each)	(a)	1	8
Repurchase or Shares under the Redenomination	(b)	(1)	(8)
Allotment of Shares under the Redenomination	(b)	1	–*
Shares issued pursuant to the Reorganisation	(c)	9,998	100
Issue of Shares	(d)	2,500	25
At 30 June 2016 (HK$0.01 each) (unaudited)		12,499	125

* Represents an amount less than HK$1

Notes:

(a) The Company was incorporated as an exempted company in the Cayman Islands on 19 November 2015 with an authorised Share capital of US$50,000 divided into 50,000 Shares with a par value of US$1 each.

On incorporation, one Share was allotted as fully-paid at par value to a subscriber, and was transferred to VRI on the same date.

(b) On 3 February 2016, the Company redenominated its share capital from US$ to HK$ (the "**Redenomination**") through the following steps:

(i) the authorised Share capital of the Company was increased by HK$100,000,000 through the creation of 10,000,000,000 Shares of a par value of HK$0.01 each;

(ii) the Company allotted and issued nil-paid one Share of HK$0.01 to VRI at a subscription price of HK$7.8 (equivalent to US$1) (the "**Subscription Price**");

(iii) the Company repurchased the one issued Share of US$1 from VRI at a price of US$1 (the "**Repurchase Price**"), after which such Share was cancelled;

(iv) the Subscription Price was set off by the Repurchase Price and as a result, the one nil-paid Share of HK$0.01 issued to VRI in (ii) was credited as fully-paid; and

(v) the 50,000 unissued Shares of US$1 each in the authorised Share capital of the Company were cancelled.

As a result of the Redenomination, the Company had an authorised Share capital of HK$100,000,000 divided into 10,000,000,000 Shares with a par value of HK$0.01 each.

(c) On 18 February 2016, the Company entered into a share agreement with each of (i) the immediate parent of Vincent Healthcare Products Limited ("**VHPL**") prior to the Reorganisation, Mr. Choi and Ms. Liu; (ii) Mr. To Ki Cheung; (iii) Mr. Koh Ming Fai; and (iv) Mr. Fu Kwok Fu, pursuant to which the Company allotted and issued 970, 404, 121 and 121 Shares, credited as fully paid-up, to VRI, Mr. To Ki Cheung, Mr. Koh Ming Fai and Mr. Fu Kwok Fu (Mr. To Ki Cheung, Mr. Koh Ming Fai and Mr. Fu Kwok Fu are executive Directors of the Company) respectively, in exchange for an aggregate of 100,000 Shares of VHPL, representing 100% of the entire issued share capital of VHPL.

On the same date, the Company further allotted and issued 8,382 Shares, credited as fully paid-up, to VRI in exchange for 6,918,630 shares of Vincent Medical Manufacturing Co., Limited ("**VMHK**"), representing 80.1% of the entire issued share capital of VMHK.

(d) On 26 February 2016, the Company and three investors entered into a subscription and shareholders' agreement, pursuant to which 2,500 Shares were issued and allotted to these investors at a consideration of HK$60,000,000.

(e) Pursuant to the written resolutions passed by the shareholders of the Company (the "**Shareholders**") on 24 June 2016, conditional on share premium account of the Company being credited as a result of the Global Offering (as defined in the Prospectus), the Directors were authorised to capitalise an amount of HK$5,103,875 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 510,387,501 Shares for allotment and issue to the then existing Shareholders in proportion to their respective shareholdings.

(f) On the Listing Date, the Company issued 127,600,000 new Shares at HK$1.00 each in relation to the Global Offering. These new Shares rank pari passu with the existing Shares in all respects.

Share capital as presented in these condensed consolidated financial statements as at 31 December 2015 represented the issued and paid up capital of the Company, VHPL and VMHK (other than share capital contributed by the non-controlling shareholder).

The only externally imposed capital requirement for the Group is in order to maintain the Listing, it has to have a public float of at least 25% of the Shares.

The Group is not subject to any externally imposed capital requirements prior to the Listing.

Based on information that is publicly available to the Company and the knowledge of the Directors, as at the date of this announcement, the Company has maintained the minimum public float requirement of at least 25% of its Shares as required by the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

OVERVIEW

The Group manufactures a range of medical devices, focusing on respiratory products, imaging contrast media power injector disposable products, and orthopaedic and rehabilitation products for its OEM customers in the OEM business; and develops, manufactures and sells its own "Inspired Medical" ("英仕醫療") brand of respiratory equipment and disposable products and orthopaedic and rehabilitation products in the OBM business. The Group is committed to growth through continuously developing innovative products that can address patients' needs and have potential for future commercialisation to diversify its OBM product portfolio, in particular focusing on the respiratory and orthopaedic and rehabilitation categories.

The medical device industry is expected to continue growing due to increasing government healthcare expenditure, a continuing ageing population and higher demand for better healthcare treatment. Despite the uncertain economic climate worldwide and in the PRC, the Group's sales and gross profit for the Period were approximately HK$237.9 million and approximately HK$77.9 million respectively, representing a growth of 6.4% and 14.9% as compared to the six months ended 30 June 2015.

ORIGINAL EQUIPMENT MANUFACTURING ("OEM") BUSINESS

The Group's OEM business remains to be its major business segment. The turnover from the OEM business amounted to approximately HK$206.8 million, representing 86.9% of the total turnover for the Period. Despite the slow growth and uncertain economic situations in the USA and Europe, the Group recorded a growth of approximately 6.0% in its OEM business for the Period as compared to the corresponding period of 2015. Such growth was mainly attributable to an increase in demand for the imaging disposable products.

ORIGINAL BRAND MANUFACTURING ("OBM") BUSINESS

The sales generated from the Group's OBM business during the Period was approximately HK$31.1 million, representing an increase of approximately 9.2% as compared to that for the corresponding period in 2015. The sales of the Group's "Inspired Medical" branded products were affected by the uncertain economic situation overseas, especially the sluggish economy in emerging markets. The Group is developing new OBM products and expects the growth in the OBM business sector to improve from 2017 onwards.

RECENT INCIDENT ON THE STERILISATION PROCESS FOR CERTAIN PRODUCTS

As disclosed in the Prospectus, two product lines of one key customer of the Group were unable to pass the sterilisation control tests in March 2016. The in-house sterilisation process on such two product lines has temporarily been stopped and the products were being sent to the USA for sterilisation before being delivered to such customer. The Group has adjusted its sterilisation process to add an appropriate level of conservatism as preventive measure as recommended by the independent third party sterilisation consultant engaged by the Group. As at the date of this announcement, the revalidation process has been completed and is waiting for the customer to formally sign off. The sterilisation process for the two product lines will resume once the approval procedure is completed.

The Group incurred additional costs in relation to the sterilisation revalidation process of approximately HK$4.1 million for the Period which included additional freight and transportation costs of approximately HK$3.2 million on air shipping the products to the USA and additional sterilisation costs of approximately HK$0.9 million. The Group does not expect the sterilisation incident to have any material impact on its business and its relationship with its customers.

PROSPECT

Expand OBM business by enhancing product offering

The Group continues to expand its product lines by seeking new innovative technologies. The development of the bubble continuous positive airway pressure ("**CPAP**") and oxygen blender systems are in good progress and such products are expected to be launched in 2017. The home use ultrasonic nebulizer, which is co-developed with the Guangzhou Institute of Respiratory Disease (廣州呼吸疾病研究所), has shown a positive clinical testing result and is expected to be launched in 2017. The products will be sold under the Group's "Inspired Medical" ("英仕醫療") brand through its distribution network in the PRC and overseas. The Group believes that the products will be well-received by the market due to the increasing number of new born babies and respiratory disease patients in the PRC and the emerging markets.

Collaborate with overseas technology companies

To scope with the continuous demand of high technology medical devices in the PRC and the emerging markets, the Group is co-developing a home care CPAP equipment with Ventific Holdings Pty Ltd ("**Ventific**"), an Australian technology company. The Group will be responsible for manufacturing the product and for selling the product in the PRC and Japan. This is in line with the Group's strategy to introduce innovative overseas technologies into the PRC through its established distribution network. The CPAP equipment functional prototype has been under testing and the product is expected to be launched in 2017. Meanwhile, the Group is expecting to conclude another important respiratory project with an American company, where the Group will be responsible for manufacturing and distributing the product in certain areas of the PRC through its distribution network. These initiatives will strengthen the Group's market position of manufacturing and sale of respiratory devices in the PRC.

Expand product portfolio in robotic rehabilitation business

In December 2015, the Group acquired a controlling interest in Rehab-Robotics Company Limited ("**RRCL**"), in order to expand the Group's product portfolio into the robotic rehabilitation business. RRCL is the developer of an innovative robotic hand system, named "Hand of Hope" (the "**HOH**") which aims to help stroke patients regain their hand mobility. The newly acquired business has integrated with the Group's existing orthopaedic and rehabilitation business unit. During the Period, the Group opened more markets for the HOH by applying for product registration and distribution permits in countries including Germany, Switzerland, Romania, Korea and Singapore. The Group expects that the product registration in the USA will be obtained by the end of 2016 and the sales of the HOH will pick up in 2017. Meanwhile, the Group will further expand its rehabilitation business to the home care market. In the initial phase, the Group plans to launch the rehabilitative home care business in the Hong Kong market in the last quarter of 2016. The rehabilitative home care market is expected to be a high potential market and better suited for the needs of stroke patients using the robotic hand system.

To further expand the Group's robotic rehabilitation product line, the Group has obtained licenses from a university-affiliated entity in Hong Kong to co-develop robotic ankle, knee and hip training equipment for stroke patients. With the new systems expected to be launched in 2018, the Group will be able to further strengthen its position in the robotic rehabilitation products market.

Britain exits the European Union

With the uncertain economic situation in both Britain and Europe after the recent "Brexit" vote, the Group expects that sales to both Britain and Europe will be adversely impacted. As the majority of the Group's sales are generated from the USA, the Group does not expect that "Brexit" will have a significant impact on the Group's sales and profit. The majority of the Group's product lines are consumable devices, the sales of which are relatively stable under economic uncertainty.

FINANCIAL REVIEW

TURNOVER

For the Period, the Group recorded turnover of approximately HK$237.9 million (six months ended 30 June 2015: HK$223.6 million), representing an increase of approximately 6.4% as compared to that for the corresponding period in 2015. The increase was mainly attributable to a 6.0% increase in turnover generated from the Group's OEM business due to an increase in turnover from sales of OEM imaging disposable products and a 9.2% increase in turnover generated from the Group's OBM business due to an increase in turnover from sales of OBM orthopaedic and rehabilitation products.

The following table sets out the Group's segmental turnover:

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Business segment		
OEM	**206,868**	195,170
OBM	**31,073**	28,459
Total	**237,941**	223,629
Product category segment		
Respiratory products	**80,305**	85,008
Imaging disposable products	**92,854**	75,254
Orthopaedic and rehabilitation products	**36,974**	43,102
Others *(Note)*	**27,808**	20,265
Total	**237,941**	223,629

Note: Others include infusion regulators, moulds, surgical tools, instruments and plastic disposable products.

Geographical segment		
USA	**166,331**	170,228
Netherlands	**24,238**	–
PRC	**17,543**	18,669
Germany	**701**	13,392
Australia	**8,392**	4,814
Japan	**7,370**	7,710
Others *(Note)*	**13,366**	8,816
Total	**237,941**	223,629

Note: Others mainly include Korea, Hong Kong and Britain.

COST OF SALES

For the Period, the Group recorded cost of sales of approximately HK$160.0 million (six months ended 30 June 2015: HK$155.8 million), representing an increase of approximately 2.7% as compared to that for the corresponding period in 2015. The increase in cost of sales was lower than the increase in turnover, demonstrating that the Group enjoyed economies of scale in production.

GROSS PROFIT AND GROSS PROFIT MARGIN

For the Period, the Group recorded gross profit of approximately HK$77.9 million (six months ended 30 June 2015: HK$67.8 million), representing an increase of approximately 14.9% as compared to that for the corresponding period in 2015. Also, the gross profit margin for the Period was approximately 32.7% (six months ended 30 June 2015: 30.3%), representing an increase of approximately 2.4 percentage points as compared to that for the corresponding period in 2015. The increase in gross profit margin was mainly owing to the economics of scale enjoyed by the Group.

OTHER INCOME

Other income for the Period mainly comprised write back of trade payables, interest income and sundry income. For the Period, the Group recorded other income of approximately HK$2.9 million (six months ended 30 June 2015: HK$1.5 million), representing an increase of approximately 93.3% as compared to that for the corresponding period in 2015. The fluctuation was mainly due to an increase in write back of trade payables of approximately HK$2.2 million, partially offset by a decrease in exchange gain of approximately HK$1.2 million.

DISTRIBUTION COSTS

The Group's distribution costs for the Period were approximately HK$7.1 million (six months ended 30 June 2015: HK$7.7 million), representing a decrease of approximately 7.8% as compared to that for the corresponding period in 2015. Such decrease was mainly due to lower sales commission incurred for the Period.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses for the Period were approximately HK$50.4 million (six months ended 30 June 2015: HK$24.6 million), representing an increase of approximately 104.9% as compared to that for the corresponding period in 2015. The increase was mainly due to the one-off Listing-related expenses of approximately HK$17.1 million and an increase in staff costs of approximately HK$6.7 million incurred in the Period.

INCOME TAX EXPENSE

Income tax expense for the Period was approximately HK$5.8 million (six months ended 30 June 2015: HK$8.2 million), representing a decrease of approximately HK$2.4 million as compared to that for the corresponding period in 2015. The decrease was mainly due to offshore income claimed by certain Hong Kong subsidiaries of the Group. The overall effective tax rate of the Group was 25.0% (six months ended 30 June 2015: 22.1%). The higher effective tax rate for the Period was mainly due to the one-off Listing-related expenses, which was non-deductible for tax purpose.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company based on the reported net profit for the Period was approximately HK$12.1 million (six months ended 30 June 2015: HK$22.0 million), representing a decrease of approximately 45.0% as compared to that for the corresponding period in 2015.

The profit attributable to owners of the Company based on the underlying net profit for the Period was approximately HK$29.4 million (six months ended 30 June 2015: HK$22.0 million), representing an increase of approximately 33.6% as compared to that for the corresponding period in 2015. The Underlying Net Profit represents reported net profit before deducting: (i) the one-off Listing-related expenses of approximately HK$17.1 million; and (ii) the share-based compensation expenses relating to the pre-IPO share options of approximately HK$0.2 million for the Period. The increase in the profit attributable to owners of the Company based on the underlying net profit was mainly due to the increase in gross profit of approximately HK$10.1 million for the Period.

EMPLOYEE INFORMATION

As at 30 June 2016, the Group hired 881 employees (31 December 2015: 879). The remuneration of employees was determined according to their experience, qualifications, results of operations of the Group and the market environment. During the Period, staff costs (including Directors' emoluments) were approximately HK$45.5 million (six months ended 30 June 2015: HK$37.3 million), representing approximately 19.1% of the Group's turnover (six months ended 30 June 2015: 16.7%).

CAPITAL EXPENDITURE

During the Period, the Group acquired plant and equipment of approximately HK$3.7 million (six months ended 30 June 2015: HK$6.5 million), representing a decrease of approximately HK$2.8 million as compared to that for the corresponding period in 2015.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group's bank and cash balances amounted to approximately HK$94.4 million (31 December 2015: HK$69.3 million). Most bank and cash balances were denominated in Hong Kong dollars ("**HKD**"), US Dollars ("**USD**") and Renminbi ("**RMB**"). The increase of bank and cash balances was mainly due to the increase in cash generated from operations, the proceeds from issue of Shares and drawdown of bank loan after net off effect of income tax and dividends paid during the Period.

As at 30 June 2016, the Group had a bank loan of approximately HK$6.2 million (31 December 2015: nil) and other loan of approximately HK$4.3 million (31 December 2015: HK$4.7 million). As at 30 June 2016, no financial instruments were used for hedging purposes. The Group had an insignificant gearing ratio of 0.05 (31 December 2015: 0.03), which was calculated based on total debt divided by total equity attributable to owners of the Company.

CAPITAL STRUCTURE

The Shares were listed on the main board of the Stock Exchange on the Listing Date. As at the date of this announcement, the issued Share capital of the Company was approximately HK$6.4 million, comprising 638,000,000 Shares of nominal value of HK$0.01 per Share.

MATERIAL ACQUISITIONS AND DISPOSALS

There were no material acquisitions and disposals during the Period.

SIGNIFICANT INVESTMENTS

As at 30 June 2016, the Group had investment in an associate, Ventific, amounted to approximately HK$13.3 million. Save as the aforesaid, the Group did not hold any other significant investments as at 30 June 2016.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2016, none of the assets of the Group were pledged.

FOREIGN EXCHANGE EXPOSURE

While some of the Group's costs and expenses are denominated in RMB, a substantial percentage of sales are denominated in USD given the export-oriented nature of the OEM business. Thus, any appreciation of RMB against USD or HKD may subject the Group to increased costs and lowered profitability. The Directors have assessed the impact of such foreign currency risk and considered that it may materially affect the Group's profitability. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

USE OF PROCEEDS FROM GLOBAL OFFERING

The Shares were listed on the main board of the Stock Exchange on the Listing Date. The net proceeds of the Global Offering were approximately HK$94.6 million (net of underwriting fees and relevant expenses). The Group will deploy the proceeds according to the manner set out in the Prospectus.

CONTINGENT LIABILITIES

As at 30 June 2016, the Group provided guarantees to banks in respect of banking facilities granted to Vincent Raya Co., Limited ("**VRHK**"), a company wholly-owned by VRI. As at 30 June 2016, the outstanding amount of the bank loan drawn by VRHK under such guarantees amounted to approximately HK$16.8 million. The relevant guarantees were released on the Listing Date. Apart from such guarantees, the Group did not have any other significant contingent liabilities as at 30 June 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities throughout the period commencing from the Listing Date and up to the date of this announcement.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors.

Having made specific enquiries with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding their securities transactions throughout the period commencing from the Listing Date and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as contained in Appendix 14 to the Listing Rules as its own code of corporate governance since the Listing Date.

In the opinion of the Directors, the Company has complied with the code provisions set out in the CG Code throughout the period commencing from the Listing Date and up to the date of this announcement.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining a high standard of corporate governance.

INTERIM DIVIDEND

The Directors did not recommend the payment of an interim dividend for the Period.

SHARE OPTIONS

Pre-IPO Share Option Scheme adopted on 17 June 2016

A Pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") was adopted by the Company on 17 June 2016. The purpose of the Pre-IPO Share Option Scheme is to recognise and acknowledge the contributions made by certain executives, Directors, employees and/or consultants of the Group to the growth of the Group by granting options to them as rewards and further incentives.

On 17 June 2016 (the "**Date of Grant**"), options to subscribe for an aggregate of 19,684,000 Shares have been conditionally granted to a total of 91 grantees under the Pre-IPO Share Option Scheme by the Company. The Shares subject to the options granted under the Pre-IPO Share Option Scheme represent (i) approximately 3.09% of the Company's issued Share capital as of the date of this announcement (excluding all Shares which may be allotted and issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme); and (ii) approximately 2.99% of the Company's issued Share capital as of the date of this announcement, assuming that all options granted under the Pre-IPO Share Option Scheme are exercised. Save for the options which have been granted on the Date of Grant, no further options will be granted under the Pre-IPO Share Option Scheme. The exercise price in respect of each option granted under the Pre-IPO Share Option Scheme is HK$0.80.

As of the date of this announcement, none of the above share options was exercised or cancelled or lapsed and therefore the balance of the outstanding share options remains the same as those as of the Date of Grant. The table below sets out details of the outstanding share options granted to the Directors, a consultant and other grantees under the Pre-IPO Share Option Scheme as at 30 June 2016:

Grantee	Date of Grant	Vesting schedule	Exercise period	Number of Shares underlying the share options granted	Outstanding as at 1 January 2016	Outstanding as at 30 June 2016
Directors						
To Ki Cheung	17 June 2016	25% of options will vest on each of 13 July 2017, 2018, 2019 and 2020 respectively	25% of options will be exercisable from each of 13 July 2017, 2018, 2019 and 2020 respectively to 16 June 2026	526,332	–	526,332
Koh Ming Fai	17 June 2016	25% of options will vest on each of 13 July 2017, 2018, 2019 and 2020 respectively	25% of options will be exercisable from each of 13 July 2017, 2018, 2019 and 2020 respectively to 16 June 2026	528,834	–	528,834
Fu Kwok Fu	17 June 2016	25% of options will vest on each of 13 July 2017, 2018, 2019 and 2020 respectively	25% of options will be exercisable from each of 13 July 2017, 2018, 2019 and 2020 respectively to 16 June 2026	528,834	–	528,834
In aggregate				**1,584,000**	**–**	**1,584,000**
Consultant						
In aggregate	17 June 2016	25% of options will vest on each of 13 July 2017, 2018, 2019 and 2020 respectively	25% of options will be exercisable from each of 13 July 2017, 2018, 2019 and 2020 respectively to 16 June 2026	**528,000**	**–**	**528,000**
Senior Management and other employees						
In aggregate	17 June 2016	25% of options will vest on each of 13 July 2017, 2018, 2019 and 2020 respectively	25% of options will be exercisable from each of 13 July 2017, 2018, 2019 and 2020 respectively to 16 June 2026	**17,572,000**	**–**	**17,572,000**
Total				**19,684,000**	**–**	**19,684,000**

A detailed summary of the terms (including the principal terms, exercise price, vesting periods and conditions) of the Pre-IPO Share Option Scheme and list of grantees has been set out in the section headed “Appendix IV. Statutory and General Information — 16. Pre-IPO Share Option Scheme” of the Prospectus.

Share option scheme adopted on 24 June 2016

A share option scheme (the “**Share Option Scheme**”) was adopted by the Company on 24 June 2016. The purpose of the Share Option Scheme is to recognise and acknowledge the contributions of eligible participants of the Share Option Scheme including any executive, Director, employee, advisor, consultant, professional, agent, contractor, customer, provider of goods and/or services or business or joint-venture partner to the Group by granting options to them as incentives or rewards. The Share Option Scheme will expire on 23 June 2026. The subscription price per Share shall be determined by the Board and notified to the grantee at the time of offer of the option.

As at the date of this announcement, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 63,800,000 Shares, being 10% of the total number of Shares in issue at the time dealings in the Shares first commenced on the Stock Exchange. The total number of Shares issued and to be issued upon the exercise of the options granted or to be granted under the Share Option Scheme and any other schemes of the Company (including exercised, cancelled and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

During the Period and as at the date of this announcement, no share option was granted under the Share Option Scheme. Subject to the rules of the Share Option Scheme, an option may be exercised by eligible participants at any time during the applicable option period, which is not more than 10 years from the date of grant of option. A detailed summary of the terms of the Share Option Scheme has been set out in the section headed “Appendix IV. Statutory and General Information — 17. Share Option Scheme” of the Prospectus.

AUDIT COMMITTEE

The Company established the audit committee of the Company (the “**Audit Committee**”) on 24 June 2016 with its written terms of reference in compliance with the Listing Rules. The written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The purpose of the Audit Committee is to assist the Board in:

(a) ensuring that the Company has an effective financial reporting, risk management and internal control system;

(b) overseeing the integrity of the financial statements of the Company;

(c) selecting and assessing the independence and qualifications of the Company’s external auditor; and

(d) ensuring effective communication between the Directors, internal and external auditors.

The Audit Committee consists of three independent non-executive Directors, being Mr. Au Yu Chiu Steven, Mr. Chan Ling Ming and Mr. Mok Kwok Cheung Rupert. Mr. Au Yu Chiu Steven currently serves as the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited interim financial information for the Period.

REVIEW OF ACCOUNTS

The unaudited consolidated interim results of the Group for the six months ended 30 June 2016 have been reviewed by the Company's auditor, RSM Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The auditor's independent review report will be included in the Company's interim report for the Period to the Shareholders.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (**www.hkexnews.hk**) and the Company (**www.vincentmedical.com**).

The interim report of the Company for the six months ended 30 June 2016 containing all the relevant information required by the Listing Rules will be dispatched to the Shareholders and available on above websites in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to my fellow Directors and all staff for their efforts and contribution. I also offer my sincere appreciation to all customers, business partners and the Shareholders for their continuing support.

By Order of the Board
Vincent Medical Holdings Limited
Choi Man Shing
Chairman and Executive Director

Hong Kong, 25 August 2016

As at the date of this announcement, the Board of the Company comprises Mr. Choi Man Shing, Mr. To Ki Cheung, Mr. Koh Ming Fai and Mr. Fu Kwok Fu as executive Directors, Ms. Liu Pui Ching, Mr. Amir Gal Or and Mr. Poon Lai Yin Michael (alternate to Mr. Amir Gal Or) as non-executive Directors, and Mr. Chan Ling Ming, Mr. Mok Kwok Cheung Rupert and Mr. Au Yu Chiu Steven as independent non-executive Directors.