Vincent Medical

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

2016

ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. CHOI Man Shing *(Chairman)*
Mr. TO Ki Cheung *(Chief Executive Officer)*
Mr. KOH Ming Fai
Mr. FU Kwok Fu

Non-executive Directors
Ms. LIU Pui Ching
Mr. Amir GAL OR
Mr. POON Lai Yin Michael (Alternate to Mr. Amir GAL OR)
Mr. GUO Pengcheng

Independent Non-executive Directors
Mr. CHAN Ling Ming
Mr. MOK Kwok Cheung Rupert
Mr. AU Yu Chiu Steven
Prof. YUNG Kai Leung

BOARD COMMITTEE

Audit Committee
Mr. AU Yu Chiu Steven *(Chairman)*
Mr. CHAN Ling Ming
Mr. MOK Kwok Cheung Rupert

Nomination Committee
Mr. CHOI Man Shing *(Chairman)*
Mr. CHAN Ling Ming
Mr. MOK Kwok Cheung Rupert

Remuneration Committee
Mr. CHAN Ling Ming *(Chairman)*
Mr. CHOI Man Shing
Mr. MOK Kwok Cheung Rupert

Risk Management Committee
Mr. KOH Ming Fai *(Chairman)*
Mr. KWOK Kam Ming
Ms. HU Fang
Mr. ZHANG Changqing

COMPANY SECRETARY
Mr. WAI Yiu Tung Yuyu

AUTHORISED REPRESENTATIVES
Mr. CHOI Man Shing
Mr. TO Ki Cheung

STOCK CODE
1612

COMPANY WEBSITE
www.vincentmedical.com

REGISTERED OFFICE
Cricket Square, Hutchins Drive,
PO Box 2681, Grand Cayman,
KY1-1111, Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Flat B2, 7th Floor, Phase 2,
Hang Fung Industrial Building,
2G Hok Yuen Street,
Hung Hom, Hong Kong

AUDITOR
RSM Hong Kong
29th Floor, Lee Garden Two,
28 Yun Ping Road,
Causeway Bay, Hong Kong

HONG KONG LEGAL ADVISER
MinterEllison
Level 25, One Pacific Place,
88 Queensway,
Hong Kong

COMPLIANCE ADVISER
BOSC International Company Limited
34th Floor, Champion Tower,
3 Garden Road, Central, Hong Kong

PRINCIPAL SHARE REGISTRAR
Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive,
PO Box 2681, Grand Cayman,
KY1-1111, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR
Tricor Investor Services Limited
Level 22, Hopewell Centre, 183 Queen's Road East,
Hong Kong

PRINCIPAL BANKERS
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

INVESTOR RELATIONS CONTACTS

IR Department – Vincent Medical Holdings Limited
Telephone : (852) 2365 5688
Fax : (852) 2765 8428
Email : investors@vincentmedical.com

In this Annual Report (except the sections of "Independent Auditor's Report" and the audited consolidated financial statements set out on pages 65 to 127), unless the context otherwise requires, the following expressions shall have the following meanings:

"AGM"	the annual general meeting of the Company to be held at Unit 2401–02, 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Wednesday, 24 May 2017 at 10:00 a.m. or any adjournment thereof
"Articles of Association"	the articles of association of the Company as amended from time to time
"Audit Committee"	the audit committee of the Company
"Board"	the board of the Directors
"Cayman Companies Law"	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"CE certification"	Conformité Europééne, a mandatory certification of the E.U. certifying that a product has met the requirements set forth in the New Approach to Technical Harmonisation and Standards. Manufacturers in the E.U. and abroad must meet CE marking requirements and obtain the CE certification where applicable in order to market their products in Europe
"CEO"	Mr. To Ki Cheung, the chief executive officer of the Company
"CFDA"	China Food and Drug Administration of the PRC
"CG Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
"Chairman"	Mr. Choi Man Shing, the chairman of the Company
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company"	Vincent Medical Holdings Limited (永勝醫療控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
"Company Secretary"	Mr. Wai Yiu Tung Yuyu, the company secretary of the Company
"connected person"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholders"	Mr. Choi Man Shing, Ms. Liu Pui Ching and VRI, being the Controlling Shareholders who jointly control their respective interests in the Company within the meaning of the Listing Rules
"CPAP"	continuous positive airway pressure
"Director(s)"	the director(s) of the Company

Definitions

"DVRD"	東莞永健康復器有限公司 (translated as "Dongguan Vincent Rehabilitation Devices Company Limited"), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
"FDA"	Food & Drug Administration of the USA
"Global Offering"	the Hong Kong public offering and the international placing in connection with the Listing
"Group"	the Company and its subsidiaries
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Third party"	a person who, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person of the Company
"Inovytec"	Inovytec Medical Solutions Ltd., a private company incorporated under the laws of the State of Israel
"Listing"	the Company's listing of the Shares on the main board of the Stock Exchange on 13 July 2016
"Listing Date"	13 July 2016, the date of which the Shares commenced trading on the main board of the Stock Exchange under the stock code "1612"
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"Nomination Committee"	the nomination committee of the Company
"OBM"	original brand manufacturing
"OEM"	original equipment manufacturing
"PRC"	the People's Republic of China
"Prospectus"	the prospectus issued by the Company dated 30 June 2016
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Company
"Retraction"	Retraction Limited, a company incorporated in Hong Kong
"Risk Management Committee"	the risk management committee of the Company

"RMB"	Renminbi, the lawful currency of the PRC
"RRCL"	Rehab-Robotics Company Limited (復康機器人技術有限公司), a company incorporated in Hong Kong and an indirect non-wholly owned subsidiary of the Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"USA"	the United States of America, its territories and possessions, and state of the United States and the District of Columbia
"US$" or "USD"	United States dollars, lawful currency of the USA
"Ventific"	VENTIFIC HOLDINGS PTY LTD, a limited liability company registered in Victoria, Australia
"VMC"	VINCENT MEDICAL CARE COMPANY LIMITED (永勝醫療有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
"VMDG"	Vincent Medical (Dongguan) Mfg. Co. LTD. (東莞永勝醫療製品有限公司), a company established in the PRC and an indirect non-wholly owned subsidiary of the Company
"VMHK"	VINCENT MEDICAL MANUFACTURING CO., LIMITED (永勝醫療製品有限公司), a company incorporated in Hong Kong and an indirect non-wholly owned subsidiary of the Company
"VMIL"	VINCENT MEDICAL INOVYTEC LIMITED, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
"VMR"	VINCENT MEDICAL RETRACTION LIMITED, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
"VMSZ"	深圳永勝宏基醫療器械有限公司(translated as "Shenzhen Vincent Raya Medical Device Company Limited"), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
"VRDG"	VINCENT RAYA (DONGGUAN) ELECTRONICS CO., LTD. (永勝(東莞)電子有限公司), a company established in the PRC and wholly-owned by VRHK
"VRDL"	VINCENT RAYA DEVELOPMENT LIMITED (永勝宏基發展有限公司), a company incorporated in Hong Kong and wholly-owned by VRI

"VRHK"	VINCENT RAYA CO., LIMITED (永勝宏基集團有限公司), a company incorporated in Hong Kong and wholly-owned by VRI
"VRI"	VINCENT RAYA INTERNATIONAL LIMITED, a company incorporated in the British Virgin Islands and being held as to 57.89% by Mr. Choi Man Shing and 42.11% by Ms. Liu Pui Ching as at the date of this Annual Report, and one of the Controlling Shareholders
"VRMD"	Vincent Raya (Dong Guan) Medical Device Co., Ltd (東莞永勝宏基醫療器械有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
"Year"	the financial year ended 31 December 2016
"100ecare"	廣州柏頤信息科技有限公司 (translated as "Guangzhou 100ecare Technology Co. Ltd."), a limited liability company incorporated in the PRC under the PRC laws and regulations
"%"	per cent.

- Turnover for the year ended 31 December 2016 ("**2016**") increased by 4.3% to HK$467.3 million as compared to that of HK$448.2 million for the year ended 31 December 2015 ("**2015**").

- Gross profit for 2016 increased by 4.3% to HK$145.8 million as compared to that of HK$139.8 million in 2015. Gross profit margin for 2016 was 31.2% (2015: 31.2%), remained unchanged as compared to 2015.

- Profit attributable to owners of the Company for 2016 was:

  – HK$29.2 million (2015: HK$58.2 million), based on the reported net profit; and

  – HK$55.5 million (2015: HK$52.6 million), based on the Underlying Net Profit *(Note)*.

- Basic earnings per Share for 2016 was:

  – HK5.27 cents per Share, based on the reported net profit; and

  – HK10.01 cents per Share, based on the Underlying Net Profit *(Note)*.

- The Board has proposed the payment of a final dividend of HK1.50 cents (2015: Nil) per Share for 2016 to the Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 5 June 2017. Subject to the approval of the Shareholders at the AGM, the final dividend will paid on or around Tuesday, 20 June 2017.

Note:

Underlying Net Profit for 2016 represents reported net profit attributable to owners of the Company as set out in the Consolidated Statement of Profit or Loss before deducting:

(i) the one-off Listing-related expenses of HK$18.0 million;

(ii) the share-based compensation expenses relating to the pre-IPO share options of HK$2.7 million; and

(iii) the one-off cost of HK$7.0 million (of which HK$5.6 million attributable to owners of the Company) incurred related to the sterilisation incident with details set out in the paragraph headed "OEM Business" in the "Management Discussion and Analysis" of this Annual Report.

Underlying Net Profit for 2015 represents reported net profit attributable to owners of the Company adjusted by excluding the effect of reversal of over-provision of Hong Kong Profits Tax of HK$11.9 million (of which HK$10.2 million attributable to owners of the Company) and the one-off Listing-related expenses of HK$4.6 million.

2016 Milestones

2016

March

Opened the new R&D, quality assurance and sales office in Shenzhen, the PRC

May

Obtained CE certification for embedded heater wire breathing circuit

Listed on the main board of the Stock Exchange

July

August

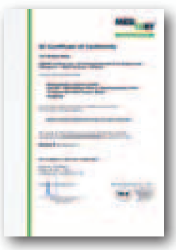
Partnered with Ventec Life Systems Inc. on the manufacturing and distribution of life-support ventilator

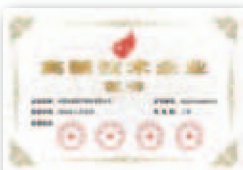
2016

October

Opened the sales office in Wuhan, the PRC

November





- Selected as a constituent stock of Morgan Stanley Capital International Limited ("MSCI") Hong Kong Micro Cap Index
- Invests in Retraction Limited, a minimally invasive surgical technology developer
- Obtained CE certification for the "Hand-of-Hope"
- Recognised again as a high new technology enterprise in Guangdong Province
- Obtained CFDA approval for single-use anaesthesia mask (一次性麻醉面罩)
- Obtained CFDA approval for peak flow meter (峰速儀)

December

- Invests in Guangzhou 100ecare Technology Co., Ltd
- Obtained CE certification for nCPAP Patient Interface
- Obtained CE approval for advanced version ultrasonic nebulizer

Chairman's Statement

Choi Man Shing
Chairman and Executive Director

Dear our Shareholders,

On behalf of the Board, I am pleased to present to you the annual results of the Company and its subsidiaries for the year ended 31 December 2016. This is the first annual report of the Company since the Company's Listing of its Shares on the main board of the Stock Exchange on 13 July 2016.

Despite certain one-off expenses relating to the Listing and the revalidation of the sterilisation process for certain products lines having an impact on the Group's profit, the Group delivered an overall healthy operating performance in the Year. Our sustained underlying performance and strong cash position have enabled the Group to provide solid returns to the Shareholders through a final dividend of HK1.5 cents per Share for the Year. The Group continues to maintain a healthy dividend payout subject to overall financial performance, capital requirements and growth expansion strategies.

In 2016, we continued to invest for the future. To meet our growth ambition of bringing new products to the market, we collaborated with the life-support ventilator developer Ventec Life Systems, Inc. and strategically invested in Retraction. The strong expertise and technologies of these companies complement our strategy to further broadening our product offering and utilise our manufacturing expertise as well as our distribution networks.

Building and strengthening our distributorship and sales network is also our focus in the Year and beyond. We have increased our distribution breadth with the number of our domestic and overseas distributors increased to 392 (2015: 355) and 48 (2015: 40) respectively. The setup of a new sales office in Wuhan, one of the largest business centers in the PRC central region, bolsters our distribution and marketing capability while improving our after-sales services in the central and western regions of the PRC. The strategic investment in 100ecare also enables us to expand our sales network and tap the homecare medical equipment market in the PRC.

We are making good progress with our product pipeline. During the Year, nine of our products were granted registration certificates and applications of seven products for registration certificates were proceeding. The high level of innovation achieved in our R&D activities reflects a broad range of approaches and ideas contributed by both our in-house R&D engineers and our business partners. The CPAP equipment developed by the Group together with Ventific and the home use ultrasonic nebuliser co-developed with the Guangzhou Institute of Respiratory Disease (廣州呼吸疾病研究所) are expected to be launched and sold under the Group's Inspired Medical (英仕醫療) brand in 2017. These achievements are solid testimony to our ability to collaborate with partners in leading-edge product development.

We have successfully started the manufacturing of the robotic hand system "Hand-of-Hope" products in our production facility in Dongguan, the PRC, thereby realising significant savings in production costs. With the debut of the rental service in Hong Kong and the approvals to market the "Hand-of-Hope" in the major markets, we are positive about the future contributions from RRCL.

The world economy is undergoing a relatively fragile recovery and is experiencing political uncertainties in some of the world's major countries. Nonetheless we believe the reforms and policies implemented by the PRC government to promote the positive development of the medical device industry and the increased transparency of the drug and device approval process by the CFDA should benefit the medical device industry in the mid-to-long term. Thus, our outlook on the sector for the coming year is largely positive. We maintain our commitment to strive for profitability and the Group's long-term growth and will remain open to new business opportunities, so long as they demonstrate high potential for further growth and solidifying our business foundation.

The Listing has not only laid an important foundation for the development of the Group but has also ushered in a new era for the Group's future development. Guided by a clear and focused development strategy to expand our OBM business by enhancing our product offering and distributorship network while enhancing our OEM capability and service, we continue to progress along our carefully charted path to future success.

On behalf of the Board, I would like to give heartfelt thanks to our management team members and staff for their contributions throughout the Year. Moreover, I would like to express my gratitude to our Shareholders, customers, business partners and my fellow Board members for their ongoing support towards the Group. Looking ahead, we will continue our hard work to sustain the Group's growth and maximize Shareholders' returns.

Choi Man Shing
Chairman and Executive Director

Hong Kong, 23 March 2017

OVERVIEW

The Group manufactures a wide range of medical devices, focusing on respiratory products, imaging contrast media power injector disposable products, and orthopaedic and rehabilitation products for OEM customers. Its customer base in the OEM business includes major global healthcare and medical device companies.

Armed with manufacturing expertise and enjoying industry recognition and wide market acceptance of its products, the Group has also begun its OBM business since 2003 to develop, manufacture and market respiratory equipment and disposable products and orthopaedic and rehabilitation products of its own Inspired Medical (英仕醫療) brand. Today, Inspired Medical (英仕醫療) products are sold through a strong distributor network and used in approximately 400 hospitals in the PRC, Japan, South East Asia, the Middle East and South America.

The Group is dedicated to developing innovative and top quality medical devices and products that can effectively address patients' needs. Through expanding its OBM product portfolio and enhancing its OEM capabilities and services, the Group aims to achieve sustainable growth and deliver value to its stakeholders.

REVIEW OF OPERATIONS

The global economic environment in 2016 was a mixed picture. We saw a rebalancing of the global economy with developed markets such as the USA recovering on firm footing, but economic growth slowed down for many emerging economies, including the PRC. In 2016, the Company continued to invest for the future. We focused on our core strategies through building a stronger foundation for our OBM business and paving the way for medium to long term growth.

During the Year under review, the Group recorded business growth in both its OEM and the OBM business.

OEM BUSINESS

The Group's OEM business remains to be its major business segment and accounted for 85.7% of total turnover (2015: 87.3%). This segment recorded a turnover growth of 2.4% from HK$391.1 million in 2015 to HK$400.6 million in 2016, which was mainly attributable to the higher market demand for the Group's imaging disposable products more than offset the decrease in the sales of its respiratory products.

The following table sets forth the turnover breakdown of the Group's OEM business by product category:

	For the year ended 31 December			
	2016		2015	
	HK$'000	**%**	HK$'000	%
Respiratory products	**91,576**	**22.9**	120,188	30.7
Imaging disposable products	**180,817**	**45.1**	155,675	39.8
Orthopaedic and rehabilitation products	**69,957**	**17.5**	72,070	18.4
Others	**58,307**	**14.5**	43,129	11.1
Total	**400,657**	**100.0**	391,062	100.0

With some of our respiratory products OEM customers undertaking operational restructuring, orders from these customers were on the conservative side in 2016, resulting in a 23.8% decrease in sales of this product category to HK$91.6 million. Such slowdown in orders was more than compensated by an increase in demand from our imaging disposable products customers.

As disclosed in the Prospectus, the Group suspended the in-house sterilisation for two product lines of a customer in March 2016 as the process did not pass the sterilisation control tests. After the Group appointed an independent third party sterilisation consultant to conduct a comprehensive and rigorous review of its sterilisation process and subsequent validation by the customer on the rectifications, the sterilisation process for the two product lines resumed in November 2016 and we are seeing signs of recovery of business from this customer. As a result of this incident, the Group incurred a one-off cost of HK$7.0 million (of which HK$5.6 million attributable to owners of the Company) including freight costs of HK$4.4 million and additional sterilisation costs of HK$2.6 million.

OBM BUSINESS

During the Year, sales generated from the Group's OBM business was approximately HK$66.7 million, representing an increase of 16.8% as compared to the previous year. Such growth was mainly attributable to the reinforced marketing efforts resulting in an increase in demand for the Group's OBM products. With the expected OBM product launches and expanding markets, the Group expects stronger sales growth in its OBM business from 2017 onwards.

The following table sets forth the turnover breakdown of OBM business by product category:

	For the year ended 31 December			
	2016		2015	
	HK$'000	**%**	HK$'000	%
Respiratory products	**60,244**	**90.3**	55,053	96.4
Orthopaedic and rehabilitation products	**6,446**	**9.7**	2,054	3.6
Total	**66,690**	**100.0**	57,107	100.0

Integration of RRCL into the orthopaedic and rehabilitation business unit

In December 2015, the Group acquired a controlling interest in RRCL. RRCL is the developer of the "Hand of Hope", an electromyography (EMG) driven exoskeleton robotic hand training device for helping stroke patients regain hand mobility through motor relearning. During the Year, the Group integrated RRCL into the Group's existing orthopaedic and rehabilitation business unit for better resources utilisation. Significant cost savings in the production of "Hand of Hope" were achieved with the production processes being moved to the Group's production facilities in Dongguan, the PRC, in the fourth quarter of 2016.

During the Year, the Group applied for product registration and distribution permits for the "Hand of Hope" in the European Union, Korea and Singapore, and the CE certificate was granted to the product in November 2016. The Group sees high potential for the "Hand of Hope" in the rehabilitative home care market, as patients recovering from strokes can utilise the product at home for intensive rehabilitation exercise to hasten recovery, while saving costs and time.

With the "Hand of Hope" rental service which was officially launched in Hong Kong in January 2017 and is ready for market in the USA and Europe, the Group expects sales contribution from RRCL to increase in the future.

Expanding sales and distribution network

During the Year under review, the Group made solid steps in expanding and strengthening its sales and distribution network in the PRC. In 2016, the Group sold its OBM products to 392 (2015: 355) distributors in the PRC. With the opening of the new sales office in Wuhan, the PRC, in October 2016, the distribution and marketing capabilities, and after-sales services of the Group in the central and western regions of the PRC have been strengthened.

The Group also expanded its overseas distribution and sales network with the number of distribution partners increased to 48 (2015: 40) in 2016. With the increased resources in marketing activities, the Group has attended many international exhibitions including major industry trade shows in the PRC, the USA, Germany and the Middle East. These activities have helped increase the awareness of the Inspired Medical (英仕醫療) and the "Hand of Hope" brand in the international market.

Investment and collaboration with partners to fuel growth

During the Year under review, the Group made strategic investments and collaborated with technology companies to diversify its product offerings and to better utilise its production and product commercialisation experience and expertise in the PRC and other emerging markets.

With the aim of broadening the respiratory product spectrum of the Group to cover medical ventilator products, on 25 August 2016, the Group entered into (i) the manufacturing and supply agreement; and (ii) the exclusive distribution agreement (the "**Ventec Agreements**") with Ventec Life Systems., Inc. ("**Ventec**"), a technology company based in the USA focusing on providing integrated innovations in respiratory care. Guided by an experienced management team with sound track record in ventilator development and medical devices, its flagship product "VOCSN", a revolutionary life-support ventilator, is currently undergoing regulatory review in different countries including the USA. Under the Ventec Agreements, the Group will be responsible for obtaining the regulatory approval in the PRC and distributing the products in most of the major cities in the PRC. The Group will also be responsible for the manufacturing of the device and its related disposables. For details, please refer to the Company's announcement dated 25 August 2016.

In order to capture the opportunities to expand the Group's anaesthesia and surgical tools product portfolio, the Group entered into a preference share subscription agreement with Retraction and its founder shareholders on 28 November 2016. Retraction is a Hong Kong-based medical device company principally engaged in design, development and commercialization of retractors for minimally invasive surgeries. Its flagship device "REVEEL" already secured CE certification and FDA 510(k), and is currently sold through various distributors to hospitals in Europe, South East Asia, the Middle East, and other jurisdictions. Details of the subscription of Retraction's preference shares are set out in the section below headed "Material Acquisitions and Disposals".

It is also the Group's strategy to collaborate with external research partners in addition to making the best use of its internal R&D platforms to broaden its access to proprietary products while minimising early stage upfront R&D costs of products. In 2016, the Group made satisfactory progress in collaboration with external R&D partners, for example, the home use ultrasonic nebulizer co-developed with the Guangzhou Institute of Respiratory Disease (廣州呼吸疾病研究所), the home care CPAP equipment co-developed with Ventific and the infant bubble CPAP equipment co-developed with 12th Man Technologies Inc.. These products, which are expected to be launched in 2017, is a testament to the Group's capability to cooperate with external research partners and overseas technology companies.

To expand the Group's robotic rehabilitation product line, the Group has obtained licences from a university-affiliated entity in Hong Kong to co-develop robotic ankle, knee and hip training equipment for recovering stroke patients. With the new systems expected to be launched in 2019, the Group is expected to be able to strengthen its position in the market of robotic rehabilitation products.

PROSPECT

The global economy appears to be strengthening as it enters 2017. However, economic and political uncertainties are also emerging, like the rise of protectionism in the developed economies as indicated by Britain's decision to pull out of the European Union and the advocacy of the USA president. Moreover, the important European elections to be held in 2017 will pose additional uncertainties to the global economy.

Despite the above, there are plenty of growth opportunities and potentials for the medical device manufacturing industry. The industry is expected to grow steadily with the global concerns of increasing healthcare expenditure, aging population and people demanding for better healthcare.

Looking forward to the next few years, we plan to keep bolstering the competitiveness of our OEM business, opening new revenue streams by offering new products as peak flow meters and circuit system for ventilators. With our in-depth experience in manufacturing and long-standing relationships with the world's leading healthcare and medical device companies, our OEM business will continue to provide strong and stable earnings for the Group.

We believe that our OBM business will be the key growth drivers for the Company in the future.

Leveraging on our extensive production and certifications capabilities and, technical and clinical experiences, we will continue to build a strong product pipeline by expanding its OBM product portfolio. We are increasing our pace of innovation, and also striving for closer collaboration with overseas partners with technical specialties.

While building a broader product portfolio, the Group will also further strengthen its distribution and sales service by opening additional sales offices in 1st and 2nd tier cities in the PRC and collaborate closer with our overseas distributors.

The Group sees tremendous value in starting early pursuit of new products or technologies with high commercial potential that will bring long term value to the Group. The Company, while remaining prudent in investing, is also open to new investment opportunities that promise to fuel its growth momentum in the future.

The following table sets forth information of the Group's major pipeline and planned products:

Product	Partner	Pending Certification	Expected time for sale
Home use ultrasonic nebulizer	Guangzhou Institute of Respiratory Disease（廣州呼吸疾病研究所）	CFDA	2017
Embedded heater wire circuits	–	CE	2017
Liqfree heated circuit	–	CE	2017
High flow nasal cannula	–	CE/CFDA	2017
Bubble CPAP system	12th Man Technologies Inc.	CE/CFDA/FDA	2017
Home care CPAP equipment	Ventific	CFDA	2017
Smart stethoscope	–	CE	2017
Air/Oxygen blender	12th Man Technologies Inc.	CFDA	2018
Robotic leg training equipment	–	CE	2019
Home care robotic hand training equipment	–	CE	2019

PRINCIPAL RISKS AND UNCERTAINTIES

There are certain risks involved in our operations, and some of these risks are beyond our control. Details are listed as follows:

Financial Risks

The Company's principal business activities are exposed to a variety of financial risks including foreign currency risk, credit risk, liquidity risk and interest rate risk. Details of the aforesaid key risks and risk mitigation measures are elaborated in Note 6 "Financial Risk Management" to the consolidated financial statements of this Annual Report.

Business Risks

Our OEM business is significantly dependent on our customers' business performance and our relationship with them, and we may not be able to attract or be successful in attracting new customers. Our customer concentration exposes us to risks and factors affecting the performance of our major customers and may subject us to fluctuations or decline in our turnover. Also, we sell most of our OBM products to our distributors. Failure to maintain relationships with our distributors and good reputation on our brands would materially and adversely affect our OBM business.

Industry Risks

The medical device industry is highly regulated in the PRC and other countries to which we export our products. Any change in the applicable laws, regulations or standards may prevent or restrict us from conducting certain business or subject us to increased costs of compliance.

For details of the above business risks and industry risks, please refer to the section headed "Risk Factors" in the Prospectus.

FINANCIAL REVIEW

TURNOVER

For 2016, the Group recorded turnover of HK$467.3 million (2015: HK$448.2 million), representing an increase of 4.3% over the previous year. Such increase was mainly attributable to a 2.4% increase in OEM business due to the increase in sales of imaging disposable products and other products, and a 16.8% increase in OBM business due to an increase in sales of respiratory products, and orthopaedic and rehabilitation products.

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

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Business segment		
OEM	**400,657**	391,062
OBM	**66,690**	57,107
Total	**467,347**	448,169
Product category segment		
Respiratory products	**151,820**	175,241
Imaging disposable products	**180,817**	155,675
Orthopaedic and rehabilitation products	**76,403**	74,124
Others *(Note)*	**58,307**	43,129
Total	**467,347**	448,169

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

Geographical segment		
USA	**323,298**	331,151
PRC	**39,355**	37,635
Netherlands	**34,370**	9,609
Australia	**17,922**	12,015
Japan	**13,904**	13,564
Germany	**1,822**	21,954
Others *(Note)*	**36,676**	22,241
Total	**467,347**	448,169

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

COST OF SALES

For 2016, the Group recorded cost of sales of HK$321.5 million (2015: HK$308.4 million), representing an increase of 4.3% over the previous year. The increase was in line with the turnover.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group recorded gross profit of HK$145.8 million for 2016 (2015: HK$139.8 million), representing an increase of 4.3% over the previous year. Gross profit margin for 2016 remained unchanged at 31.2% compared to that of the previous year.

OTHER INCOME

The Group recorded other income of HK$5.9 million for 2016 (2015: HK$1.6 million), representing an increase of 268.8% over the previous year. The increase was mainly attributable to an increase in write back of trade payables of HK$2.2 million, an increase in exchange gain from foreign currency translations of HK$0.4 million, an increase in sales of scrap materials of HK$1.3 million and an increase in financial subsidies from the PRC local tax bureau of HK$0.4 million.

DISTRIBUTION COSTS

Distribution costs for 2016 amounted to HK$15.5 million (2015: HK$14.4 million), representing an increase of 7.6% over the previous year, which was mainly due to the increase in rental expenses.

ADMINISTRATIVE EXPENSES

Administrative expenses for 2016 was HK$88.1 million (2015: HK$57.8 million), representing an increase of 52.4% over the previous year. This was mainly due to the one-off Listing-related expenses of HK$18.0 million (2015: HK$4.6 million), the share-based compensation expenses relating to the pre-IPO share options of HK$2.7 million and an increase in staff costs of HK$12.8 million due to the increase in number of staff for R&D, compliance, senior positions and additional staff costs after acquisition of RRCL.

INCOME TAX EXPENSE

Income tax expense for 2016 amounted to HK$10.6 million (2015: income tax credit of HK$2.5 million), representing an increase of HK$13.1 million over the previous year. The increase was mainly due to the reversal of over-provision for tax of HK$11.9 million in 2015.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company for 2016 based on the reported net profit was HK$29.2 million (2015: HK$58.2 million), representing a decrease of 49.8% compared to the previous year.

Profit attributable to owners of the Company for 2016 based on the underlying net profit would be HK$55.5 million (2015: HK$52.6 million), representing an increase of 5.5% over the previous year. Underlying net profit for 2016 represents reported net profit before deducting (i) the one-off Listing-related expenses of HK$18.0 million; (ii) the share-based compensation expenses relating to the pre-IPO share options of HK$2.7 million; and (iii) the one-off cost of HK$7.0 million (of which HK$5.6 million attributable to owners of the Company) incurred related to the sterilisation incident as disclosed in the paragraph headed "OEM Business" above.

Underlying net profit for 2015 represents reported net profit attributable to owners of the Company for 2015 adjusted by excluding the effect of reversal of over-provision of Hong Kong Profits Tax of HK$11.9 million (of which HK$10.2 million attributable to owners of the Company) and the one-off Listing-related expenses of HK$4.6 million in 2015.

DIVIDEND

The Board has proposed the payment of a final dividend of HK1.50 cents (2015: Nil) per Share for the year ended 31 December 2016 to the Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 5 June 2017. The final dividend will be paid on or around Tuesday, 20 June 2017, subject to the Shareholders' approval at the AGM. No interim dividend was made for the six months ended 30 June 2016 (2015: Nil).

EMPLOYEE INFORMATION

As at 31 December 2016, the total number of full-time employee of the Group was 921 (2015: 879). The remuneration of employees was determined according to their experience, qualifications, results of operations of the Group and market condition. During the Year, staff costs including directors' emoluments amounted to HK$96.0 million (2015: HK$80.1 million), representing 20.5% of the Group's turnover (2015: 17.9%). The increase in staff costs in 2016 was mainly due to the increase in number of staff for R&D, sales and marketing, compliance, senior positions and additional staff costs after acquisition of RRCL.

CAPITAL EXPENDITURE

The capital expenditures for the year ended 31 December 2016 and 2015 were HK$9.0 million and HK$11.3 million, respectively. The capital expenditures for 2016 and 2015 primarily represented the purchase of production equipment and facilities.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group's bank and cash balances amounted to HK$222.2 million (2015: HK$69.3 million). Most bank and cash balances were denominated in HKD, USD and RMB. The increase in bank and cash balances in 2016 was mainly due to the increase in cash generated from operations, the proceeds from the issue of Shares to the pre-IPO investors, and the net proceeds from the Global Offering, after net off the effect of the income tax and the dividends paid during the Year.

As at 31 December 2016, the Group had a bank loan of HK$0.9 million (2015: Nil) and other loan of HK$3.7 million (2015: HK$4.7 million). As at 31 December 2016, no financial instruments were used for hedging purposes. The Group had an insignificant gearing ratio of 0.01 (2015: 0.03), which was calculated based on total debts divided by total equity attributable to owners of the Company. Total debts is defined to include interest-bearing bank borrowing and other debts incurred in the ordinary course of business.

CAPITAL STRUCTURE

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

SIGNIFICANT INVESTMENTS

During the Year under review and as at 31 December 2016, the Group acquired 20% of the issued share capital of Retraction. The Group recognized a goodwill of approximately HK$2.8 million and shared its net assets of approximately HK$2.9 million, and therefore, net value of the investment was approximately HK$5.7 million. The Group recognized a loss of approximately HK$0.07 million in the consolidated profit or loss during 2016. For details of this investment, please refer to the section below headed "Material Acquisitions and Disposals".

During the Year under review and as at 31 December 2016, the Group held 20% interest in Ventific, an Australian company which owns the relevant technology for the CPAP system for treating sleep apnea and other respiratory disorders, for the development of non-invasive ventilation and sleep disordered breathing medical devices and products. The Group recognized a goodwill of approximately HK$9.4 million and shared its net assets of approximately HK$1.3 million, resulting in a net value of the investment at approximately HK$10.7 million. The Group recognised a loss of approximately HK$0.05 million in the consolidated profit or loss during 2016. The Group began its collaboration with Ventific on the development and manufacturing of a home care CPAP equipment since 2014, the equipment is expected to be launched in 2017. For details of this investment, please refer to the information set out in the section headed "History, Reorganisation and Corporate Structure" of the Prospectus.

MATERIAL ACQUISITIONS AND DISPOSALS

On 28 November 2016, VMR, Retraction and its founder shareholders entered into the preference share subscription agreement (the "**Retraction Agreement**"), pursuant to which Retraction has conditionally agreed to issue, and VMR has conditionally agreed to subscribe for the 27 preference shares of Retraction, representing 20% of the enlarged issued share capital of Retraction, at a consideration of US$750,000 (the "**Subscription**"). Further, pursuant to the Retraction Agreement, upon achievement of certain milestones, all the shareholders of Retraction shall procure Retraction to allot such number of preference shares to VMR at a consideration of US$750,000, which will result in an aggregate of 40% of the enlarged issued share capital of Retraction to be held by VMR. The Subscription was completed on 2 December 2016 and Retraction has become an indirect associate of the Company. For details, please refer to the Company's announcement dated 28 November 2016.

On 8 December 2016, VMSZ entered into a subscription agreement (the "**100ecare Subscription Agreement**") with 100ecare and its existing shareholders, pursuant to which VMSZ has conditionally agreed to subscribe for 10% of the enlarged registered share capital of 100ecare at a total consideration of RMB8.0 million. 100ecare is principally engaged in the design, development, sales and operation of wearable devices under the brand name "愛牽掛", and a cloud-based safety and healthcare platform targeting the elderly population in the PRC. For details, please refer to the Company's announcement dated 8 December 2016.

Save for the above, the Group did not have any other material acquisitions or disposals of subsidiaries, associates or joint ventures during 2016.

EVENTS AFTER THE REPORTING PERIOD

1. With respect to the subscription under the 100ecare Subscription Agreement as disclosed above, VMSZ paid RMB4.0 million to 100ecare upon fulfillment of certain conditions precedent stipulated in the 100ecare Subscription Agreement in January 2017. For the remaining RMB4.0 million, VMSZ will pay to 100ecare upon fulfillment of the remaining conditions precedent stipulated in the 100ecare Subscription Agreement.

2. On 24 January 2017, VMIL entered into a Series A preferred share purchase agreement (the "**Inovytec Subscription Agreement**") with Inovytec, pursuant to which Inovytec shall issue and allot to VMIL an aggregate of 15% of the enlarged issued share capital of Inovytec at a total consideration of US$3.0 million to be paid in three instalments. Inovytec is an Israeli private company focused on the development of medical devices for airway managements, oxygen therapy and defibrillation that can be used by either minimally-trained or professional first respondents in out-of-hospital cardio and respiratory emergencies and trauma situations to save lives. For details, please refer to the Company's announcement dated 24 January 2017.

   VMIL paid US$1.8 million to Inovytec upon signing the Inovytec Subscription Agreement. For the remaining consideration, VMIL will pay to Inovytec in accordance with the Inovytec Subscription Agreement.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 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 of sales are denominated in USD given the export-oriented nature of the OEM business. Thus, any appreciation of RMB against USD may subject the Group to increased costs and lower 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.

OPERATING LEASE COMMITMENT

As at 31 December 2016, the Group had operating lease commitment of approximately HK$21.3 million (2015: HK$13.6 million).

CAPITAL COMMITMENT

As at 31 December 2016, the Group had capital commitment of approximately HK$16.0 million (2015: HK$3.1 million), which comprised approximately HK$7.1 million (2015: HK$3.1 million) in respect of the acquisition of property, plant and equipment, and approximately HK$8.9 million (equivalent to RMB8.0 million) in respect of the capital contribution to 100ecare, which were contracted for but not provided in the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any contingent liabilities.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Choi Man Shing (蔡文成), aged 64, is the Chairman and an executive Director of the Company, the chairman of the Nomination Committee and a member of the Remuneration Committee. He currently serves as a director of many subsidiaries of the Company. Mr. Choi is the founder of the Group and primarily responsible for formulating long-term development and marketing strategies of the Group. He has over 38 years of management experience in the manufacturing industry in Hong Kong and the PRC. Mr. Choi is the spouse of Ms. Liu Pui Ching, a non-executive Director of the Company.

Mr. To Ki Cheung (陶基祥), aged 50, is an executive Director and CEO of the Company. He currently serves as the general manager of the Group and a director of many subsidiaries of the Company. Mr. To joined the Group in February 2000 and is primarily responsible for overseeing the corporate management and formulating the business and product development strategies of the Group.

Mr. To was awarded a bachelor's degree in commerce from Murdoch University, Australia in August 1990. He further obtained a master's degree in science in Chinese Business Studies from the Hong Kong Polytechnic University in November 2010. He was the vice chairman of Hong Kong Medical and Healthcare Device Industries Association for the term from 2015 to 2016. He is also an associate member of the Hong Kong Institute of Certified Public Accountants.

Before joining the Group, Mr. To worked in the audit division of H. L. Leung & Co, Certified Public Accountants from January 1991 to December 1992. He also held various positions in Deloitte Touche Tohmatsu from January 1993 to April 1996 where he was responsible for accounting work.

Mr. Koh Ming Fai (許明輝), aged 43, is an executive Director of the Company and the chairman of the Risk Management Committee. He currently serves as the assistant general manager of the Group and a director of various subsidiaries of the Company. Mr. Koh joined the Group in September 2000 and is primarily responsible for managing the operations of the Group, including quality assurance production, engineering and procurement of the Group.

Mr. Koh received a bachelor's degree in science in mechanical engineering from University of Alberta, Canada in June 2000 and a master's degree in business from the University of Newcastle, Australia in May 2009. He is a member of the Hong Kong Institution of Engineers and he was admitted as a member of the biomedical discipline of the Hong Kong Institution of Engineer through the founding member route in January 2007. He is also a professional engineer (biomedical) registered with the Engineers Registration Board, a body corporate established under the Engineers Registration Ordinance (Chapter 409 of the Laws of Hong Kong). He is also elected as a member of the Institution of Mechanical Engineers and was registered as a chartered engineer in April 2008. He is currently an executive board member of Hong Kong Medical and Healthcare Device Industries Association.

Mr. Fu Kwok Fu (符國富), aged 46, is an executive Director of the Company. He currently serves as the engineering manager of the Group and a director of one of the subsidiaries of the Company. Mr. Fu joined the Group in June 1997 and is primarily responsible for overseeing the R&D and initiating product development through integrating technologies and techniques. He has over 19 years of experience in the medical device manufacturing industry.

Mr. Fu obtained a bachelor's degree in engineering from the University of Hong Kong in December 1997 and a master's degree in business administration (general management) from the Hong Kong Polytechnic University in October 2009. He is a member of the Institution of Mechanical Engineer and was registered as a chartered engineer in April 2008 and is a member of the Hong Kong Institution of Engineers. He was admitted as a member of the biomedical discipline of the Hong Kong Institution of Engineers through the founding member route in January 2007 and serves a member of the committee of the biomedical division of the same institution.

NON-EXECUTIVE DIRECTORS

Ms. Liu Pui Ching (廖佩青), aged 62, is a non-executive Director of the Company. She joined the Group in May 1998 and currently serves as a director of many subsidiaries of the Company. Between 1973 and 1974, Ms. Liu attained the (i) a higher stage certificate in accounting, an intermediate stage certificate in book-keeping and an intermediate stage certificate in costing with distinction from the London Chamber of Commerce and Industry; and (ii) a certificate in higher costing from the City College of Commerce, Hong Kong. Ms. Liu is the spouse of Mr. Choi Man Shing, the Chairman and executive Director of the Company.

Mr. Amir Gal Or, aged 54, was appointed as a non-executive Director of the Company on 26 February 2016. He obtained a bachelor's degree in arts in economics from University of Haifa, Israel in June 1992 and a master's degree in business administration from Tel Aviv University, Israel in June 1996. He is experienced in international investment and capital markets.

Mr. Gal Or has been the founder member, director and managing partner of Infinity Equity Management Company Limited since June 2009. He is also a director of Infinity Global Fund SPC (the pre-IPO investor of the Company), Infinity Capital (Cayman Islands) Limited, Infinity Capital (Hong Kong) Limited, Infinity Frontier Asset Management Company Limited and Infinity Investment Holding Group. His main responsibilities include leading and managing all departments, developing performance measurements and enhancing fund raising target and profitability.

Mr. Gal Or was appointed as an executive director of Anxin-China Holdings Limited (stock code: 1149), a company which shares are listed on the main board of the Stock Exchange, on 22 February 2017.

Mr. Poon Lai Yin Michael (潘禮賢), aged 45, has been the alternate Director to Mr. Amir Gal Or since 26 February 2016. He obtained a bachelor's degree in administrative studies from York University, Canada in June 1995 and a master's degree in practicing accounting from Monash University, Australia in July 1998. Mr. Poon is a fellow member of Hong Kong Institute of Certified Public Accountants, a member of CPA Australia and a practicing member of Asset Management Association of China. He has over 20 years of experience in financial reporting, business advisory, auditing, taxation, accounting, merger and acquisition.

Mr. Poon was appointed as an independent non-executive director of China Uptown Group Company Limited (stock code: 2330) since November 2006 and Smartac Group China Holdings Limited (stock code: 395) since January 2010, respectively. He was also appointed as the chief executive officer and the company secretary of Anxin-China Holdings Limited (Stock code: 1149) since February 2016, all of which shares are listed on the main board of the Stock Exchange.

Mr. Guo Pengcheng (過鵬程), aged 55, was appointed as a non-executive Director of the Company on 1 February 2017. He is responsible for providing strategic guidance to the Group on operational efficiency enhancement. Mr. Guo graduated from the Shanghai University of Technology with a bachelor's degree in mechanical engineering in 1983. He has over 30 years of experience in business advisory work and cross-border investments. During the period from 1986 to 2004, Mr. Guo worked in various organizations where he was responsible for inbound and outbound business development and business expansion from the PRC. From 2009 to 2015, he was the operating partner of Orchid Asia Private Equity Fund where he was responsible for operational due diligence and post-investment management for listing applicants on the Stock Exchange.

Since 2015, Mr. Guo has acted as the senior investment consultant of Dong Yin Development (Holdings) Limited, an indirect substantial Shareholder interested in 33,000,000 Shares of the Company, representing approximately 5.17% of the issued share capital of the Company.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Ling Ming (陳令名), aged 57, was appointed as an independent non-executive Director of the Company on 24 June 2016. Also, he is the chairman of the Remuneration Committee, as well as a member of each of the Audit Committee and the Nomination Committee. Mr. Chan graduated from Newcastle University, the United Kingdom with a bachelor's degree in mechanical engineering in June 1989. He further obtained a master's degree in business administration from the University of Bradford, the United Kingdom in December 1990 and a doctor's degree in business administration from the Macquarie Graduate School of Management, Australia in July 2012. He is a fellow member of the Hong Kong Institution of Engineers and an Adjunct Professor in the Interdisciplinary Division of Biomedical Engineering of the Hong Kong Polytechnic University.

Mr. Chan is the founder member and the current chairman of the Hong Kong Medical and Healthcare Devices Industries Association. He was appointed as a member of the Biomedical Engineering Programme Advisory Committee of the Chinese University of Hong Kong in the period of from August 2013 to July 2016 and the panelist of the Innovation and Technology Support Programme Assessment Panel (the "**ITSPAP**") of the Innovation and Technology Fund (the "**ITF**"), one of the funding schemes under the Innovation and Technology Commission of the Hong Kong government. Mr. Chan has over 25 years of experience in the manufacture of medical devices and corporate management.

Mr. Mok Kwok Cheung Rupert (莫國章), aged 58, was appointed as an independent non-executive Director of the Company on 24 June 2016. Also, he is a member of the Audit Committee, the Nomination Committee and the Remuneration Committee, respectively. Mr. Mok obtained a bachelor's degree in engineering the University of Sydney, Australia in March 1982 and a master's degree in biomedical engineering from the University of New South Wales, Australia in October 1984. He is a member of the executive board and a member of the branding, upgrading and domestic sales project committee of the Hong Kong Medical and Healthcare Devices Industries Association. Mr. Mok has over 32 years of experience in selling medical devices and over 11 years of experience in the R&D of medical devices.

Mr. Au Yu Chiu Steven (區裕釗), aged 58, was appointed as an independent non-executive Director of the Company on 24 June 2016. Also, he is the chairman of the Audit Committee. Mr. Au graduated from the University of East Anglia, the United Kingdom, with a bachelor's degree in arts majoring in economics in July 1982. He further obtained a master's degree in business administration from the University of Western Ontario, Canada in October 2000. Mr. Au was admitted as a chartered accountant of the Institute of Chartered Accounts in England and Wales in November 1987. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants.

Mr. Au has more than 31 years of experience in accounting and finance. He worked as an accountant at an accounting firm in the United Kingdom from October 1982 to October 1987 and then at Arthur & Anderson & Co. from December 1987 to January 1989. During the period from August 1992 to April 2008, he was a director of a number of companies where he was responsible for overall corporate management, including China Everbright Securities (International) Limited and Anglo Chinese Securities Limited, both of which are finance and investment companies, and Kin Wah Hong Company Limited, a textiles trading company.

Mr. Au has been an executive director of finance and administration of Matilda International Hospital since October 2002. He was also appointed as an independent non-executive director of Expert Systems Holdings Limited (stock code: 8319), a company which shares are listed on the Growth Enterprise Market of the Stock Exchange, on 15 March 2016.

Prof. Yung Kai Leung (容啟亮), aged 67, was appointed as an independent non-executive Director of the Company on 1 February 2017. He is responsible for participating in meetings of the Board to bring an independent perspective and judgment on issues of strategy, performance, accountability, resources, key appointments and standards of conduct and transactions which are material to the Group as and when required.

Prof. Yung graduated from Brighton University, the United Kingdom with a bachelor's degree in electronic engineering in 1975. He further obtained a master's degree in automatic control systems from Imperial College of Science, Technology and Medicine, London, the United Kingdom in 1976 and his doctorate in microprocessor applications in process control from the Plymouth University, the United Kingdom in 1985. He is a fellow member of the Hong Kong Institute of Engineers and a fellow of the Hong Kong Academy of Engineering Sciences. In 2015, Prof. Yung was awarded the Bronze Bauhinia Star for his contributions to scientific research.

Since 1986, Prof. Yung held various positions at The Hong Kong Polytechnic University. Prof. Yung has been a professor in the Department of Industrial and Systems Engineering at The Hong Kong Polytechnic University since 2001.

SENIOR MANAGEMENT

Mr. Tsui Kam Fai Michael (徐錦輝), aged 47, is the chief executive officer of RRCL. He is primarily responsible for overseeing the general management of RRCL. He obtained the professional diploma (degree equivalent) in occupational therapy from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in November 1991. He further received a master's degree in business administration from the University of Hull, the United Kingdom in February 2000 and a master's degree in science in automation and computer-aided engineering from the Chinese University of Hong Kong in December 2008. He is the panelist of the ITSPAP of the ITF. Mr. Tsui is the awardee of Outstanding PolyU Alumni Award 2013 which is jointly organized by The Hong Kong Polytechnic University and the Federation of The Hong Kong Polytechnic University Alumni Associations. He also received the Innovation for Good Award – the Spirit of Hong Kong Awards by South China Morning Post in October 2014.

Before joining the Group, Mr. Tsui has been the chief executive officer of Deltason Medical Limited, a medical equipment trading company, and RRCL since January 1995 and January 2011, respectively, responsible for overall management decisions and supervising operations of the programmes of both companies.

Mr. Wai Yiu Tung Yuyu (衞耀東), aged 54, is the financial controller of the Group and the company secretary of the Company. He joined the Group in April 2013 and is primarily responsible for managing all finance, accounting and administration work. Mr. Wai obtained a master's degree in business administration (finance) from University of Leicester, the United Kingdom through distance learning in July 2002. He is currently an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. He has over 24 years of experience in accounting.

Mr. Yu Lun Fai Alex (余粦輝), aged 41, is the operations manager of the Group. He joined the Group in May 2012 and is primarily responsible for managing and leading the production operations. He graduated from the City University of Hong Kong with a bachelor's degree in engineering and a master's degree in manufacturing engineering with business management in November 1999. He further obtained a master's degree in science in electronic and information engineering in November 2006 from the City University of Hong Kong. Mr. Yu has 16 years of experience in manufacturing industry.

Mr. Wong Yuk Ming David (黃育明), aged 46, is the group sales and marketing manager of the Group. He joined the Group in December 2016 and is primarily responsible for the overall sales and marketing of the Group. Mr. Wong graduated from University of Bradford, the United Kingdom with a master's degree and a bachelor's degree in civil and structural engineering in July 1993. He gained his chartership in civil engineering in 1998 and gained his chartership in biomedical engineering in 2014. He is an advisor of the ITSPAP of the ITF. Also, he served as the vice chairman of the biomedical division of the Hong Kong Institute of Engineers for the term from 2014 to 2015.

Mr. Wong has over 12 years of experience in developing, manufacturing and global distribution of medical devices industry. Majority of his experience has been specialised in laparoscopy and endoscopy surgical instrumentation with a strong clinical network.

Biographical Details of Directors and Senior Management

Mr. Wong Kai Yuen (黃介原), aged 45, is the group quality assurance manager of the Group. He joined the Group in December 2016 and is primarily responsible for the overall quality and regulatory compliance of the Group. He obtained a bachelor's degree of science in biochemistry in July 1994 and a professional diploma in marketing in July 2001 from The Chinese University of Hong Kong. He further obtained a master's degree of science in healthcare technology from The Hong Kong Polytechnic University in October 2008. He is also a CQI (Chartered Quality Institute)/IRCA (International Register of Certified Auditors) certified lead auditor and a CCAA (China Certification & Accreditation Association) certified auditor.

Mr. Wong has over 14 years of experience in medical industrial field with rich knowledge and skill from the design to commercializing of medical devices, pharmaceutical and healthcare products. Also, he specializes in the integration of the different countries regulation requirements into quality management systems.

Ms. Tsui Wing Kwan (徐詠琨), aged 36, is the corporate development and investor relations manager of the Group. Ms. Tsui joined the Group in October 2016 and is responsible for matters relating to corporate development, investor relations and assists in strategic planning and execution of investment projects for the Group. She obtained a bachelor of social science degree in journalism and communications in December 2003 and a master of science degree in finance in December 2009 from The Chinese University of Hong Kong. Prior to joining the Group, Ms. Tsui worked in a number of Hong Kong and Singapore listed companies. She has more than 10 years of experience in financial communications, investor relations and corporate finance.

Mr. Zhang Changqing (張長青), aged 45, is the sales and marketing manager of the Group. He is also a member of the Risk Management Committee. He is primarily responsible for overseeing sales and business development in the PRC. Mr. Zhang has over 11 years of experience in trading of medical devices since he joined the Group as marketing manager in March 2004.

Mr. Xu Jiebing (徐結兵), aged 42, is the research and development manager of the Group. He joined the Group in December 1998 and is responsible for initiating R&D of products. He graduated from the mechanical engineering programme of Hefei University of Technology* (合肥工業大學) in July 1995 and from the online course of business administration of Xiamen University* (廈門大學) in January 2016. He attended various training courses relating to the regulation and standardisation of medical devices and protection of intellectual property rights between the period of October 2001 and July 2013.

* *For identification purpose only.*

The Board is pleased to present to the Shareholders their report together with the audited financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in manufacturing and sale of medical devices focusing on respiratory products, imaging contrast media power injector disposables, and orthopaedic and rehabilitation products for the OEM customers in the OEM business and developing, manufacturing and sale of our own Inspired Medical (英仕醫療) brand of respiratory equipment and disposable products and orthopaedic and rehabilitation products (also under "Hand of Hope" brand) in the OBM business.

The principal activities of the principal subsidiaries of the Company are set out in Note 34 to the consolidated financial statements. The segment information of the operations of the Group for the Year is set out in Note 9 to the consolidated financial statements.

BUSINESS AND FINANCIAL REVIEW

A fair review of the Group's business and financial, and the analysis of the Group's performance for the Year as well as the prospects of the Group's business, which includes a discussion of the principal risks and uncertainties facing by the Group, are provided in the sections "Chairman's Statement" on pages 10 to 11 and "Management Discussion and Analysis" on pages 12 to 21 of this Annual Report.

DISCLOSURES ON RISK MANAGEMENT AND ENVIRONMENTAL POLICIES

Details of disclosures on risk management and environmental policies are set out in the "Corporate Governance Report" on pages 44 to 55 and the "Environmental, Social and Governance Report" on pages 56 to 64 of this Annual Report.

GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 19 November 2015 as an exempted company with limited liability under the Cayman Companies Law. In preparation of the Listing on the Stock Exchange, the Group has undergone the reorganisation as a result of which the Company became the holding company of the companies now comprising the Group on 18 February 2016. For details of the group reorganisation, please refer to the section headed "History, Reorganisation and Corporate Structure" in the Prospectus and Note 2 to the consolidated financial statements.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares were listed on the main board of the Stock Exchange on the Listing Date. The net proceeds from the Global Offering were approximately HK$94.6 million (net of underwriting fees and relevant expenses). During the period between the Listing Date and 31 December 2016, the net proceeds from the Global Offering were utilized as follows:

	Amount received from net proceeds HK$' million	**Amount actually used up to 31 December 2016** HK$' million
Expansion and upgrading of our production facility from 2016 to 2018	47.3	5.3
Development of our pipeline and planned products from 2016 to 2018	25.5	5.7
Sales and marketing from 2016 to 2018	17.1	3.9
General corporate purposes and working capital	4.7	4.7

As at the date of this Annual Report, the Company does not anticipate any change to the Company's intention on the use of proceeds as disclosed in the Prospectus.

RESULTS AND DIVIDENDS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 69 to 70 of this Annual Report.

A final dividend in respect of the year ended 31 December 2016 of HK1.50 cents per Share has been proposed by the Board. The proposed final dividend amounted to a total of approximately HK$9.6 million with dividend payout ratio of 32.7% has to be approved by the Shareholders in the AGM to be held on 24 May 2017. These proposed dividends are not reflected as dividend payable in the consolidated statement of financial position as at 31 December 2016, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2017.

RESERVES

Movements in the reserves of the Company and of the Group during the Year are set out in Note 24(b) to the consolidated financial statements and the consolidated statement of changes in equity on page 72 of this Annual Report.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution to the Shareholders amounted to approximately HK$171.3 million comprising amount from share premium account.

Under the Cayman Companies Law and subject to the provisions of the Articles of Association, the Company's share premium account may be applied to pay distributions or dividends to the Shareholders provided that immediately following the date of distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Wednesday, 24 May 2017, the register of members of the Company will be closed from Friday, 19 May 2017 to Wednesday, 24 May 2017, both days inclusive, during which period no transfer of the Shares will be registered. In order to be eligible to attend and vote at the above meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 18 May 2017.

For determining the entitlement to the proposed final dividend (subject to the approval of the Shareholders at the AGM), the register of members of the Company will be closed from Thursday, 1 June 2017 to Monday, 5 June 2017, both days inclusive, during which period no transfer of the Shares will be registered. In order to qualify for the proposed final dividend as stated, all transfers of the Shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 31 May 2017.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last four financial years is set out on page 128 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year are set out in Note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Share capital of the Company during the Year are set out in Note 23 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

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 31 December 2016.

DONATIONS

Charitable donations made by the Group during the Year amounted to HK$8,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the aggregate sales attributable to the Group's five largest customers was approximately 74.1%. The sales attributable to the Group's largest customer during the Year was approximately 40.1%.

The aggregate purchases attributable to the Group's five largest suppliers during the Year was approximately 41.9%. The purchases attributable to the Group's largest supplier during the Year was approximately 21.5%.

The Group's largest supplier is VRDG, an indirect wholly-owned subsidiary of VRI. Mr. Choi Man Shing, the Chairman and an executive Director and Ms. Liu Pui Ching, a non-executive Director hold 57.89% and 42.11% of the issued share capital of VRI, respectively.

Save as disclosed above, none of the Directors or any of their close associates or any Shareholders (who to the knowledge of the Directors own more than 5% of the Company's issued Share capital) had an interest in any of the five largest suppliers or customers of the Group.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

DIRECTORS

The Directors during the period from the Listing Date and up to the date of this Annual Report were as follows:

Executive Directors

Mr. Choi Man Shing *(Chairman)*
Mr. To Ki Cheung *(CEO)*
Mr. Koh Ming Fai
Mr. Fu Kwok Fu

Non-executive Directors

Ms. Liu Pui Ching
Mr. Amir Gal Or
Mr. Poon Lai Yin Michael *(Alternate to Mr. Amir Gal Or)*
Mr. Guo Pengcheng

Independent Non-executive Directors

Mr. Chan Ling Ming
Mr. Mok Kwok Cheung Rupert
Mr. Au Yu Chiu Steven
Prof. Yung Kai Leung

Pursuant to Article 84(1) and (2) of the Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire by rotation at each annual general meeting. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he/she retires. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election. In addition, code provision A.4.2 of the CG Code stipulates that each Director should be subject to retirement by rotation at least once every three years. Mr. Choi Man Shing and Mr. To Ki Cheung, both executive Directors, and Mr. Amir Gal Or, a non-executive Director shall retire and being eligible, have offered themselves for re-election at the AGM.

Also, in accordance with Article 83(3) of the Articles of Association, Mr. Guo Pengcheng, a non-executive Director and Prof. Yung Kai Leung, an independent non-executive Director shall retire and being eligible, have offered themselves for re-election at the AGM.

The Company has received an annual confirmation of independence from each of the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules and considers each of the independent non-executive Directors to be independent.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 22 to 26 of this Annual Report.

DIRECTORS' SERVICE AGREEMENTS

Each of the Directors (except Mr. Guo Pengcheng and Prof. Yung Kai Leung) has entered into a service agreement commencing from 24 June 2016 with the Company for a term of three years. Each of Mr. Guo Pengcheng and Prof. Yung Kai Leung has entered into a service agreement commencing from 1 February 2017 with the Company for a term of three years. The service agreements may be terminated in accordance with the respective terms of the service agreements.

None of the Directors has entered or has proposed to enter into any service agreement with the Company or any member of the Group other than contracts expiring or terminable by the Company within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY PROVISION

Subject to the Companies Ordinance, every Director is entitled under the Articles of Association to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he or she may sustain or incur in or about the execution or discharge of his or her duties. To the extent permitted by the Companies Ordinance, the Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of companies in the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2016, to the best knowledge of the Directors and chief executives of the Company, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be disclosed pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code were as follows:

Interests in Shares and underlying Shares

Name of Director	Type of interest	Number of Shares (L) *(Note 1)*	Approximate percentage of Shareholding *(Note 7)*
Choi Man Shing	Beneficial owner/interest in controlled corporation	382,989,890 Shares *(Note 2)*	60.03%
Liu Pui Ching	Interest of spouse/interest in controlled corporation	382,989,890 Shares *(Note 3)*	60.03%
To Ki Cheung	Beneficial owner	17,024,110 Shares *(Note 4)*	2.67%
Koh Ming Fai	Beneficial owner	5,470,000 Shares *(Note 5)*	0.86%
Fu Kwok Fu	Beneficial owner	5,470,000 Shares *(Note 6)*	0.86%

Notes:

1. The letter "L" denotes the person's long position in the Shares or the underlying Shares.

2. These interests represented:

   (a) 1,000,000 Shares held by Mr. Choi Man Shing ("**Mr. Choi**"), the Chairman and an executive Director;

   (b) 381,939,890 Shares held by VRI. Mr. Choi holds 57.89% of the issued share capital of VRI. By virtue of the SFO, Mr. Choi is deemed to be interested in all the Shares in which VRI is interested; and

   (c) 50,000 Shares held by VRHK. VRI holds the entire issued share capital of VRHK and therefore by virtue of the SFO, Mr. Choi is deemed to be interested in all the Shares in which VRHK is interested.

3. These interests represented:

   (a) 1,000,000 Shares held by Mr. Choi. Mr. Choi is the spouse of Ms. Liu Pui Ching ("**Ms. Liu**"), a non-executive Director. By virtue of the SFO, Ms. Liu is deemed to be interested in the Shares in which Mr. Choi is interested.

   (b) 381,939,890 Shares held by VRI. Ms. Liu, holds 42.11% of the issued share capital of VRI. By virtue of the SFO, Ms. Liu is deemed to be interested in all the Shares in which VRI is interested;

   (c) 50,000 Shares held by VRHK. VRI holds the entire issued share capital of VRHK and therefore by virtue of the SFO, Ms. Liu is deemed to be interested in all the Shares in which VRHK is interested; and

4. These interests represented:

   (a) 16,497,778 Shares held by Mr. To Ki Cheung, the CEO and an executive Director; and

   (b) 526,332 options granted to Mr. To Ki Cheung, which are subject to certain vesting conditions pursuant to the Pre-IPO Share Option Scheme of the Company, details of which are set out in the section below headed "Share Options Schemes" in this Directors' Report.

5. These interests represented:

   (a) 4,941,166 Shares held by Mr. Koh Ming Fai, an executive Director; and

   (b) 528,834 options granted to Mr. Koh Ming Fai, which are subject to certain vesting conditions pursuant to the Pre-IPO Share Option Scheme of the Company, details of which are set out in the section below headed "Share Options Schemes" in this Directors' Report.

6. These interests represented:

   (a) 4,941,166 Shares held by Mr. Fu Kwok Fu, an executive Director; and

   (b) 528,834 options granted to Mr. Fu Kwok Fu, which are subject to certain vesting conditions pursuant to the Pre-IPO Share Option Scheme of the Company, details of which are set out in the section below headed "Share Options Schemes" in this Directors' Report.

7. Approximate percentage calculated based on the 638,000,000 Shares in issue as at the date of this Annual Report.

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2016, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2016, so far as the Directors are aware, the following persons (other than the Directors or chief executives of the Company), were directly or indirectly, interested in 5% or more of the Shares or short positions in the Shares and the underlying Shares of the Company, which were required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Interests in Shares

Name of Shareholder	Notes	Capacity	Number of Shares (L) *(Note 1)*	Approximate percentage of shareholding *(Note 7)*
VRI	2	Beneficial owner/ interest of controlled corporation	381,989,890	59.87%
Zhuhai Huafa Group Limited	3	Interest of controlled corporation	61,248,000	9.60%
珠海金融投資控股有限公司	3	Interest of controlled corporation	61,248,000	9.60%
Huajin Financial (International) Holdings Limited	3	Interest of controlled corporation	61,248,000	9.60%
Huajin Infinity Investment Holding Limited	3	Interest of controlled corporation	61,248,000	9.60%
Infinity Investment Holding Group	3	Interest of controlled corporation	61,248,000	9.60%
Infinity Equity Management Company Limited	3	Interest of controlled corporation	61,248,000	9.60%
Mr. Chan Yau Ching Bob	4	Interest of controlled corporation	61,248,000	9.60%
Infinity Capital (Hong Kong) Limited	3 & 4	Interest of controlled corporation	61,248,000	9.60%
JJ Strategy Investment Inc.	4	Interest of controlled corporation	61,248,000	9.60%
Infinity Capital (Cayman Islands) Limited	3 & 4	Interest of controlled corporation	61,248,000	9.60%
Infinity Global Fund SPC	3 & 4	Beneficial owner	61,248,000	9.60%
Infinity Frontier Asset Company Limited	5	Interest of controlled corporation/ Investment manager	61,248,000	9.60%

Name of Shareholder	Notes	Capacity	Number of Shares (L) *(Note 1)*	Approximate percentage of shareholding *(Note 7)*
China Orient Asset Management Corporation	6	Interest of controlled corporation	33,000,000	5.17%
Dong Yin Development (Holdings) Limited	6	Interest of controlled corporation	33,000,000	5.17%
Bright Way Enterprise Inc.	6	Beneficial owner	33,000,000	5.17%

Notes:

(1) The letter "L" denotes the entity/person's long position in the Shares or the underlying Shares.

(2) These interests represented:

(a) 381,939,890 Shares held by VRI; and

(b) 50,000 Shares held by VRHK. VRI holds the entire issued share capital of VRHK and therefore by the virtue of the SFO, VRI is deemed to be interested in all the Shares held by VRHK.

(3) Zhuhai Huafa Group Limited holds 84.5% interest in 珠海金融投資控股有限公司, which in turn holds 100% interest in Huajin Financial (International) Holdings Limited, which in turn holds 100% interest in Huajin Infinity Investment Holding Limited, which in turn holds 49% interest in Infinity Investment Holding Group, which in turn holds 100% interest in Infinity Equity Management Company Limited, which in turn holds 55% interest in Infinity Capital (Hong Kong) Limited, which in turn holds 100% interest in Infinity Capital (Cayman Islands) Limited, which in turn holds 100% interest in Infinity Global Fund SPC. Therefore, each of the above companies is deemed to be interested in the same 61,248,000 Shares held by Infinity Global Fund SPC.

(4) Mr. Chan Yau Ching Bob holds 100% interest in JJ Strategy Investment Inc., which in turn holds 45% interest in Infinity Capital (Hong Kong) Limited, which in turn holds 100% interest in Infinity Capital (Cayman Islands) Limited, which in turn holds 100% interest in Infinity Global Fund SPC. Therefore, each of Mr. Chan Yau Ching Bob and the above companies is deemed to be interested in the same 61,248,000 Shares held by Infinity Global Fund SPC.

(5) The 61,248,000 Shares in which Infinity Frontier Asset Company Limited is interested, are interests held in its capacity as investment manager of Infinity Global Fund SPC.

(6) China Orient Asset Management Corporation holds 100% interest of Dong Yin Development (Holdings) Limited, which in turn holds 100% interest of Bright Way Enterprise Inc. Therefore, each of China Orient Asset Management Corporation and Dong Yin Development (Holdings) Limited is deemed to be interested in the same 33,000,000 Shares held by Bright Way Enterprise Inc.

(7) Approximate percentage calculated based on the 638,000,000 Shares in issue as at the date of this Annual Report.

Save as disclosed above, as at 31 December 2016, the Directors were not aware of any other corporation or individual (other than the Directors or chief executives of the Company) who had an interest or a short position in the Shares or underlying Shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this Annual Report, at no time during the Year were there rights to acquire benefits by means of the acquisition of Shares or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement to enable the Directors or their respective associates to acquire such rights in any other body corporate.

SHARE OPTIONS SCHEMES

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. The life of the Pre-IPO Share Option Scheme is for 10 years.

On 17 June 2016 (the "**Date of Grant**"), options to subscribe for an aggregate of 19,684,000 Shares were 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 Annual Report (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 Annual Report, 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 were 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 which is an amount equal to 80% of the final price (i.e. HK$1.00) for each offer share of the Global Offering.

During the period from the Date of Grant and up to the date of this Annual Report, none of the above share options were exercised and 328,000 share options were forfeited as a result of voluntary resignation of the relevant option holder. 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 31 December 2016:

Grantee	Date of Grant	Vesting schedule	Exercise period	Number of Shares underlying the share options granted	Number of Shares: Outstanding as at 1 January 2016	Number of Shares: Forfeited during the Year	Number of Shares: Outstanding as at 31 December 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**	**–**	**328,000**	**17,244,000**
Total				**19,684,000**	**–**	**328,000**	**19,356,000**

A detailed summary of the terms (including the principal terms, the exercise price and 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. Details of the impact of options granted under the Pre-IPO Share Option Scheme on the consolidated financial statements are set out in Note 26 to the consolidated financial statements.

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 (the "**Eligible Participants**") 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 Annual Report, the total number of the 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 period of 12 consecutive months up to and including the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

During the period from the adoption date of the Share Option Scheme and up to the date of this Annual Report, 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 the Eligible Participants at any time during the applicable option period determined by the Board, which in any event shall not be 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.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save for the Directors' material interests in transactions, arrangements or contracts and the related party transactions as disclosed in Notes 13(b) and 33, respectively, to the consolidated financial statements, no contract of significance was entered into between the Company or any of its subsidiaries and any Controlling Shareholder or its subsidiaries during the year ended 31 December 2016 or subsisted as at 31 December 2016.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save for the Directors' material interests in transactions, arrangements or contracts and the related party transactions as disclosed in Notes 13(b) and 33, respectively, to the consolidated financial statements, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which any Director (or any entity connected with such Director) had a material interest, whether directly or indirectly, subsisted during or at the end of the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year and up to the date of this Annual Report, none of the Directors and the directors of the Company's subsidiaries, or their respective associates had interests in businesses, other than being a director of the Company and/or its subsidiaries and their respective associates, which compete or are likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

REMUNERATION POLICY

The remuneration policy of the Company is designed to encourage good performance and long-term commitment from all Directors and employees to the Company. Basic salary is reviewed annually, taking account of individual’s experience and qualification, salary levels of similar positions in the human resources market and operating performance of the Company. The Company should provide a range of benefits and employer contributions in accordance to local regulations of relevant countries.

Annual salary adjustment and discretionary bonus are considered according to operating results of the Company, environment of human resources market and performance of individual employee.

In compliance with the CG Code, the Company has established the Remuneration Committee to formulate remuneration policies. Directors’ remunerations are subject to the Shareholders’ approval at general meetings. Other emoluments are determined by the Board with reference to Directors’ duties and responsibilities, the recommendations of the Remuneration Committee, the performance and results of the Group as well as the remuneration benchmark and prevailing market conditons. Details of the remuneration of the Directors and the five highest paid individuals of the Group are set out in Notes 13(a) and 12(b), respectively to the consolidated financial statements.

CORPORATE GOVERNANCE

The Company’s corporate governance principles and practices are set out in the Corporate Governance Report set out on pages 44 to 55 of this Annual Report.

MANAGEMENT CONTRACTS

Other than the service agreements entered into with the Directors as disclosed above, the Company has not entered into any contract with any individuals, firms or corporate entities to manage or regulate the whole or any substantial part of any business of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Board, the Company had maintained a sufficient public float of not less than 25% of its total issued Shares as required under the Listing Rules from the Listing Date up to the date of this Annual Report.

DEED OF NON-COMPETITION

The Controlling Shareholders have confirmed to the Company of their compliance for the period from the Listing Date to 31 December 2016 with the non-competition undertakings provided to the Company under a deed of non-competition entered into between the Controlling Shareholders and the Company dated 24 June 2016, details of which have been disclosed in the Prospectus.

The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the deed of non-competition have been complied with by the Controlling Shareholders and duly enforced during the year ended 31 December 2016.

AUDITOR

RSM Hong Kong will retire at the conclusion of the forthcoming AGM and be eligible to offer themselves for re-appointment. A resolution will be submitted to the AGM to be held on 24 May 2017 to seek the Shareholders’ approval on the appointment of RSM Hong Kong as the Company’s auditor until the conclusion of the next annual general meeting and to authorise the Board to fix their remuneration.

RELATED PARTY TRANSACTIONS

Details of related party transactions are provided under Note 33 to the consolidated financial statements. Saved for the connected transaction as disclosed in the section below headed "Connected Transaction", the Company has complied with the applicable requirements under the Listing Rules for those related party transactions which constituted non-exempt connected transactions/continuing connected transactions under the Listing Rules. Other related party transactions either did not constitute connected transactions/continuing connected transactions, or constituted connected transactions/continuing connected transactions but were exempted from all disclosure and independent Shareholders' approval requirements under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2016, the Group had entered into certain transactions with entities which have become connected persons upon the Listing. These transactions have continued in the ordinary course of business and have constituted non-fully exempt and non-exempt continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(a) ***Lease Agreements***

The Group as tenants, have entered into the following lease agreements:

	HK lease agreement	PRC lease agreements	
Tenant	VMHK	VMDG	VRMD
Landlord	VRDL *(Note 1)*	VRDG *(Note 1)*	VRDG *(Note 1)*
Location of property	Flat B2, 7th Floor, Phase 2, Hang Fung Industrial Building, 2G Hok Yuen Street, Hung Hom, Kowloon, Hong Kong	Various sites of an industrial complex located in Qiaolong Shuiaotou Industrial Zone, Tangxia Town, Dongguan City, the PRC	4th Floor, 45-46 Qiaolong Shabu Industrial Zone, Tangxia Town, Dongguan City, the PRC
Size of property (GFA)	2,686.26 sq.ft.	24,608.53 sq.m.	1,500.00 sq.m.
Term	1 January 2016 to 31 December 2018	1 January 2016 to 31 December 2018	1 January 2016 to 31 December 2018
Annual rent payable / Annual caps	HK$456,000 *(Note 2)*	RMB4,824,000 *(Note 3)*	RMB288,000 *(Note 3)*
Use of property	Our office	Our production plant warehouse, office, staff quarters and canteen	Our warehouse

Notes:

(1) VRDL is a direct wholly-owned subsidiary of and VRDG is an indirect wholly-owned subsidiary of VRI, the Controlling Shareholder. Accordingly, each of VRDL and VRDG is a connected person of the Company under the Listing Rules.

(2) The rent is inclusive of management fees and rates.

(3) The rent is inclusive of management fees but exclusive of other operating outgoings.

During the Year, VMHK paid HK$456,000 to VRDL pursuant to the HK lease agreement, VMDG and VRMD paid RMB4,824,000 and RMB288,000 including value added tax respectively to VRDG pursuant to the PRC lease agreements.

(b) Bayer Supplier Agreement

VMHK, VRHK and VMDG have entered into the following supplier agreement with Medrad Inc. and Imaxeon Pty Ltd. as amended by a supplemental agreement made by the same parties (the "**Supplier Agreement**"):

	Supplier Agreement
Parties	VMHK, VRHK and VMDG as suppliers (the "**Supplier**") Medrad Inc. (now known as Bayer Medical Care) and Imaxeon Pty Ltd. as customers (the "**Customer**") *(Note 1)*
Effective period	1 August 2013 to 31 December 2017
Nature of transaction	The Supplier will manufacture and supply certain components, assemblies and related services to the Customer.
Principal terms	The Supplier will manufacture, assemble, test, package and sterilise (where applicable) and sell to the Customer plastic injection moulded components and assemblies (the "**Products**"). Certain components necessary for the manufacture of the Products (the "**Components**") are provided to the Supplier from the Customer. In consideration for the performance by the Supplier under the Supplier Agreement, the Customer agrees to lease equipment relating to the manufacture and supply of the Products, such as a syringe assembly line, a packaging line, moulding tools and other equipment and tools needed for the manufacture and supply of the Products (the "**Equipment**"), to the Supplier. The Supplier will be responsible for the maintenance and service of the Equipment. The Customer will pay and settle the invoices for the Products supplied under the Supplier Agreement within 45 days of each monthly statement.
Annual caps	Annual caps for the supply of the Products by the Supplier for the year ended/ending 31 December: 2016: HK$200 million 2017: HK$240 million Annual caps for the purchase of the Components from the Customer for the year ended/ending 31 December: 2016: HK$8 million 2017: HK$10 million

Note:

(1) VRHK is a direct wholly-owned subsidiary of VRI, the Controlling Shareholder. Imaxeon Pty Ltd. is an indirect wholly-owned subsidiary of Bayer Medical Care. Bayer Medical Care holds 19.9% of the shares in VMHK and by virtue of the Listing Rules, is a substantial shareholder of VMHK. Accordingly, each of VRHK, Bayer Medical Care and Imaxeon Pty Ltd. is a connected person of the Company under the Listing Rules.

During the Year, the Supplier manufactured the Products and sold to the Customer amounted to approximately HK$187.5 million pursuant to the Supplier Agreement. The Supplier also purchased the Components from the Customer amounted to approximately HK$7.1 million pursuant to the Supplier Agreement.

(c) Production and Processing Agreements

The Group have entered into the following production of orthopaedic and rehabilitation products agreement with VRDG (the "**Production Agreement**"):

Production Agreement	
Parties	VMC and VMHK as purchasers VRDG as producer *(Note 1)*
Effective period	1 January 2016 to 31 December 2016
Nature of transaction	VRDG agreed to manufacture and supply the orthopaedic and rehabilitation products to VMC and/or VMHK according to the designs and specifications. In producing such orthopaedic and rehabilitation products, VRDG will also provide certain necessary plastic and metal components and painting and embossing services.
Principal terms	Either party to the Production Agreement may terminate the agreement by giving the other party not less than one month's notice.
Annual cap	Annual cap for the year ended 31 December 2016: HK$46 million

Note:

(1) VRDG is an indirect wholly-owned subsidiary of VRI, the Controlling Shareholder. Accordingly, VRDG is a connected person of the Company under the Listing Rules.

During the Year, VMC and VMHK paid approximately of HK$44.7 million to VRDG pursuant to the Production Agreement.

The Group have entered into the following plastic and metal supply and processing services framework agreement with VRDG (the "**Plastic and Metal Services Agreement**", together with the Production Agreement, the "**Production and Processing Agreements**"):

	Plastic and Metal Services Agreement
Parties	VMDG as purchaser VRDG as supplier *(Note 1)*
Effective period	1 January 2016 to 31 December 2018
Nature of transaction	VRDG agreed to supply certain plastic and metal components and provide painting, embossing, repairing and moulding services to VMDG.
Principal terms	Either party to the Plastic and Metal Services Agreement may terminate the agreement by giving the other party not less than three months' notice.
Annual cap	Annual cap for the year ended/ending 31 December: 2016: HK$5 million 2017: HK$6 million 2018: HK$7.2 million

Note:

(1) VRDG is an indirect wholly-owned subsidiary of VRI, the Controlling Shareholder. Accordingly, VRDG is a connected person of the Company under the Listing Rules.

During the Year, VMDG paid approximately HK$2.2 million to VRDG pursuant to the Plastic and Metal Services Agreement.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that they have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor, RSM Hong Kong, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. RSM Hong Kong has issued the unqualified letter (a copy of which has been provided by the Company to the Stock Exchange) containing its findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules.

CONNECTED TRANSACTION

Name of connected person	Nature of the connected transactions	Aggregate transaction amount for the year ended 31 December 2016 HK$'000	Note
VRDG	Purchase of equipment and machinery and inventories	9,539	1

Note:

1. On 19 September 2016, DVRD and VRDG entered into an agreement pursuant to which DVRD had made purchases of equipment and machinery and inventories from VRDG at an aggregate consideration of RMB8.2 million (equivalent to approximately HK$9.5 million) for the purpose of setting up the Group's sewing and assembling function.

COMPLIANCE WITH THE SANCTIONS UNDERTAKING

As disclosed in the Prospectus, the Company has, amongst others, undertaken to the Stock Exchange that it would not use the proceeds from the Global Offering, or any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any other government, individual or entity sanctioned country which are prohibited under international sanction laws and regulations or with any sanctioned person (the "**Sanctions Undertaking**"). To ensure compliance with the Sanctions Undertaking, the Company has adopted enhanced internal control and risk management measures in order to continuously monitor and evaluate the business and take measures to protect the interests of the Group and the Shareholder from economic sanctions risks.

During the year ended 31 December 2016, the Risk Management Committee established the internal control and risk management policies and procedures, amongst others, to keep updating the sanctions countries list with customers periodically and to investigate customer background so as to ensure the nature and location of the activities or business, as well as the identity of the counterparties and the products involved, if necessary, etc., would not violate the Sanctions Undertaking.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period provided under Note 35 to the consolidated financial statements.

PUBLICATION OF ANNUAL REPORT

This Annual Report containing all the relevant information required by the Listing Rules has been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.vincentmedical.com).

By Order of the Board

Choi Man Shing
Chairman and Executive Director

Hong Kong, 23 March 2017

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining the highest possible standards of corporate governance, and strives to maintain transparent, responsible and value-driven management practices that will enhance and safeguard the interests of the Shareholders. The Board believes that effective and high quality corporate governance is an essential platform for creating value for the Shareholders. The Board is committed to continuously reviewing and improving the Group's corporate governance practices, and maintaining the highest standards of ethical corporate behaviour across the organisation.

The Company has adopted the CG Code as contained in Appendix 14 to the Listing Rules as its own code of corporate governance since the Listing Date. The corporate governance principles of the Company emphasise a quality Board, sound internal controls and risk management, and transparency and accountability to all Shareholders.

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 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors.

The Company requires any Director wishing to deal in the Shares to make a specific written notice of the proposed dealing, and to obtain approval from the Chairman. If the Chairman declares his intention of dealing in the Shares, he must first obtain approval from the CEO.

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 transactions throughout the period commencing from the Listing Date and up to the date of this Annual Report.

BOARD OF DIRECTORS

Responsibilities of the Board

The Board has multiple responsibilities to the Company, including setting strategic goals, establishing long-term strategies, and ensuring that the necessary financial and human resources are in place for the Company to meet its business objectives. It is also tasked with establishing a framework of effective controls for managing risks, with the particular aim of safeguarding the Company's assets and the interests of the Shareholders. Further, the Board is responsible for reviewing the performance of the Company's management and, more generally, setting and consolidating the Company's values and standards. The Directors take decisions objectively in the interests of the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve any conflict of interests), financial information and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operations and management of the Company are delegated to the management.

Four Board committees, namely, the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee, have also been established to oversee particular aspects of the Group's affairs. Details of these four Board committees are set out from pages 47 to 50 below.

Chairman and CEO

Mr. Choi Man Shing serves as the Chairman and Mr. To Ki Cheung serves as the CEO. The Chairman provides leadership and is responsible for effective functioning and leadership of the Board, while the CEO focuses on the Company's business development and daily management and operations generally.

There is a clear division of responsibilities between the Chairman and CEO to ensure that there is a balance of power and authority in the Group.

Board composition

The structure, size and composition of the Board are subject to review from time to time to ensure that the Board (i) has a balanced composition of skills and experience appropriate for the business of the Group; and (ii) provides adequate checks and balances among the Directors to safeguard the interests of the Shareholders and to enable the Board to exercise independent judgment.

As at the date of this Annual Report, the Board had a total of twelve members, which comprised four executive Directors, three non-executive Directors, one alternate Director to a non-executive Director and four independent non-executive Directors. The composition of the Board and the Board Committees, and the individual attendance records of each Director at the Board and the Board committees' meetings during the period commencing from the Listing Date to 31 December 2016 are listed below:

	Meeting Attendance / Eligible to Attend				
Name of Directors	Board meetings	Audit Committee meetings	Nomination Committee meetings	Remuneration Committee meetings	Risk Management Committee meetings
Executive Directors					
Mr. Choi Man Shing *(Chairman)*	3/3	N/A	0/0	0/0	N/A
Mr. To Ki Cheung *(CEO)*	3/3	N/A	N/A	N/A	N/A
Mr. Koh Ming Fai	3/3	N/A	N/A	N/A	2/2
Mr. Fu Kwok Fu	3/3	N/A	N/A	N/A	N/A
Non-executive Directors					
Ms. Liu Pui Ching	1/3	N/A	N/A	N/A	N/A
Mr. Amir Gal Or	1/3	N/A	N/A	N/A	N/A
Mr. Poon Lai Yin Michael *(Alternate to Mr. Amir Gal Or)*	3/3	N/A	N/A	N/A	N/A
Mr. Guo Penchang (appointed on 1 February 2017)	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. Chan Ling Ming	3/3	2/2	0/0	0/0	N/A
Mr. Mok Kwok Cheung Rupert	3/3	2/2	0/0	0/0	N/A
Mr. Au Yu Chiu Steven	3/3	2/2	N/A	N/A	N/A
Prof. Yung Kai Leung (appointed on 1 February 2017)	N/A	N/A	N/A	N/A	N/A

The Directors have extensive industry knowledge and experience in corporate management, strategic planning, accounting and financial matters. The Directors bring a good balance of skills and experience to the Company. All Directors are elected for a term of three years, subject to retirement by rotation and re-election at the AGM.

Biographical details of each of the Directors are set out in the "Biographical Details of Directors and Senior Management" section on pages 22 to 26 of this Annual Report. The information is also available on the Company's website. In addition, a list containing the names of the Directors and their roles and functions is posted on the websites of the Company and the Stock Exchange.

Board Diversity

The Company has an official written policy relating to the diversity of Board members, which aims to set out the approach to achieve diversity on the Board. The Board diversity policy has been put on the Company's website.

Under this policy, the diversity of the Board has been considered from a number of aspects, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service in the Company. All Directors' appointments are based on meritocracy, and candidates will be considered against a set of objective criteria, having due regard to the benefits of diversity on the Board. Regular review of this Board diversity policy is the responsibility of the Nomination Committee.

Independent non-executive Directors

The Company has four independent non-executive Directors, who have brought a wide range of business and financial experiences to the Board. By their active participation in the Board meetings and their services on various Board committees, the independent non-executive Directors have made important contributions to the effective direction and strategic decision-making of the Group.

Throughout the period commencing from the Listing Date to 31 December 2016, the Board at all times fulfilled the requirement of Rules 3.10(1) and (2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors (representing at least one-third of the Board) with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Board has assessed the independence of all of the independent non-executive Directors and considers all of them to be independent having regard to (i) their respective annual confirmation on independence as required under Rule 3.13 of the Listing Rules; (ii) the absence of involvement in the daily management of the Company; and (iii) the absence of any financial, business or family or other material relationships with other members of the Board or circumstances which would interfere with the exercise of their independent judgment.

Directors' induction and continuous professional development

The Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on appointment to ensure appropriate understanding of the business and governance policies and operations of the Group and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. This understanding is deepened and continued by the Directors' participation in Board meetings and various Board committees.

The Directors understand the need to continue to develop and refresh their knowledge and skills for making contributions to the Company. During the period commencing from the Listing Date to 31 December 2016, the Directors attended external seminars and read materials on topics relevant to their duties as Directors. The Directors have provided the Company with their respective training records on an annual basis pursuant to the CG Code, and such records are maintained by the Company Secretary.

Board and Board committees' meetings

The Company held one Board meeting on a regular basis and two Board meetings on an ad hoc basis during the period commencing from the Listing Date to 31 December 2016, on an approximately quarterly basis, as required to determine the overall strategic directions and objectives of the Group and approve interim results and other significant matters of the Group. The Articles of Association allow Board meetings to be conducted by means of a telephone conference or other communication equipment through which all persons participating in the meeting can communicate with each other. Also, a resolution in writing signed by all the Directors for the time being entitled to receive notices of Board meetings shall, provided such Directors would constitute a quorum at any meeting of the Board convened to consider the resolution, be valid and effectual.

At least fourteen (14) days' notice for regular meetings of the Board and at least seven (7) days' notice for regular meetings of the Board committees, and reasonable notice for non-regular meetings of the Board and of the Board committees' were given to all Directors / committee members so as to ensure that each of them had an opportunity to attend the meetings. The Company Secretary assists the respective chairman of the Board and the Board committees in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying meeting papers are sent in full to all Directors or the relevant committee members at least three (3) days before the date of meetings (or such other period as the members may agree).

After the Board and the Board committees' meetings, draft and final versions of minutes are sent to all Directors or the relevant committee members for their comment and records within a reasonable time after the meeting. All minutes are kept by the Company Secretary and available for inspection at any reasonable time on reasonable notice given by any Director or the relevant committee member.

Apart from the regular Board meetings, the Chairman also held a meeting with all non-executive Directors (including independent non-executive Directors) on 25 August 2016 without the presence of executive Directors.

BOARD COMMITTEES

The Board has established four Board committees to oversee specific aspects of the Company's affairs and help it in the execution of its responsibilities. Each Board committee has its written terms of reference which clearly outline its authority, duties and the requirement to report back on its decisions or recommendations to the Board. The Board committees are described individually below. Independent non-executive Directors play an important role in these committees, ensuring that independent and objective views are expressed.

Audit Committee

The Company established 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 website of the Stock Exchange and the Company's website.

The function 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 currently 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 shall meet with the Company's external auditor at least twice a year. During the period commencing from the Listing Date to 31 December 2016, two meetings were held which were attended by all members of the Audit Committee. At the meetings, the Audit Committee:

- reviewed the unaudited interim financial statements for the six months ended 30 June 2016;
- made recommendations to the Board for approval the above-mentioned financial statements;
- reviewed and approved the audit plan;
- reviewed and approved the audit service memorandum presented by the external auditor;
- discussed with the management and the external auditor the issues concerning the accounting policies and practices which may affect the Group, along with financial reporting matters; and
- determined the interim review and annual audit fees of the external auditors.

This Annual Report for the year ended 31 December 2016 has been reviewed by the Audit Committee.

Nomination Committee

The Company established the Nomination Committee on 24 June 2016 with its written terms of reference in compliance with the Listing Rules. The written terms of reference of the Nomination Committee are available on the website of the Stock Exchange and the Company's website.

The function of the Nomination Committee is to identify, screen and recommend to the Board appropriate candidates to serve as the Directors, to oversee the process for evaluating the performance of the Board and to develop, recommend to the Board and monitor nomination guidelines for the Company.

The Nomination Committee currently consists of one executive Director, being Mr. Choi Man Shing, and two independent non-executive Directors, being Mr. Chan Ling Ming and Mr. Mok Kwok Cheung Rupert. Mr. Choi Man Shing currently serves as the chairman of the Nomination Committee.

The Nomination Committee shall regularly meet at least once a year. No meeting of the Nomination Committee was held during the period commencing from the Listing Date to 31 December 2016. Subsequent to 31 December 2016 and up to the date of this Annual Report, two meetings were held which were attended by all members of the Nomination Committee. At the meetings, the Nomination Committee:

- considered whether the qualifications and work experience of the newly appointed Directors (including Mr. Guo Pengcheng and Prof. Yung Kai Leung) are suitably qualified as Directors and made recommendations to the Board to approve the appointment of the above-mentioned two new Directors according to the nomination policy and procedures as adopted by the Nomination Committee;
- reviewed the existing structure, size, composition and diversity (including but not limited to gender, age, cultural, education background, ethnicity, professional experience, skills, knowledge and length of service in the Company) of the Board;
- reviewed the Board diversity policy of the Company;
- assessed the independence of the independent non-executive Directors; and
- recommended to the Board on the re-election of retiring Directors.

Remuneration Committee

The Company established the Remuneration Committee on 24 June 2016 with its written terms of reference in compliance with the Listing Rules. The written terms of reference of the Remuneration Committee are available on the website of the Stock Exchange and the Company's website.

The function of the Remuneration Committee is to assist the Board in (i) determining the policy and structure of the remuneration packages of the Directors and the senior management; (ii) reviewing incentive schemes and Directors' service contracts; and (iii) fixing the remuneration packages for the Directors and the senior management.

The Remuneration Committee currently consists of two independent non-executive Directors, being Mr. Chan Ling Ming and Mr. Mok Kwok Cheung Rupert, and one executive Director, being Mr. Choi Man Shing. Mr. Chan Ling Ming currently serves as the chairman of the Remuneration Committee.

The Remuneration Committee shall regularly meet at least once a year. No meeting of the Remuneration Committee was held during the period commencing from the Listing Date to 31 December 2016. Subsequent to 31 December 2016 and up to the date of this Annual Report, two meetings were held which were attended by all members of the Remuneration Committee. At the meetings, the Remuneration Committee:

- considered the remuneration package of each of the two newly appointed Directors as set out in their respective service agreement entered into with the Company;
- made recommendations to the Board for its approval of the above-mentioned remuneration package of each of the two newly appointed Directors;
- reviewed the remuneration policy and structure of the Group; and
- discussed and recommended the remuneration packages of the Directors and the senior management for the Board's approval.

The fees of the Directors and the emolument of the senior management are determined with reference to their respective duties and responsibilities, expertise and experience in the industry, the performance and profitability of the Group as well as remuneration benchmarks from other companies and prevailing market conditions. Whilst the Board retains its power to determine the remuneration of non-executive Directors, the responsibility for reviewing and determining the remuneration packages of individual executive Directors and senior management of the Company is delegated to the Remuneration Committee. The remuneration paid to the members of senior management (excluding the Directors) by bands for the year ended 31 December 2016 is set out below:

Emolument Band	Number of individuals
Nil to HK$1,000,000	7
HK$1,000,001 to HK$1,500,000	1

The details of the fees and other emoluments paid or payable to the Directors are set out in details in Note 13(a) to the consolidated financial statements set out in this Annual Report.

Risk Management Committee

The Company established the Risk Management Committee on 24 June 2016 with its written terms of reference in compliance with the Listing Rules. The functions of the Risk Management Committee are to oversee the implementation of the Group's internal control and compliance policies and to manage the Group's exposure to risks, including but not limited to sanction laws and anti-corruption risks.

The Risk Management Committee currently consists of Mr. Koh Ming Fai, our executive Director, Mr. Kwok Kam Ming, the quality assurance manager, Ms. Hu Fang, the sales and marketing manager and Mr. Zhang Changqing, the sales and marketing manager. Mr. Koh Ming Fai currently serves as the chairman of the Risk Management Committee.

The Risk Management Committee shall regularly meet at least twice a year. During the period commencing from the Listing Date to 31 December 2016, the Risk Management Committee held two meetings. The individual attendance records of each member of the Risk Management Committee are listed below:

Name of members	Meeting Attendance/ Eligible to Attend
Mr. Koh Ming Fai *(Executive Director)*	2/2
Mr. Kwok Kam Ming *(Quality assurance manager)*	2/2
Ms. Hu Fang *(Sales and marketing manager)*	2/2
Mr. Zhang Changqing *(Sales and marketing manager)*	1/2

At the meetings, the Risk Management Committee:

- reviewed all business transactions to manage the Group's exposure to risks, including but not limited to sanctions risk, anti-corruptions and anti-fraud risks and patent infringement risk;

- established the internal control, compliance and risk management policies and procedures of the Group, including but limited to sanction law and anti-corruption matters; and

- conducted periodic checks on the implementation of the Group's internal control, compliance and risk management policies and procedures to ensure that they can be implemented effectively and efficiently.

Details of its main responsibilities within risk management and internal control structural framework are set out in the section entitled "Risk Management and Internal Controls" below.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for developing and reviewing the Company's corporate governance policies and practices, ensuring adequate and proper training and continuous professional development of Directors and the senior management, developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and directors, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, the Model Code and the CG Code and ensuring the proper disclosure in the Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board recognizes that it has the overall responsibility to establish and maintain sound and effective risk management and internal control systems to ensure the smooth running of operations, to safeguard the Group's assets and the Shareholders' interest as well as to ensure the reliability of financial statements in compliance with applicable laws and regulations. In devising internal controls, the Group has regard to the nature and extent of the risk, the likelihood of it crystallizing, and the cost of controls. Systems of risk management and internal control are designed to manage, but not eliminate, the risk of failure to achieve business objectives and can only provide reasonable but not absolute, assurance against the risk of material misstatement, fraud or loss.

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness. The Board has delegated its responsibilities of risk management and internal control to the Audit Committee and the Risk Management Committee. The Audit Committee oversees the financial reporting, risk management and internal control systems and provides advice for improvement. The Risk Management Committee oversees the management of each business department in the design, implementation and monitoring of the risk management and internal control systems.

Risk Management and Internal Control Structural Framework

The Group's risk management and internal control structural framework is summarised below:

Board

- Evaluate and determine the nature and extent of the risks taken by the Group to achieve its strategic business objectives;
- review and maintain the risk management and internal control structural framework and their responsibilities; and
- through the Audit Committee, regularly review and monitor the effectiveness of the risk management and internal control systems and monitor the corporate governance practices and compliance procedures on an ongoing basis.

Audit Committee

- Review the systems of the Company on financial controls, internal control and risk management every half year;
- monitor the implementation of the action plans and the effectiveness and adequacy of the internal control and risk management systems;
- consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings; and
- report directly to the Board on its findings, decisions and/or recommendations.

Risk Management Committee

- Assist the Board to perform its responsibilities of risk management and internal control systems;
- oversee the Group's risk management and internal control systems on an ongoing basis;
- review the effectiveness of the Group's risk management and internal control systems at least half a year, and such review should cover all material controls including financial, operational and compliance control;
- discuss the risk management and internal control systems with management of each business development to ensure that management has performed its duty to have effective and efficient control systems so as to ensure the adequacy of resources, staff qualifications and experience, and training programmes; and
- report directly to the Board on its findings, decisions and/or recommendations.

Management of Each Business Development

- Design, implement and maintain appropriate and effective risk management and internal control systems;
- identify, evaluate and manage the risks that may potentially impact the major processes of the operations;
- monitor risks and take measures to mitigate risks in day-to-day operations;
- give prompt responses to, and follow up the findings on risk management and internal control matters; and
- report directly to the Risk Management Committee on its findings, decisions and/or recommendations.

Processes adopted to Identify, Evaluate and Manage Risks

The processes adopted by the Group to identify, evaluate and manage risks associated with the business of the Group, the industry and market are summarised as follows:

Risk Identification

- Identify the risks that may potentially affect the Group's business and operations.

Risk Assessment

- Assess the risks identified by using the assessment criteria developed by the management; and
- access the likelihood of their occurrence and the potential impact on the business and results of the Group.

Risk Response

- Determine the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

- Perform ongoing and periodic monitoring of the risk and ensure that appropriate risk management and internal control processes are in place and effective;
- review and revise the risk management strategies and internal control processes in case of any significant change of situation; and
- report the findings, decisions and or recommendations of risk monitoring within the risk management and internal control structural framework regularly.

The Board, through the Audit Committee and the Risk Management Committee conducted an annual review on the Group's risk management and internal control systems and considers that the systems are adequate and effective during the period commencing from the Listing Date to 31 December 2016. The Board is satisfied that the Group has fully complied with the code provisions on risk management and internal controls as set out in the CG Code.

Handling and Dissemination of Inside Information

For the purpose of handling and disseminating inside information in accordance with the Listing Rules and the SFO, the Group has taken various procedures and measures, including reinforcing the awareness to the obligations in preserving confidentiality of inside information within the Group, taking reasonable precautions for preserving the confidentiality of the insider information, sending blackout period and securities dealing restrictions notification to the relevant Directors and employees regularly.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The Audit Committee reviews and monitors the external auditor's independence and objectivity and effectiveness of the audit process. The Audit Committee receives each year the engagement letter from the external auditor of the Company confirming their independence and objectivity and holds meetings with representatives of the external auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it. The Audit Committee also makes recommendations to the Board on the appointment and retention of the external auditor.

The remuneration paid or payable to RSM Hong Kong, being the external auditor of the Company, in respect of the audit services related to the audit for the year ended 31 December 2016 and the review of the interim results for the six months ended 30 June 2016 amounted to approximately HK$1.9 million.

The remuneration paid or payable to RSM Hong Kong and its related entities in respect of the services related to the Global Offering and other permissible non-audit services (being the tax representative of VMHK and VMC) amounted to approximately HK$4.2 million and HK$22,500, respectively.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Company which give a true and fair view of the state of affairs of the Group. In preparing such financial statements, it is fundamental that appropriate accounting policies are selected and applied consistently. The statement of the external auditor of the Company about its reporting responsibilities on the consolidated financial statements is set out in the independent auditor's report on pages 65 to 68 of this Annual Report.

COMPANY SECRETARY

The Company Secretary, Mr. Wai Yiu Tung Yuyu, is responsible to the Board for ensuring that the Board procedures are followed and the Board activities are efficiently and effectively conducted. These objectives are achieved through the adherence to proper Board procedures and the timely preparation and dissemination of meeting agendas and papers to the Directors. Minutes of all Board and Board committees' meetings are prepared and maintained by the Company Secretary in sufficient details of the matters considered and decisions reached by the Board or the Board committees. All draft and final minutes of the Board and the Board committees' meetings are sent to the Directors and committee members, respectively, for their comments and are available for inspection by any Director or committee member upon request.

The Company Secretary is responsible for ensuring that the Board is fully apprised of all legislative, regulatory and corporate governance developments relating to the Group and that the Board takes these into consideration when making decisions for the Group.

The Company Secretary is also directly responsible for the Group's compliance with all obligations under the Listing Rules and The Codes on Takeovers and Mergers and Share Repurchases, including the preparation, publication and despatch of annual reports and interim reports as required in the Listing Rules and other applicable laws, rules and regulations.

Furthermore, the Company Secretary advises the Directors on their obligations, among others, for disclosure of interests and dealings in the Group's securities, connected transactions and inside information and ensures that the standards and disclosures required by the Listing Rules and all applicable laws, rules and regulations are complied with and, where required, reported in the annual report and/or interim report of the Company.

The appointment and removal of the Company Secretary is subject to the Board's approval in accordance with the Articles of Association. All members of the Board have access to the advice and service of the Company Secretary. Mr. Wai was appointed as the Company Secretary of the Company in March 2016 and has day-to-day knowledge of the Group's affairs. During the period commencing from the Listing Date to 31 December 2016, Mr. Wai took no less than 15 hours of relevant professional training to update his skills and knowledge.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

To uphold high standards of corporate governance, the Company maintains effective communications with the Shareholders and other stakeholders by disseminating information in a timely and accurate manner. The Board has established a Shareholders' communication policy which aims to promote effective communication between the Company and the Shareholders and other stakeholders and to enable the Shareholders to exercise their rights as shareholders effectively in an informed manner. The Shareholders' communication policy has been put on the Company's website and will be reviewed by the Board on a regular basis to ensure its effectiveness.

Senior management maintains regular dialogue with institutional investors through one-on-one meetings and conference calls. The Company is committed to complying with disclosure rules and regulations stipulated by the relevant regulatory bodies, and to communicating the Company's business strategies, development and goals to investors.

To address a wider investment community, the corporate website (www.vincentmedical.com) contains comprehensive information about the Company. Under the Investor Relations page, viewers can find the financial reports, and announcements and circulars of the Company published on the website of the Stock Exchange.

The general meeting is an effective platform that allows effective communication between the Board members, the senior management and the Shareholders. The Company encourages participation of the Shareholders in annual general meetings and other general meetings. The Company sends notice to the Shareholders for annual general meetings at least 20 clear business days before the meeting and at least 10 clear business days for all other general meetings.

Mechanisms for enabling the Shareholders' participation in general meetings of the Company will be reviewed on a regular basis by the Board to encourage the highest level of participation.

Convening an Extraordinary General Meeting by the Shareholders

In accordance with Article 58 of the Articles of Association, an extraordinary general meeting can be convened on the requisition of any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

Procedures for Making Proposals at General Meetings and Putting forward Enquiries to the Board

There are no provisions in the Articles of Association or the Cayman Companies Law for Shareholders to move new resolutions at general meetings. The Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

Apart from participating in the Company's general meetings, the Shareholders may send their specific enquiries requiring the Board's attention to the Company Secretary. Other general enquiries can be directed through the Company's Investor Relations contacts.

Address:	Vincent Medical Holdings Limited Flat B2, 7/F., Phase 2, Hang Fung Industrial Building, 2G Hok Yuen Street, Hung Hom, Hong Kong (For the attention to the Company Secretary)
Telephone:	(852) 2365 5688
Fax:	(852) 2765 8428
Email:	investors@vincentmedical.com

For the avoidance of doubt, the Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Articles of Association

The Company adopted the Articles of Association on 24 June 2016. During the period commencing from the Listing Date to 31 December 2016, the Company has not made any amendment to its Articles of Association. An up-to-date version of the Articles of Association is available on the website of the Company and the Stock Exchange respectively.

INTRODUCTION

The Group adheres to the core values of "Innovative, Quality, Reliability", and is committed to becoming a quality manufacturer of the medical device industry. The Group is also devoted to providing the staff with a safe and healthy working environment, personnel training, promoting and implementing management policies and mechanisms on supply chain management, environmental protection, community investment and other aspects, so as to increase the Group's competiveness that fits well in with the development strategy.

Besides, since the Listing of the Shares on the main board of the Stock Exchange on 13 July 2016, pursuant to the Environmental, Social and Governance Reporting Guide (the "**Reporting Guide**") as set out in Appendix 27 to the Listing Rules, the Board has incorporated environmental, social and corporate governance aspects into the Company's sustainable business values to formulate the Group's environmental, social and corporate governance strategy and internal control system, and to assess as to whether the aforesaid system is adequate and effective through our internal review on a regular basis.

The Board is pleased to present the Environmental, Social and Governance Report of the Group for the year ended 31 December 2016, which explained the Group's policies on the four major aspects, namely environmental protection, employment and labor practices, operating practices and community investment, and elaborates on their performance.

In the opinion of the Directors, the Company has complied with the "comply or explain" provisions set out in the Reporting Guide throughout the period commencing from the Listing Date and up to the date of this Annual Report.

1. ENVIRONMENTAL PROTECTION

1.1 Environmental Protection Policies

The Group has been supportive to sustainable use of resources, and has made efforts to minimize the impact of its activities that may have on the environment. Key points of the policies are:

- minimize emission of hazardous gases through choosing and adopting appropriate transport mode and source of energy needs;
- minimize hazardous and non-hazardous wastes through assessing business operation while ensuring most efficient use of materials;
- promote actively natural resource saving measures and recycling matters concerning all businesses and departments of the Company; and
- conform to or well conform to the requirements of all environmental protection laws and regulations applicable to the Company.

The Company has formulated internal environmental protection procedures in respect of all production segments to regulate environmental protection matters. No significant penalty or fine was sought for violation of environmental protection regulations during the Year.

1.2 Emissions and Wastes

The Company sets its standard based on information for the Year to calculate emission volume of greenhouse gases and production volume of hazardous wastes and non-hazardous wastes, which will be used for future reference and comparison. The Company sees the reduction of emissions and wastes as its long-term objective and is contemplating to lay down measures to gradually reduce emissions and will track the progress on an annual basis.

The following data on emission types are calculated based on motor gasoline emission:

Emission types	Nitrogen oxide	Sulphur dioxide	Suspended particulates
Emission volume	6,240g	140g	459g

The Company mainly uses electricity as its energy for production and total emission volume of greenhouse gas is calculated based on the electricity consumption. The figures are as follows:

CO_2 emission scope	Motor gasoline	Electricity	Total
Emission volume	7,363 tons	25 tons	7,388 tons

The Company produced total hazardous wastes of approximately 1.28 tons in the course of production. Non-hazardous wastes of approximately 143 tons were generated in the course of operation and waste from household, business and office activities.

Waste can be classified into three types, namely ordinary refuse, recyclable refuse and hazardous refuse, and be treated accordingly by each department. Ordinary refuse is treated collectively by the Company. Recyclable refuse is collected and transported for recycling. Hazardous refuse, such as plastic scraps, HW08 (wasted engine oils) and HW49 (used empty buckets), is transported and treated by a contractor engaged by the Company who is recognized by the Guangdong Environmental Protection Department and a licensee of the Operating License for Dangerous Waste. Every transport of dangerous refuse to the contractor would be recorded for filing.

1.3 Use of Resources

For the sake of more effective use of resources, the Company has adopted internal measures to encourage effective use of water, electricity and other resources, such as paper and packaging materials. In addition to adopting the policies and procedures, the Company delegates electricians to conduct regular checks and to assess electricity consumption, who will also provide guidance and suggestions for the effective use of resources to our staff.

The Company mainly uses electricity as its energy for production. Total consumption of electricity for the Year was approximately 10,832,633 kiloWatt-hours (kWhs) (1 kilowatt-hour=1unit of electrical power), i.e., about 393.18 kWhs/m^2.

Total water consumption was approximately 83,225 liters, i.e., approximately 3.02 liters/m^2. The Company has engaged an energy-saving consultancy in March 2016 to monitor electricity consumption of the Company. The Company has no problem in acquiring edible water source, but it still implements water-saving measures to remind staff of water-saving. Such initiatives and other resource-preservation measures are all recorded in the Company's internal EHS Procedures for all staff to follow.

Total volume of packaging materials used in finished products was approximately 90 tons of plastic material and 629 tons of cardboard box material.

1.4 Environment and Natural Resources

The Company has a set of policies and procedures for waste treatment to prevent pollution of soil and groundwater. Besides, the Company has guidelines for waste storage, the collected waste cannot be stored outdoors to prevent contamination of rainwater. The Company has also drawn up procedures to monitor emission of waste water and the use of industrial compressed air to ensure compliance with laws and regulations. Our production poses no significant impact on the environment and natural resources, and we have adopted actions and measures to address such impacts.

2. EMPLOYMENT AND LABOR PRACTICES

2.1 Employment Policies

The Group devotes its efforts to promote a diversified, safe and healthy workplace where staff of different background, experience, age and gender are respected and treasured. The Group advocates an ethical and law abiding spirit, under which it develops its comprehensive human resources policies as follows:

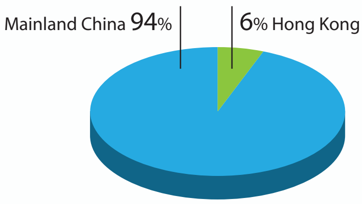
- Recruitment, promotion and dismissal polices are fair and consistent;
- All human resources policies are devised on the basis that no staff would be discriminated against gender, race, age, marriage and religion causes, and that conforms to the relevant labor laws;
- All remuneration payable to staff should observe all applicable wage laws, including laws governing minimum wage, overtime and statutory benefits;
- Staff should stick by the timetable of work and leave as scheduled by their respective departments. Generally, the working hours are 8 hours per weekday (Monday to Friday), and a break of 1.5 hours after working for every 4 hours;
- Staff are entitled to statutory holidays, annual leave, sick leave, marriage leave, maternity leave, compassionate leave and work-related injury leave; and
- The Company has formed a recreation club to organize and coordinate recreational activities for staff. These activities are funded or sponsored by the Company. Staff can also use the library, the TV room, the table tennis room, the billiard parlour and other recreational facilities in the campus.


Staff can use the recreational facilities such as the library, table tennis and billiard parlour in their leisure time

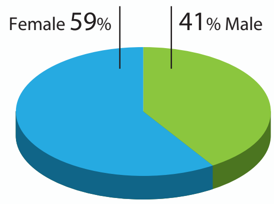
2.2 Employment

As at 31 December 2016, the total number of employees of the Company was 921. Below are the detailed breakdown of our employees by region, gender and age group:

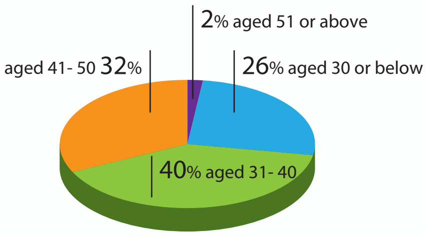
% of Employees by Region



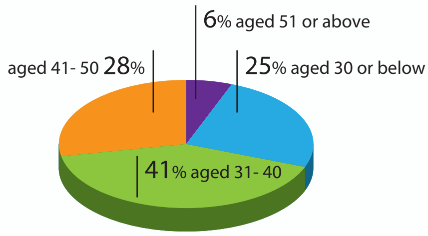
% of Employees by Gender



% of Female Employees by Age



% of Male Employees by Age



The Group welcomes talents from the industry to join the team to enhance professional capability, as well as to bring in new talents from different industries to stimulate innovative ideas.

Turnover Rates by Age, Gender and Location

Total number of employee turnover 2016: 610	Gender		Location	
Age	Female	Male	Mainland China	Hong Kong
Aged 30 or below	32%	12%	38%	2%
Aged 31 – 40	17%	9%	21%	1%
Aged 41 – 50	6%	3%	7%	1%
Aged 51 or above	0%	0%	1%	0%

Note: Attrition Rate = No. of employee turnover in the relevant age group/(No. of staff + Total no. of employee turnover in the relevant age group as at 31 December 2016).

Recruitment Rate by Age, Gender and Location

Total number of new recruits in 2016: 528	Gender		Location	
Age	Female	Male	Mainland China	Hong Kong
Aged 30 or below	31%	14%	37%	2%
Aged 31 – 40	18%	6%	19%	1%
Aged 41 – 50	5%	3%	6%	1%
Aged 51or above	0%	1%	0%	1%

Note: Recruitment Rate = No. of new recruits in the relevant age group/(No. of staff + Total no. of new recruits in the relevant age group as at 31 December 2016).

2.3 Health and Safety

Staff health and safety is our top priority. The Company has a set of internal measures and guidelines in place to safeguard the health and safety of staff. The Company's business is subject to a number of laws and regulations regarding health, production safety, social and environment aspects. The regulatory affairs team of the Company's quality assurance department is responsible for monitoring internal standard situation to ensure compliance with the legal requirements.

During the Year, the Company complied with the relevant laws and regulations in the PRC and Hong Kong in respect of securing staff health and safety. No significant claim or fine was sought or instituted with regard to health and production safety, and no incident was recorded for work-related death. During the Year, there were two workers injured by crashing objects and took leave of 41 days.

The Company keeps proper hygiene control to ensure a clean and well ventilated workplace. Relevant departments are delegated with explicit roles and division of duties. Workers need to undergo vocational body checks every year, and those workers who fail to reach standards in such routine checks would have their posts or their respective departments adjusted in an appropriate manner to ensure a safe and healthy workplace for employees. As for the safety control, every staff must understand the related operational process and receive the relevant training before starting to work. The Company would provide staff with proper protective gear. All dangerous materials are labeled clearly and handled by the dedicated personnel. In addition, the Company has set out noise control measures and fire-alarm control policies. Every year, the internal first-aid personnel has to receive trainings to handle emergencies.

Staff received safety control training

2.4 Development and Training

The Company considers employees as the most valuable resources to attain our success. To ensure the quality of employees at all levels, we have a standardized in-house training program to train our staff. New employees at our production facility will receive trainings pertinent to their job duties, which cover topics including medical device related regulations, production safety knowledge, and procedures and protocols relating to quality control.

During the Year, our employees received trainings with approximately 9,764 attendances, total hour of training was approximately 12,421 hours. On average, each employee took about 8 hours of training. Percentage of trained personnel and training hours by gender and hierarchy of employees were shown as follows:

No. of Trained Personnel by Gender and Hierarchy of Employees

	Male		Female			
Hierarchy of employee	No. of trained personnel	Proportion	No. of trained personnel	Proportion	Total head count	Aggregate Proportion
Senior Management	172	5%	18	1%	190	2%
Mid-level Management	337	9%	138	2%	475	5%
General Staff	3,029	86%	6,070	97%	9,099	93%
Total no. of trained personnel	3,538	100%	6,226	100%	9,764	100%

No. of Training Hours by Gender and Hierarchy of Employees

	Male		Female			
Hierarchy of employee	No. of training hours	Proportion	No. of training hours	Proportion	Aggregate hour of training	Aggregate Proportion
Senior Management	683	12%	78	1%	761	6%
Mid-level Management	1,169.5	20%	448.5	7%	1,618	13%
General Staff	3,919.5	68%	6,122.5	92%	10,042	81%
Total training hours	5,772	100%	6,649	100%	12,421	100%

2.5 Labor Practices

The Group respects and observes international human rights rules, such as the "Universal Declaration of Human Rights" of the United Nations and conventions of the International Labor Organization (ILO). The Company upholds the policy not to employ child labor or forced labor. Our policy is to make sure that we do not employ a person aged below the statutory minimum age for employment, and that any kind of forced labors, including prison labor, contract labor, servitude labor or other forms of forced labor, are banned in the Company.

The Group has at all times abided by the relevant laws and regulations and has never been subject to any punishment or fine for the employment of child labor or forced labor. In the course of recruitment, the Company would verify the ages and other personal particulars of the applicants to avoid non-compliance. The Company would make clear to the applicants the duties and responsibilities of each job when recruiting. Once employed, the Company will assign proper work load for an employee based on his/her experience and ability. Every staff will receive a copy of staff manual which clearly sets out related salaries and benefits, and employment policies. All the staff are entitled to salary, work, working schedule and freedom to resign as stipulated when they get employed. In the case of breaches, the Company would conduct in-depth investigation (for example whether a false age file is used) and take action against the employee concerned.

3. OPERATING PRACTICES

3.1 Supply Chain Management

The Company carries on its business in a responsible manner. We work with our material suppliers closely and adheres to the Company's codes of conduct on social responsibility of suppliers. Regarding the engagement of suppliers, the Company's codes of conduct on social responsibility of suppliers comprises of the following:

- Respect human rights and never employ child labor and forced labor;
- Staff should not be discriminated against age, gender, race, religion and disability causes;
- Staff should be remunerated in conformity with comparable values;
- Be attentive to the health and safety of staff;
- Emphasize environment management, in which the suppliers should establish an effective system to manage impacts they may have on the environment, including the treatment of chemical and dangerous materials, and control over the emissions of wasted water and solid wastes, as well as the emissions of chemical materials released on to the air; and
- Observe the business ethics, anti-corruption and bribery policies, preservation and protection of intellectual property.

The Group has 270 major suppliers of raw materials, of which 80 are from overseas (including Hong Kong) and account for about 29%. The number of suppliers distributed by geographical region is as follows:

Geographical Region	Number	Proportion
PRC	190	70.4%
USA	31	11.5%
Hong Kong	27	10.0%
Britain	4	1.5%
Sweden	4	1.5%
Others *(Note)*	14	5.1%
Total	270	100.0%

Note: Others mainly include Singapore, Israel and Italy.

Before engaging a supplier, the Company would send out a supplier profile survey in order to learn about conditions of the supplier in issue in respect of quality standard, safety standard, environmental protection and vocational health, and would require it to provide relevant quality and safety certifications. Shortlisted suppliers must sign an agreement in relation to operating business in an ethical manner and observing our anti-corruption and bribery policies. The Company would also require them to provide written assurance, stating that they would act in accordance with our conduct codes on social responsibility of suppliers.

3.2 Product Responsibility

As a quality manufacturer in the medical device industry, quality assurance is the top priority of the Group's production management focus. The Company establishes and implements a quality control and risk management system, which involves formal control and supervision over products in respect of product design, production, storage and packaging. The Company maintains quality control and risk management procedures that set out roles and duties of respective departments.

The Company is the first Hong Kong-headquartered medical device group to have obtained the ISO14971 certification for the application of risk management to medical devices in 2009. Subsequently, we have also obtained certifications under the ISO13485 standard for comprehensive quality management system for the design and manufacture of medical devices, and the ISO11135 standard for development, validation and control of sterilization process for medical devices.

The Company has made an effort to comply with the relevant laws and regulations governing product safety, and no significant claim or fine was sought or incurred in regard to any product safety, advertisements, labeling or privacy matters during the Year.

3.2.1 *Product recalls*

The Company has not sold or delivered products that need to be recalled for safety and health reasons.

3.2.2 *Complaints about products and services*

The Company considers customer feedback as a valuable tool to enhance products and services. We take customer feedback seriously and have a set of procedures in place to handle complaints from customers. For the Year, the number of products sold was approximately 53,000,000 and the number of cases of complaints from customers was 82, all were handled by quality control and risk management procedure numbered MQSP7202.

3.2.3 *Preservation and protection of intellectual property*

The Group regards our own Inspired Medical (英仕醫療) brand name as critical to the success of the OBM Business. Unauthorized use of our brand name by the third parties may adversely affect the value of our brand name, business and reputation, including the perceived quality and reliability of our products. We rely on the trademark law and agreements with our distributors to protect the value of our brand name. As at the end of the Year, we have registered 39 trademarks. Despite our precautions, we may not be able to prevent unauthorized use of our brand name by the third parties. In certain circumstances, litigation may be necessary to protect our brand name.

3.2.4 *Quality inspection processes and product recall procedures*

Our quality assurance measures cover all aspects of our production processes and operations, including design, installation and maintenance of production facilities, procurement of raw materials and packaging materials, monitoring and quality checks of raw materials, semi-finished products and finished products and verification of documentation to comply with the product registration certification standards and requirements. In every production process, dedicated quality inspectors are assigned to inspect each process according to the pre-determined standards and inspection conditions and to record inspection results. Our quality assurance staff would focus on the following four processes:

(a) Production process validation procedure
(b) Raw materials quality control
(c) Production in-process quality control
(d) Finished product quality control

As to the product recall procedures, the Company has instituted the internal policy of "query/product recall alarm procedure" to enable product recall when necessary. The Company has no significant product return or any product recall for quality or other causes for the Year.

3.2.5 *Consumer data protection and privacy policy*

The Company is intending to unfold its policies regarding information protection of consumers and privacy, as well as the related implementation and control methods in the coming three years.

3.3 Anti-Corruption

It is the Group's policy to strictly abide by all laws and regulations in relation to anti-corruption. During the Year, we have been in compliance with the anti-corruption laws and regulations, and we were not aware of any regulatory investigation or conviction for non-compliance with such requirements or improper payments by our Directors, employees or distributors. No litigation case involving corruption was instituted and concluded against its employees by the Company.

In order to prevent any violation of the anti-corruption laws and regulations by our employees, we have adopted the following measures to regulate the conduct of our employees, including (i) establishing internal policies to increase our employees' awareness of the relevant anti-corruption laws and regulations, as well as bribery-related acts; (ii) establishing a code of conduct; (iii) providing related training; (iv) providing anti-corruption training for our sales employees to explain to them the penalties involved for conducting corruption activities and their duty to report such activities to the Board; and (v) providing a clear definition on the scope of corruption activities, setting out the measures for prevention and control of such activities and establishing a whistle-blowing procedure for handling reports on corruption and bribery activities. With respect to implementation timeframe, we have formulated and issued the relevant internal policies, code of conduct and whistle-blowing procedure (namely, measures (i), (ii) and (v) mentioned above) in May 2016 and provided related trainings to our employees (namely, measures (iii) and (iv) mentioned above) in June 2016. We will also provide trainings to our employees on an annual basis. Based on the above, Directors are of the view that our internal control policies over anti-corruption or bribery conduct of our employees are adequate and effective.

Staff received anti-corruption training provided by the legal adviser

4. COMMUNITY INVESTMENT

The Company is planning to develop its corporate policy in connection with community investment in the next year to show our care about the communities where our plants or offices are located. The Company is preparing to form a volunteer team by inviting all the staff to join and show their earnest concern for community needs, with an aim to contribute our part to the community in which we live and work, making it a more harmonious one.

Staff actively participated in blood donation activity

In October 2016, the Company took part in a blood donation activity organised by the Government of Dongguan.

To the shareholders of Vincent Medical Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Vincent Medical Holdings Limited and its subsidiaries (the "**Group**") set out on pages 69 to 127, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified are:

1. Impairment assessment of goodwill and other intangible assets

Key Audit Matter	How our audit addressed the Key Audit Matter
1. Impairment assessment of goodwill and other intangible assets	
Refer to notes 17 and 18 to the consolidated financial statements	
The Group has goodwill and other intangible assets with carrying amounts of approximately HK$9,591,000 and HK$14,628,000 respectively as at 31 December 2016 in relation to Rehab-Robotics Company Limited ("**RRCL**") acquired in December 2015. RRCL incurred a loss for the year ended 31 December 2016. This has increased the risk that the carrying amounts of goodwill and other intangible assets may be impaired. Management has concluded that there is no impairment in respect of the goodwill and other intangible assets. This conclusion was based on a value in use model that required significant management judgement with respect to the discount rate and the assumptions underlying the forecast cash flows.	Our procedures in relation to management's impairment assessment included: – Assessing the integrity of the valuation model; – Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; – Reconciling input data to supporting evidence, including approved budgets and considering the accuracy of previous management budgets; and – Evaluating the appropriateness of the discount rate by benchmarking to external sources of market data using our internal valuation experts.

OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information identified above and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Liu Eugene.

RSM Hong Kong
Certified Public Accountants

Hong Kong
23 March 2017

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Turnover	7	**467,347**	448,169
Cost of sales		**(321,585)**	(308,368)
Gross profit		**145,762**	139,801
Other income	8	**5,948**	1,641
Distribution costs		**(15,485)**	(14,395)
Administrative expenses		**(88,076)**	(57,829)
Profit from operations		**48,149**	69,218
Finance costs – interest on borrowings		**(339)**	(5)
Share of losses of associates	19	**(114)**	(41)
Profit before tax		**47,696**	69,172
Income tax (expense)/credit	10	**(10,614)**	2,484
Profit for the year	11	**37,082**	71,656
Attributable to:			
Owners of the Company		**29,242**	58,153
Non-controlling interests		**7,840**	13,503
		37,082	71,656
Earnings per share	15		
Basis		**HK5.27 cents**	HK14.24 cents
Diluted		**HK5.25 cents**	n/a

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Profit for the year	**37,082**	71,656
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(12,104)**	(8,201)
Other comprehensive income for the year, net of tax	**(12,104)**	(8,201)
Total comprehensive income for the year	**24,978**	63,455
Attributable to:		
Owners of the Company	**19,318**	51,448
Non-controlling interests	**5,660**	12,007
	24,978	63,455

Consolidated Statement of Financial Position

At 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	40,131	44,876
Goodwill	17	9,591	9,591
Other intangible assets	18	14,628	13,657
Investments in associates	19	16,460	13,269
Total non-current assets		80,810	81,393
Current assets			
Inventories	20	87,899	65,422
Trade receivables	21	75,223	87,188
Prepayments, deposits and other receivables		29,060	16,662
Bank and cash balances	22	222,206	69,303
Total current assets		414,388	238,575
TOTAL ASSETS		495,198	319,968
EQUITY AND LIABILITIES			
Share capital	23	6,380	12,094
Reserves	25	344,692	157,264
Equity attributable to owners of the Company		351,072	169,358
Non-controlling interests		50,404	47,729
Total equity		401,476	217,087
LIABILITIES			
Non-current liabilities			
Borrowings	27	1,450	3,725
Deferred tax liabilities	28	2,415	2,253
Total non-current liabilities		3,865	5,978
Current liabilities			
Trade payables	29	32,866	24,751
Other payables and accruals		47,039	30,777
Borrowings	27	3,167	992
Current tax liabilities		6,785	40,383
Total current liabilities		89,857	96,903
TOTAL EQUITY AND LIABILITIES		495,198	319,968
Net current assets		324,531	141,672
Total assets less current liabilities		405,341	223,065

Approved by the Board of Directors on 23 March 2017 and are signed on its behalf by:

Choi Man Shing **To Ki Cheung**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium account HK$'000	Share-based payment reserve HK'000	Merger reserve HK$'000	Foreign currency translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non – controlling interests HK$'000	Total equity HK$'000
At 1 January 2015	12,094	–	–	–	8,572	117,867	138,533	30,165	168,698
Total comprehensive income for the year	–	–	–	–	(6,705)	58,153	51,448	12,007	63,455
Acquisition of a subsidiary	–	–	–	–	–	–	–	9,538	9,538
Dividend paid	–	–	–	–	–	(20,623)	(20,623)	(3,981)	(24,604)
Changes in equity for the year	–	–	–	–	(6,705)	37,530	30,825	17,564	48,389
At 31 December 2015	12,094	–	–	–	1,867	155,397	169,358	47,729	217,087
At 1 January 2016	12,094	–	–	–	1,867	155,397	169,358	47,729	217,087
Total comprehensive income for the year	–	–	–	–	(9,924)	29,242	19,318	5,660	24,978
Reorganisation	(12,094)	–	–	12,094	–	–	–	–	-
Share-based payments	–	–	2,714	–	–	–	2,714	–	2,714
Shares issued to pre-IPO investors *(note 23(d))*	–*	60,000	–	–	–	–	60,000	–	60,000
Share capitalisation *(note 23(e))*	5,104	(5,104)	–	–	–	–	–	–	-
Shares issued under the Global Offering *(note 23(f))*	1,276	116,421	–	–	–	–	117,697	–	117,697
Dividend paid *(note 14)*	–	–	–	–		(18,015)	(18,015)	(2,985)	(21,000)
Changes in equity for the year	(5,714)	171,317	2,714	12,094	(9,924)	11,227	181,714	2,675	184,389
At 31 December 2016	6,380	171,317	2,714	12,094	(8,057)	166,624	351,072	50,404	401,476

* Represent the amount less than HK$1,000

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	47,696	69,172
Adjustments for:		
Allowance for inventories	18	14
Amortisation	1,522	96
Depreciation	11,094	13,216
Gain on disposals of property, plant and equipment	–	(284)
Finance costs	339	5
Interest income	(57)	(131)
Share of losses of associates	114	41
Write back of trade payables	(2,207)	–
Write off of property, plant and equipment	99	497
Share-based payments	2,714	–
Operating profit before working capital changes	61,332	82,626
(Increase)/decrease in inventories	(22,295)	2,219
Decrease in trade receivables	11,965	2,246
Increase in prepayments, deposits and other receivables	(12,398)	(4,151)
Increase/(decrease) in trade payables	10,322	(10,833)
Increase in other payables and accruals	16,262	3,659
Decrease in amounts due to related companies	–	(19,202)
Cash generated from operations	65,188	56,564
Income taxes paid	(43,342)	(2,008)
Interest paid	(339)	(5)
Net cash generated from operating activities	21,507	54,551
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	57	131
Purchases of property, plant and equipment	(8,991)	(11,320)
Proceeds from disposals of property, plant and equipment	–	1,028
Acquisition of an associate	(5,804)	–
Acquisition of a subsidiary	–	(5,408)
Additions to other intangible assets	(2,493)	–
Net cash used in investing activities	(17,231)	(15,569)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	177,697	–
Proceeds from bank loan	10,699	–
Repayment of bank loan	(9,807)	(600)
Repayment of other loan	(992)	–
Dividend paid to owners of the Company	(18,015)	(20,623)
Dividend paid to non-controlling shareholder	(2,985)	(3,981)
Net cash generated from/(used in) financing activities	156,597	(25,204)
NET INCREASE IN CASH AND CASH EQUIVALENTS	160,873	13,778
Effect of foreign exchange rate changes	(7,970)	(6,337)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	69,303	61,862
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	222,206	69,303
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	222,206	69,303

1. GENERAL INFORMATION

Vincent Medical Holdings Limited (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 address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Flat B2, 7/F, Phase 2 Hang Fung Industrial Building, 2G Hok Yuen Street, Hung Hom, Hong Kong.

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

On 13 July 2016 (the "**Listing Date**"), the Company' 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 of the Company, 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 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 ("**VMMH**") and Vincent Medical Care Holdings Limited ("**VMCH**"). The Reorganisation was completed on 18 February 2016 and thereafter, the Company became the holding company of the Group.

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2016. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2016. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7 Statement of Cash Flows: Disclosure initiative	1 January 2017
Amendments to HKAS 12 Income Taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
Amendments to HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to HKFRS 2 Share-based Payment: Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 16 Leases	1 January 2019
Amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course.

3. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

(b) New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 9 Financial Instruments

The standard replaces HKAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from HKAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

HKFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in HKAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in HKAS 39 are carried forward largely unchanged.

3. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

(b) New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 9 Financial Instruments (continued)

HKFRS 9 substantially overhauls the hedge accounting requirements in HKAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The new expected credit loss impairment model in HKFRS 9 may result in the earlier recognition of impairment losses on the Group's trade receivables and other financial assets. The Group is unable to quantity the impact until a more detailed assessment is completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer

2. Identify the performance obligations in the contract

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations in the contract

5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

The Group is currently assessing the impact of adopting HKFRS 15 on the consolidated financial statements but it is unable to estimate the impact of the new standard on the consolidated financial statements until a more detailed analysis is completed.

3. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

(b) New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 32, the Group's future minimum lease payments under non-cancellable operating leases for its offices and factory premises amounted to approximately HK$21,317,000 as at 31 December 2016. The Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after taking into account the transition reliefs available in HKFRS 16 and the effects of discounting.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Business combination and goodwill (continued)

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Associates (continued)

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Hong Kong dollars ("**HKD**"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency translation (continued)

(iii) Translation on consolidation (continued)

- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Furniture and fixtures	20%-33%
Plant and machinery	20%
Leasehold improvements	20%-33%
Moulds	20%-33%
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents leasehold improvements under construction and plant and machinery pending for installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Operating leases

The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(g) Other intangible assets

Use right

Use right is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group's robotic training business development is recognised only if all of the following conditions are met:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Management intends to complete the intangible asset and use or sell it;
- There is ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labor and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(j) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

(k) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(l) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(o) Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair value and are subsequently measured at the higher of:

- the amount of the obligations under the contracts, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

- the amount initially recognised less cumulative amortisation recognised in profit or loss on a straight-line basis over the terms of the guarantee contracts.

(p) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of manufactured goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(t) 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.

(u) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(x) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(z) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amounts of property, plant and equipment as at 31 December 2016 was approximately HK$40,131,000 (2015: HK$44,876,000).

(b) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, income tax expenses of approximately HK$10,614,000 (2015: income tax credit of HK$2,484,000) was charged (2015: credited) to profit or loss.

(c) Impairment of goodwill and other intangible assets

Determining whether goodwill and other intangible assets are impaired requires an estimation of the value in use of the cash-generating unit to which goodwill and other intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

The carrying amounts of goodwill and other intangible assets as at 31 December 2016 were approximately HK$9,591,000 (2015: HK$9,591,000) and HK$14,628,000 (2015: HK$13,657,000) respectively. No impairment loss was made during the year (2015: Nil).

(d) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

As at 31 December 2016, no impairment loss for bad and doubtful debts was made (2015: HK$895,000).

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

(e) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. During the year, allowance for slow-moving inventories of approximately HK$18,000 (2015: HK$14,000) was made.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currency of respective Group entities such as United States dollars ("**USD**") and Renminbi ("**RMB**"). The directors have assessed the impact of foreign currency risk and considered that it is insignificant to the Group. 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.

(b) Credit risk

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

As at 31 December 2016, there were 2 (2015: 2) customers which individually contributed over 10% of the Group's trade receivables. The aggregate amounts of trade receivables from these customers amounted to 55% (2015: 52%) of the Group's total trade receivables as at 31 December 2016.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's financial liabilities is as follows:

	On demand or within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
As at 31 December 2016					
Trade payables	**32,866**	**–**	**–**	**–**	**32,866**
Other payables and accruals	**33,554**	**–**	**–**	**–**	**33,554**
Borrowings	**3,294**	**1,462**	**–**	**–**	**4,756**
As at 31 December 2015					
Trade payables	24,751	–	–	–	24,751
Other payables and accruals	19,193	–	–	–	19,193
Borrowings	1,200	2,400	1,462	–	5,062
Financial guarantee	19,000	–	–	–	19,000

(d) Interest rate risk

The Group's exposure to interest-rate risk mainly arises from its bank deposits, bank loan and other loan. Bank deposits and bank loan bear interests at variable rates varied with the then prevailing market condition. Other loan bears interest at fixed interest rate and therefore is subject to fair value interest value risk.

The effect of changes in interest rates is not significant to these consolidated financial statements. Except as stated above, the Group has no other significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Categories of financial instruments at 31 December 2016

	2016 HK$'000	2015 HK$'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	300,612	156,796
Financial liabilities:		
Financial liabilities at amortised cost	71,037	48,661

(f) Fair values

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

7. TURNOVER

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

	2016 HK$'000	2015 HK$'000
Respiratory products	151,820	175,241
Imaging disposable products	180,817	155,675
Orthopaedic and rehabilitation products	76,403	74,124
Others	58,307	43,129
	467,347	448,169

8. OTHER INCOME

	2016 HK$'000	2015 HK$'000
Exchange gain, net	1,141	736
Interest income	57	131
Gain on disposals of property, plant and equipment	-	284
Sundry income	2,543	490
Write back of trade payables	2,207	-
	5,948	1,641

9. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors of the Group that makes strategic and operating decisions.

Directors of the Group review the internal reporting of the Group in order to assess performance and allocate resources. From business model perspective, management assesses the performance of two operating segments, which are OEM and OBM.

- OEM represents "original equipment manufacturing", whereby products are manufactured in accordance with the customer's specification for sale under the customer's or third party's brand.

- OBM comprises research, development, manufacturing, marketing and sales of medical devices under Inspired Medical (英仕醫療) and "Hand of Hope" brands.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include interest income, interest expenses, listing-related expenses, share-based payments, share of losses of associates, write back of trade payables, corporate income and corporate expenses.

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

Information about reportable segment profit or loss:

	OEM HK$'000	OBM HK$'000	Total HK$'000
Year ended 31 December 2016			
Revenue from external customers	**400,657**	**66,690**	**467,347**
Segment profit/(loss)	**68,868**	**(2,939)**	**65,929**
Depreciation and amortisation	**8,626**	**3,846**	**12,472**
Year ended 31 December 2015			
Revenue from external customers	391,062	57,107	448,169
Segment profit	64,182	10,824	75,006
Depreciation and amortisation	10,974	1,715	12,689

9. SEGMENT INFORMATION (CONTINUED)

Reconciliations of reportable segment revenue and profit or loss:

	2016 HK$'000	2015 HK$'000
Revenue		
Total revenue of reportable segments	**467,347**	448,169
Profit or loss		
Total profit or loss of reportable segments	**65,929**	75,006
Interest income	**57**	131
Interest expenses	**(339)**	(5)
Listing-related expenses	**(17,964)**	(4,634)
Share-based payments	**(2,714)**	–
Share of losses of associates	**(114)**	(41)
Write back of trade payables	**2,207**	–
Unallocated corporate income	**3,684**	1,510
Unallocated corporate expenses	**(3,050)**	(2,795)
Consolidated profit before tax	**47,696**	69,172

Geographical information:

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue	
	2016 HK$'000	2015 HK$'000
United States	**323,298**	331,151
The People's Republic of China (the "**PRC**")	**39,355**	37,635
Netherlands	**34,370**	9,609
Australia	**17,922**	12,015
Japan	**13,904**	13,564
Germany	**1,822**	21,954
Others	**36,676**	22,241
	467,347	448,169

9. SEGMENT INFORMATION (CONTINUED)

Geographical information: (continued)

	Non-current assets	
	2016 HK$'000	2015 HK$'000
Hong Kong	**30,993**	24,570
The PRC	**39,095**	43,554
Australia	**10,722**	13,269
	80,810	81,393

Revenue from major customers:

	2016 HK$'000	2015 HK$'000
OEM segment		
Customer A	**187,508**	161,326
Customer B	**103,757**	73,379

10. INCOME TAX EXPENSE/(CREDIT)

	2016 HK$'000	2015 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**6,012**	6,392
Over-provision in prior years	**(20)**	(11,876)
	5,992	(5,484)
Current tax – the PRC		
Provision for the year	**4,365**	3,016
Under-provision in prior years	**95**	-
	4,460	3,016
Deferred tax (note 28)	**162**	(16)
Income tax expense/(credit)	**10,614**	(2,484)

10. INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

Hong Kong Profits Tax has been provided at a rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year ended 31 December 2016.

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 Vincent Medical (Dongguan) Mfg. Co. Ltd. (東莞永勝醫療製品有限公司) ("**VMDG**") which is qualified as High and New Tech Enterprise and would be entitled to a reduced corporate income tax rate of 15%. The relevant tax rates for the Company's PRC subsidiaries range from 15% to 25%.

The reconciliation between the income tax expense/(credit) and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2016 HK$'000	2015 HK$'000
Profit before tax	**47,696**	69,172
Tax at Hong Kong Profits Tax rate of 16.5% (2015: 16.5%)	**7,870**	11,414
Tax effect of share of losses of associates	**19**	7
Tax effect of income that is not taxable	**(25,037)**	(25,279)
Tax effect of expenses that are not deductible	**25,456**	21,709
Tax effect of temporary differences not recognised	**(653)**	1,019
Tax effect of tax losses not recognised	**3,125**	599
Tax effect of utilisation of tax losses not previously recognised	**–**	(18)
Effect of different tax rates of subsidiaries	**(241)**	(59)
Under/(over)-provision in prior years	**75**	(11,876)
Income tax expense/(credit)	**10,614**	(2,484)

10. INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

As at 31 December 2016, the Group has unused tax losses of approximately HK$35,802,000 (2015: HK$20,474,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams from those loss making subsidiaries. The unused tax losses of the Group have not yet been agreed by respective tax authorities. The expiry date of unrecognised tax losses are summarised as follows:

	2016 HK$'000	2015 HK$'000
On 31 December 2017	**1,344**	1,435
On 31 December 2018	**1,571**	1,677
On 31 December 2019	**1,803**	1,925
On 31 December 2020	**1,866**	1,992
On 31 December 2021	**5,401**	–
Carried forward indefinitely	**23,817**	13,445
	35,802	20,474

As at 31 December 2016, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is approximately HK$6,935,000 (2015: HK$5,914,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

11. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2016 HK$'000	2015 HK$'000
Allowance for inventories (included in cost of inventories sold)	18	14
Amortisation	1,522	96
Auditor's remuneration	1,485	2,243
Cost of inventories sold	321,585	308,368
Depreciation	11,094	13,216
Equity-settled share-based payments	2,714	–
Exchange gain, net	(1,141)	(736)
Gain on disposals of property, plant and equipment	–	(284)
Listing-related expenses	17,964	4,634
Operating lease charges – land and buildings	9,688	6,059
Research and development expenditure	9,587	7,185
Write back of trade payables	(2,207)	–
Write off of property, plant and equipment	99	497

Cost of inventories sold include staff costs of approximately HK$53,235,000 (2015: HK$53,357,000), depreciation of approximately HK$7,763,000 (2015: HK$9,748,000), and operating lease charges of approximately HK$3,521,000 (2015: HK$294,000), which are included in the amounts disclosed separately.

Research and development expenditure include staff costs of approximately HK$3,464,000 (2015: HK$3,028,000), depreciation of approximately HK$151,000 (2015: HK$624,000), and operating lease charges of approximately HK$142,000 (2015: HK$231,000), which are included in the amounts disclosed separately.

Staff costs include fee reimbursement of approximately HK$5,401,000 (2015: HK$16,680,000) to a related company.

12. EMPLOYEE BENEFITS EXPENSE

	2016 HK$'000	2015 HK$'000
Salaries, bonuses and allowances	**83,701**	71,498
Retirement benefits scheme contributions	**4,692**	5,116
Other benefits	**4,934**	3,476
Equity-settled share-based payments	**2,640**	–
	95,967	80,090

(a) Pensions – defined contribution plans

No contribution (2015: HK$Nil) was payable to the fund at the year-end.

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2015: three) directors whose emoluments are reflected in the analysis presented in note 13. The emoluments paid to the remaining two (2015: two) individuals are set out below:

	2016 HK$'000	2015 HK$'000
Salaries, bonuses and allowances	**1,834**	1,527
Retirement benefits scheme contributions	**92**	76
Equity-settled share-based payments	**119**	–
	2,045	1,603

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**1**	–

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
	Fees	Salaries	Discretionary bonus	(Note i) Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Housing allowance		Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Name of director									
Mr. Choi	–	843	–	–	84	–	–	–	927
Mr. To Ki Cheung	–	1,119	120	79	56	–	–	–	1,374
Mr. Koh Ming Fai	–	823	168	79	41	–	–	–	1,111
Mr. Fu Kwok Fu	–	716	106	79	36	–	–	–	937
Ms. Liu	–	–	–	–	–	–	–	–	–
Mr. Amir Gal Or *(Note (ii))*	84	–	–	–	–	–	–	–	84
Mr. Poon Lai Yin Michael *(Note (ii))*	–	–	–	–	–	–	–	–	–
Mr. Chan Ling Ming *(Note (iii))*	84	–	–	–	–	–	–	–	84
Mr. Mok Kwok Cheung Rupert *(Note (iii))*	84	–	–	–	–	–	–	–	84
Mr. Au Yu Chiu Steven *(Note (iii))*	84	–	–	–	–	–	–	–	84
Total for 2016	336	3,501	394	237	217	–	–	–	4,685

13. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (continued)

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
	Fees	Salaries	Discretionary bonus	(Note i) Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Housing allowance		Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Name of director									
Mr. Choi	–	–	–	–	–	–	–	–	–
Mr. To Ki Cheung	–	1,047	–	–	52	–	–	–	1,099
Mr. Koh Ming Fai	–	641	93	–	32	–	–	–	766
Mr. Fu Kwok Fu	–	612	100	–	31	–	–	–	743
Ms. Liu	–	–	–	–	–	–	–	–	–
Total for 2015	–	2,300	193	–	115	–	–	–	2,608

Notes:

(i) Estimated money values of other benefits include rent paid, share options, insurance premium, etc.

(ii) Appointed on 26 February 2016.

(iii) Appointed on 24 June 2016.

Neither the chief executive nor any of the directors waived any emoluments during the year (2015: Nil).

During the year, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

13. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Directors' material interests in transactions, arrangements or contracts

During the year the Group entered into the following transactions:

Name of parties contracted with	Nature of transactions	Amount HK$'000	Interested directors
Vincent Raya (Dongguan) Electronics Co., Ltd 永勝(東莞)電子有限公司	Purchases of goods	53,105	Mr. Choi and Ms. Liu have beneficial interests in the contracting party
	Catering service fee	1,053	
	Rental expenses	5,589	
	Metal supplies and processing service fee	2,182	
	Reimbursement of staff costs	5,401	
	Purchases of property, plant and equipment	1,129	
Vincent Raya Development Limited	Rental expenses	456	Mr. Choi and Ms. Liu have beneficial interests in the contracting party

Save for contracts amongst group companies and the aforementioned transactions, no other significant transactions, arrangements and contracts to which the Company was a party and in which a director of the Company and other director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

14. DIVIDEND

A final dividend of HK1.50 cents per share amounting to HK$9,570,000 for the year ended 31 December 2016 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

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.

15. EARNINGS PER SHARE

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

	2016 HK$'000	2015 HK$'000
Earnings		
Profit attributable to owners of the Company	29,242	58,153

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	554,746	408,320
Effect of dilutive potential ordinary shares arising from share options issued by the Company	2,161	n/a
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	556,907	n/a

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share for both years has been adjusted for the effect of the capitalisation issue as more fully explained in note 23 to the consolidated financial statements.

No diluted earnings per share was presented for the year ended 31 December 2015 as there was no potential ordinary share outstanding during that year.

16. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Moulds HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2015	8,332	49,601	23,863	23,544	1,135	3,428	109,903
Additions	1,456	5,765	62	1,506	528	2,003	11,320
Write off/disposals	(154)	(12,217)	(891)	(257)	(174)	(456)	(14,149)
Acquisition of a subsidiary	376	–	107	233	–	–	716
Transfer	–	–	2,770	–	–	(2,770)	–
Exchange differences	(416)	(2,583)	(1,448)	(1,392)	(57)	(109)	(6,005)
At 31 December 2015 and 1 January 2016	**9,594**	**40,566**	**24,463**	**23,634**	**1,432**	**2,096**	**101,785**
Additions	**2,660**	**3,263**	**437**	**1,790**	**104**	**737**	**8,991**
Write off	**(94)**	**(139)**	**–**	**–**	**–**	**–**	**(233)**
Transfer from inventories	**–**	**109**	**–**	**–**	**–**	**–**	**109**
Transfer	**–**	**–**	**1,648**	**296**	**–**	**(1,944)**	**–**
Exchange differences	**(575)**	**(2,710)**	**(1,615)**	**(1,545)**	**(63)**	**(58)**	**(6,566)**
At 31 December 2016	**11,585**	**41,089**	**24,933**	**24,175**	**1,473**	**831**	**104,086**
Accumulated depreciation							
At 1 January 2015	5,219	29,162	15,619	9,561	364	–	59,925
Charge for the year	1,389	5,122	4,419	2,045	241	–	13,216
Write off/disposals	(153)	(11,476)	(891)	(215)	(173)	–	(12,908)
Exchange differences	(259)	(1,417)	(1,029)	(600)	(19)	–	(3,324)
At 31 December 2015 and 1 January 2016	**6,196**	**21,391**	**18,118**	**10,791**	**413**	**–**	**56,909**
Charge for the year	**1,575**	**4,592**	**2,865**	**1,792**	**270**	**–**	**11,094**
Write off	**(89)**	**(45)**	**–**	**–**	**–**	**–**	**(134)**
Exchange differences	**(346)**	**(1,558)**	**(1,252)**	**(727)**	**(31)**	**–**	**(3,914)**
At 31 December 2016	**7,336**	**24,380**	**19,731**	**11,856**	**652**	**–**	**63,955**
Carrying amount							
At 31 December 2016	**4,249**	**16,709**	**5,202**	**12,319**	**821**	**831**	**40,131**
At 31 December 2015	3,398	19,175	6,345	12,843	1,019	2,096	44,876

17. GOODWILL

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2016 HK$'000	2015 HK$'000
Development of "Hand of Hope" robotic hand training devices		
Rehab-Robotics Company Limited ("**RRCL**")	**9,591**	9,591

The recoverable amounts of the CGUs have been determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's development of "Hand of Hope" robotic hand training devices business is 20.00%.

18. OTHER INTANGIBLE ASSETS

	Use right HK$'000	Robotic training business development costs HK$'000	Total HK$'000
Cost			
At 1 January 2015	–	–	–
Arising on acquisition of a subsidiary	13,753	–	13,753
At 31 December 2015 and 1 January 2016	13,753	–	13,753
Additions	1,200	1,293	2,493
At 31 December 2016	**14,953**	**1,293**	**16,246**
Accumulated amortisation			
At 1 January 2015	–	–	–
Amortisation for the year	96	–	96
At 31 December 2015 and 1 January 2016	96	–	96
Amortisation for the year	1,522	–	1,522
At 31 December 2016	**1,618**	**–**	**1,618**
Carrying amount			
At 31 December 2016	**13,335**	**1,293**	**14,628**
At 31 December 2015	13,657	–	13,657

The use right represents the license right to use the technology for the purpose of manufacturing, marketing and distribution of products for "Hand of Hope" robotic hand training devices.

The remaining amortisation period of the use right is 8.38 years (2015: 9.38 years).

19. INVESTMENTS IN ASSOCIATES

	2016 HK$'000	2015 HK$'000
Unlisted investments:		
Share of net assets	**4,195**	1,075
Goodwill	**12,265**	12,194
	16,460	13,269

Details of the Group's associates at 31 December 2016 are as follows:

Name	Place of incorporation and operation	Particulars of issued and paid up capital	Percentage of ownership interest/voting power/profit sharing	Principal activities
Retraction Limited ("**Retraction**")	Hong Kong	100 ordinary shares and 35 preference shares	20%	Design, development and commercialisation of retractors for minimally invasive surgery
Ventific Holdings Pty Ltd ("**Ventific**")	Australia	54,720,000 ordinary shares of AUD$0.1827 each	20%	Design, development and distribution of obstructive sleep apnea treatment devices and accessories

19. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table shows information on the associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

Name	Ventific		Retraction	
Principal place of business/ country of incorporation	2016 Australia	2015 Australia	2016 Hong Kong	2015 Hong Kong
% of ownership interests/voting rights held by the Group	20%/20% HK$'000	20%/20% HK$'000	20%/20% HK$'000	n/a HK$'000
At 31 December:				
Non-current assets	15	15	11,715	n/a
Current assets	6,363	5,383	5,044	n/a
Non-current liabilities	–	–	(1,813)	n/a
Current liabilities	(1)	(25)	(348)	n/a
Net assets	6,377	5,373	14,598	n/a
Group's share of net assets	1,275	1,075	2,920	n/a
Goodwill	9,447	12,194	2,818	n/a
Group's share of carrying amount of interests	10,722	13,269	5,738	n/a
Year ended 31 December:				
Revenue	–	–	15	n/a
Loss for the year	(239)	(202)	(331)	n/a
Other comprehensive income	–	–	–	n/a
Total comprehensive income	(239)	(202)	(331)	n/a
Dividends received from associates	–	–	–	n/a
Group's share of loss	(48)	(41)	(66)	n/a

20. INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	54,840	41,010
Work in progress	21,444	16,263
Finished goods	11,615	8,149
	87,899	65,422

21. TRADE RECEIVABLES

The general credit terms 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:

	2016 HK$'000	2015 HK$'000
0 to 30 days	**35,910**	40,149
31 to 60 days	**23,333**	25,193
61 to 90 days	**4,602**	14,500
Over 90 days	**11,378**	7,346
	75,223	87,188

As at 31 December 2016, no allowance for estimated irrecoverable trade receivables was made (2015: HK$895,000).

Reconciliation of allowance for trade receivables:

	2016 HK$'000	2015 HK$'000
At 1 January	**895**	895
Amounts written off	**(895)**	–
At 31 December	**–**	895

As of 31 December 2016, trade receivables of approximately HK$13,726,000 (2015: HK$17,088,000) respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2016 HK$'000	2015 HK$'000
Overdue by:		
Up to 3 months	**6,928**	16,870
Over 3 months	**6,798**	218
	13,726	17,088

21. TRADE RECEIVABLES (CONTINUED)

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
HKD	**1,462**	723
RMB	**7,923**	7,063
USD	**65,838**	79,402
	75,223	87,188

22. BANK AND CASH BALANCES

As at 31 December 2016, the bank and cash balances of the Group denominated in RMB and kept in the PRC amounted to approximately HK$8,309,000 (2015: HK$7,955,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

23. SHARE CAPITAL

	Note	The Company 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 31 December 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
Shares issued to pre-IPO investors	(d)	2,500	25
Shares capitalisation	(e)	510,387,501	5,103,875
Shares issued under the Global Offering	(f)	127,600,000	1,276,000
At 31 December 2016 (HK$0.01 each)		**638,000,000**	**6,380,000**

* Represent an amount less than HK$1

23. SHARE CAPITAL (CONTINUED)

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 sale and purchase 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 entered into another sale and purchase agreement with the immediate parent of Vincent Medical Manufacturing Co., Limited ("**VMHK**") prior to the Reorganisation, Mr. Choi and Ms. Liu, pursuant to which the Company further allotted and issued 8,382 shares, credited as fully paid-up, to VRI in exchange for 6,918,630 shares of 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 an aggregate of 2,500 shares of the Company were issued and allotted to these investors at a consideration of HK$60,000,000.

23. SHARE CAPITAL (CONTINUED)

Notes: (continued)

(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. The premium on the issue of shares, amounting to approximately HK$116,421,000, net of listing-related expenses, was credited to the Company's share premium account. These new shares rank pari passu with the existing shares in all respects.

Share capital as presented in the consolidated statement of financial position 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 Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group regards total equity other than non-controlling interests as capital, for management purpose. The amount of capital as at 31 December 2016 amounted to approximately HK$353,273,000 (2015: HK$169,358,000), in which the Group considers as optimal have considered the projected capital expenditures and the projected investment opportunities.

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. Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained sufficient public float after the Listing as required by the Listing Rules. As at 31 December 2016, over 25% of the shares were in public hands.

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

24. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	At 31 December 2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		–*	–*
Current assets			
Due from subsidiaries		26,391	–
Prepayments, deposits and other receivables		2,204	–
Bank and cash balances		128,643	–*
Total current assets		157,238	–*
TOTAL ASSETS		157,238	–*
EQUITY AND LIABILITIES			
Share capital	23	6,380	–*
Reserves	24(b)	147,002	(2,769)
Total equity		153,382	(2,769)
LIABILITIES			
Current liabilities			
Due to subsidiaries		2,980	2,769
Other payables and accruals		876	–
Total current liabilities		3,856	2,769
TOTAL EQUITY AND LIABILITIES		157,238	–*

* Represent the amount less than HK$1,000

Approved by the Board of Directors on 23 March 2017 and are signed on its behalf by:

Choi Man Shing **To Ki Cheung**

24. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserve movement of the Company

	Share premium account HK$'000	Share-based payment reserve HK$'000	Merger reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Loss for the period and at 31 December 2015	–	–	–	(2,769)	(2,769)
At 1 January 2016	–	–	–	(2,769)	(2,769)
Loss for the year	–	–	–	(24,260)	(24,260)
Reorganisation	–	–	–*	–	–*
Share-based payments	–	2,714	–	–	2,714
Shares issued to pre-IPO investors *(Note 23(d))*	60,000	–	–	–	60,000
Shares capitalisation *(Note 23(e))*	(5,104)	–	–	–	(5,104)
Shares issued under the Global Offering *(Note 23(f))*	116,421	–	–	–	116,421
At 31 December 2016	171,317	2,714	–*	(27,029)	147,002

** Represent the amount less than HK$1,000

25. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium account

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall in the ordinary course of business.

(ii) Share-based payments reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors, employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(t) to the consolidated financial statements.

25. RESERVES (CONTINUED)

(b) Nature and purpose of reserves (continued)

(iii) Merger reserve

The merger reserve of the Company represents the difference between the costs of investments in subsidiaries pursuant to the Reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

The merger reserve of the Group represents the difference between the nominal value of shares of VHPL and VMHK acquired pursuant to the Reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

(iv) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(d)(iii) to the consolidated financial statements.

26. 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 approved and adopted 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. The Pre-IPO Share Option Scheme will expire on 16 June 2026.

Each option granted under the Pre-IPO Share Option Scheme is subject to the following vesting schedule:

Tranche	Vesting Date	Percentage of an option vested
First	First anniversary of the Listing Date	25%
Second	Second anniversary of the Listing Date	25%
Third	Third anniversary of the Listing Date	25%
Fourth	Fourth anniversary of the Listing Date	25%

Each vested tranche of an option is exercisable during a period from and including the vesting date of the relevant tranche to and including the business day immediately preceding the tenth anniversary of the date of grant of the option.

The subscription price per share shall be HK$0.80. On 17 June 2016, 19,684,000 options were granted. No further options will be offered or granted under the Pre-IPO Share Option Scheme.

26. SHARE OPTIONS (CONTINUED)

Pre-IPO share option scheme adopted on 17 June 2016 (continued)

Details of each tranche of options granted during the year are as follow:

Tranche	Date of grant	Vesting period	Exercise period	Exercise price HK$
First	17 June 2016	17 June 2016 to 13 July 2017	13 July 2017 to 16 June 2026	0.80
Second	17 June 2016	17 June 2016 to 13 July 2018	13 July 2018 to 16 June 2026	0.80
Third	17 June 2016	17 June 2016 to 13 July 2019	13 July 2019 to 16 June 2026	0.80
Fourth	17 June 2016	17 June 2016 to 13 July 2020	13 July 2020 to 16 June 2026	0.80

If the options remain unexercised after a period of ten years from the date of grant, the options will be expired. Options are forfeited if the directors, employees and/or consultants leave the Group.

Details of the movement of share options during the year are as follows:

	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	–	
Granted during the year	19,684,000	0.80
Forfeited during the year	(328,000)	0.80
Outstanding at the end of the year	19,356,000	0.80
Exercisable at the end of the year	–	

The options outstanding at the end of the year have a weighted average remaining useful life of 9.46 years and the exercise price is HK$0.8.

The estimated fair value of the options granted on 17 June 2016 is approximately HK$10,573,000 of which HK$2,714,000 had been recognised as an expense during the year ended 31 December 2016.

The fair value was calculated using the binomial option pricing model and subject to a number of assumptions and with regard to the limitation of the model. The significant assumptions used in the model are as follows:

Weighted average share price	HK$1.0
Weighted average exercise price	HK$0.8
Expected volatility	48.34%
Expected life	10 years
Risk free rate	1.54%
Expected dividend yield	0%

26. SHARE OPTIONS (CONTINUED)

Share option scheme adopted on 24 June 2016

A share option scheme (the "**Share Option Scheme**") was approved and adopted on 24 June 2016. Pursuant to the Share Option Scheme, the Board of Directors may, at its discretion, grant share options to any executive, director, employee, advisor, consultant, professional, agent, contractor, customer, provider of goods and/or services or partner of the Group. The Share Option Scheme will expire on 23 June 2026.

The subscription price per share shall be determined by the Board of Directors and notified to the grantee at the time of offer of the option.

During the year, no share option granted under the Share Option Scheme.

27. BORROWINGS

	2016 HK$'000	2015 HK$'000
Bank loan, secured	892	–
Other loan, unsecured	3,725	4,717
	4,617	4,717

The borrowings are repayable as follows:

	2016 HK$'000	2015 HK$'000
Within one year	3,167	992
More than one year, but not exceeding two years	1,450	2,275
More than two years, but not more than five years	–	1,450
	4,617	4,717
Less: Amount due for settlement within 12 months (shown under current liabilities)	(3,167)	(992)
Amount due for settlement after 12 months	1,450	3,725

The carrying amounts of the Group's borrowings are denominated in HKD.

27. BORROWINGS (CONTINUED)

The effective interest rates of borrowings were as follows:

	2016	2015
Bank loan	**2.35%**	n/a
Other loan	**5%**	5%

Bank loan is arranged at floating rate, thus exposing the Group to cash flow interest risk. Other loan is arranged at fixed rate and exposes the Group to fair value interest risk.

The bank loan is secured by corporate guarantee provided by the Company and VMCH.

28. DEFERRED TAX LIABILITIES

The followings are the deferred tax liabilities recognised by the Group.

	Fair value on intangible assets HK$'000	Temporary difference on intangible assets HK$'000	Total HK$'000
At 1 January 2015	–	–	–
Acquired in a business combination	2,269	–	2,269
Credit to profit or loss for the year *(note 10)*	(16)	–	(16)
At 31 December 2015 and 1 January 2016	**2,253**	**–**	**2,253**
Charge/(credit) to profit or loss for the year *(note 10)*	**(239)**	**401**	**162**
At 31 December 2016	**2,014**	**401**	**2,415**

29. TRADE PAYABLES

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

	2016 HK$'000	2015 HK$'000
0 to 30 days	**18,119**	9,348
31 to 60 days	**4,340**	4,104
Over 60 days	**10,407**	11,299
	32,866	24,751

29. TRADE PAYABLES (CONTINUED)

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
HKD	5,597	6,150
RMB	15,846	6,852
USD	10,965	11,293
Others	458	456
	32,866	24,751

30. FINANCIAL GUARANTEE CONTRACTS

As at 31 December 2015, a subsidiary of the Company issued guarantees to two banks in respect of banking facilities granted to a related company.

The directors do not consider it probable that a claim will be made against the Group under the guarantees. The maximum liability of the Group under the guarantees is the outstanding amount of the bank loans drawn under the guarantees amounted to approximately HK$19,000,000 as at 31 December 2015. The guarantees have been released on the Listing Date.

The fair value of the guarantees at date of inception is not material and is not recognised.

Other than abovementioned, the Group did not have any other significant contingent liabilities as at 31 December 2016 and 2015.

31. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	2016 HK$'000	2015 HK$'000
Property, plant and equipment	7,085	3,142
Capital contribution to an investment *(note 35(i))*	8,944	–
	16,029	3,142

32. LEASE COMMITMENTS

At 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016 HK$'000	2015 HK$'000
Within one year	8,570	4,257
In the second to fifth years inclusive	12,747	9,380
	21,317	13,637

Operating lease payments represent rentals payable by the Group for certain of its offices and factory premises. Leases are negotiated for terms ranging from one to five years and rentals are fixed over the lease terms and do not include contingent rentals.

33. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions and balances with its related parties during the year:

	2016 HK$'000	2015 HK$'000
Year ended 31 December:		
Purchases of goods from related companies	53,105	54,634
Catering service fee paid to a related company	1,053	1,256
Management fees paid to related companies	–	4,238
Rental expenses paid to related companies	6,045	5,240
Reimbursement of staff costs to a related company	5,401	16,680
Metal supplies and processing service fee to a related company	2,182	1,134
Purchases of property, plant and equipment from a related company	1,129	–
At 31 December:		
Trade payables to related companies	6,156	1,653
Other payables to a related company	567	–
Other receivables from a related company	76	–

Note:

Mr. Choi and Ms. Liu have beneficial interests in these related companies.

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The remuneration of directors and other members of key management during the year was as follows:

	2016 HK$'000	2015 HK$'000
Short-term benefits	7,729	5,639
Retirement benefits scheme contributions	423	225
Share-based payments	503	–
	8,655	5,864

34. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2016 are as follows:

Name	Place of incorporation/ registration, operation and kind of legal entity	Issued share capital/ registered capital	Percentage of ownership interest/voting power/profit sharing	Principal activities
Directly held:				
VMMH	The British Virgin Islands, limited liability company	US$1	100%	Investment holding
VMCH	The British Virgin Islands, limited liability company	US$1	100%	Investment holding
Indirectly held:				
Dongguan Vincent Rehabilitation Devices Company Limited^ 東莞永健康復器具有限公司	The PRC, wholly-foreign owned enterprise with limited liability	HK$8,000,000	100%	Manufacturing of medical devices
RRCL	Hong Kong, limited liability company	HK$14,900,000	53.125%	Development of "Hand of Hope" robotic hand training devices
Shenzhen Vincent Raya Medical Device Company Limited^ 深圳永勝宏基醫療器械有限公司	The PRC, wholly-foreign owned enterprise with limited liability	RMB10,000,000	100%	Trading, research and development of medical devices
VHPL	Hong Kong, limited liability company	HK$100,000	100%	Provision of marketing services to group companies and investment holding

34. PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration, operation and kind of legal entity	Issued share capital/ registered capital	Percentage of ownership interest/voting power/profit sharing	Principal activities
Vincent Medical Care Company Limited	Hong Kong, limited liability company	HK$1	80.1%	Trading of medical devices and investment holding
VMHK	Hong Kong, limited liability company	HK$14,889,321	80.1%	Trading of medical devices and investment holding
VMDG	The PRC, wholly-foreign owned enterprise with limited liability	HK$15,000,000	80.1%	Manufacturing of medical devices
Vincent Medical Retraction Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
Vincent Rehab Devices Company Limited	Hong Kong, limited liability company	HK$10	100%	Trading of medical devices and investment holding
Vincent Raya (Dong Guan) Medical Device Co., Ltd 東莞永勝宏基醫療器械有限公司	The PRC, wholly-foreign owned enterprise with limited liability	HK$2,100,000	100%	Trading of medical devices

^ For identification purposes only

The above list contains the particular of subsidiaries which principally affected the results, assets or liabilities of the Group. None of the subsidiaries has issued any debt securities.

34. PRINCIPAL SUBSIDIARIES (CONTINUED)

The following table shows information of subsidiaries that have non-controlling interests ("**NCI**") material to the Group. The summarised financial information represents amounts before inter-company elimination.

Name	VMHK		VMDG		RRCL	
	2016	2015	**2016**	2015	**2016**	2015
Principal place of business/ country of incorporation	**Hong Kong**	Hong Kong	**PRC**	PRC	**Hong Kong**	Hong Kong
% of ownership interests/ voting rights held by NCI	**19.9%/19.9%**	19.9%/19.9%	**19.9%/19.9%**	19.9%/19.9%	**46.875%**	46.875%
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 31 December:						
Non-current assets	**14,902**	14,979	**35,809**	41,675	**15,162**	14,377
Current assets	**185,832**	191,252	**128,006**	123,255	**4,546**	16,351
Non-current liabilities	**–**	–	**–**	–	**(3,865)**	(5,978)
Current liabilities	**(64,095)**	(104,411)	**(27,499)**	(35,619)	**(5,796)**	(4,970)
Net assets	**136,639**	101,820	**136,316**	129,311	**10,047**	19,780
Accumulated NCI	**27,124**	20,195	**24,506**	22,152	**4,710**	9,272
Year ended 31 December						
Revenue	**418,211**	403,877	**285,888**	297,564	**4,150**	415
Profit/(loss)	**49,819**	59,928	**15,917**	12,842	**(9,733)**	(567)
Other comprehensive income	**–**	–	**(8,912)**	(7,753)	**–**	–
Total comprehensive income	**49,819**	59,928	**7,005**	5,089	**(9,733)**	(567)
Profit/(loss) allocated to NCI	**9,914**	11,926	**3,168**	2,555	**(4,562)**	(266)
Dividends paid to NCI	**–**	–	**–**	–	**–**	–
Net cash generated from/ (used in) operating activities	**54,073**	7,111	**12,162**	18,239	**(8,922)**	(824)
Net cash used in investing activities	**(43)**	(376)	**(6,612)**	(9,154)	**(2,544)**	(5)
Net cash used in financing activities	**(14,108)**	(20,604)	**–**	–	**(992)**	–
Effect of foreign exchange rate changes	**–**	–	**(7,325)**	(6,550)	**–**	–
Net increase/(decrease) in cash and cash equivalents	**39,922**	(13,869)	**(1,775)**	2,535	**(12,458)**	(829)

35. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed above, the following significant events took place subsequent to 31 December 2016 and up to the date of this report.

(i) On 8 December 2016, the Group entered into a share subscription agreement with Guangzhou 100ecare Technology Co. Ltd (廣州柏頤資訊科技有限公司) ("**100ecare**") and its existing shareholders, pursuant to which the Group has conditionally agreed to subscribe for 10% of the registered capital of 100ecare at a consideration of RMB8 million (equivalent to HK$9.0 million). 100ecare is principally engaged in the design, development, sales and operation of wearable devices under the brand name of "愛牽掛", and a cloud-based safety and healthcare platform targeting the elderly population in the PRC. The Group is entitled to appoint 1 out of 5 directors of 100ecare upon completion of share subscription.

On 13 January 2017, the Group has paid RMB4 million to 100ecare upon fulfillment of certain conditions pursuant to the share subscription agreement. The Group will pay the remaining RMB4 million to 100ceare upon fulfillment of the remaining conditions pursuant to the share subscription agreement. Details please refer to the Company's announcement dated 8 December 2016.

(ii) On 24 January 2017, the Group entered into a share purchase agreement with Inovytec Medical Solutions Ltd. ("**Inovytec**"), pursuant to which Inovytec shall issue and allot to the Group an aggregate number of 12,091 Series A Preferred shares, representing 15% of issued share capital of Inovytec, at a total consideration of US$3.0 million (equivalent to HK$23.3 million). The Group shall make payment in three instalments according to the share purchase agreement. Inovytec is a private company incorporated in Israel, and principally engaged in development of medical devices for airway managements, oxygen therapy and defibrillation to be used both by minimally-trained and professional first respondents in out-of-hospital cardiological and respiratory emergencies and trauma situations to save lives. The Group is entitled to appoint 1 out of 6 directors of Inovytec upon completion of the agreement.

The Group paid the first instalment of US$1.8 million for 7,255 Series A Preferred shares on 28 January 2017. Details please refer to the Company's announcement dated 24 January 2017.

Four-Year Financial Summary

A summary of the results and the assets and liabilities of the Group for the last four financial years is as follows.

	Year ended 31 December			
	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Results				
Turnover	**467,347**	448,169	388,977	324,492
Profit before tax	**47,696**	69,172	53,958	35,475
Income tax (expense)/credit	**(10,614)**	2,484	(11,562)	(8,465)
Profit for the year	**37,082**	71,656	42,396	27,010
Attributable to:				
Owners of the Company	**29,242**	58,153	35,759	23,413
Non-controlling interests	**7,840**	13,503	6,637	3,597
	37,082	71,656	42,396	27,010

	At 31 December			
	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities				
Non-current assets	**80,810**	81,393	63,421	39,789
Current assets	**414,388**	238,575	232,964	200,912
Non-current liabilities	**(3,865)**	(5,978)	–	–
Current liabilities	**(89,857)**	(96,903)	(127,687)	(93,803)
Net assets	**401,476**	217,087	168,698	146,898
Attributable to:				
Owners of the Company	**351,072**	169,358	138,533	120,271
Non-controlling interests	**50,404**	47,729	30,165	26,627
	401,476	217,087	168,698	146,898

Note:

The summary of the consolidated results of the Group for each of the three years ended 31 December 2013, 2014 and 2015 and of the assets and liabilities as at 31 December 2013, 2014 and 2015 have been extracted from the Company's prospectus dated 30 June 2016.