VINCENT MEDICAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1612

ANNUAL REPORT 2017

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 [1]
Mr. POON Lai Yin Michael [2] *(Alternate to Mr. Amir GAL OR)*
Mr. GUO Pengcheng [3]

Independent Non-executive Directors

Mr. CHAN Ling Ming
Mr. MOK Kwok Cheung Rupert
Mr. AU Yu Chiu Steven
Prof. YUNG Kai Leung [3]

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

Ms. TSUI Lai Ki Vicki

AUTHORISED REPRESENTATIVES

Mr. CHOI Man Shing
Mr. TO Ki Cheung

[1] Resigned on 25 July 2017
[2] Ceased on 25 July 2017
[3] Appointed on 1 February 2017

REGISTERED OFFICE

Cricket Square, Hutchins Drive,
P. O. 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

COMPLIANCE ADVISER

Ballas Capital Limited
Unit 1802, 18/F., 1 Duddell Street,
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive,
P. O. 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

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank 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

STOCK CODE

1612

COMPANY WEBSITE

www.vincentmedical.com

Definitions

In this Annual Report (except the sections of "Independent Auditor's Report" and the audited consolidated financial statements set out on pages 65 to 131), 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 Suites 903-905, 9th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Thursday, 24 May 2018 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
"Avalon"	Avalon Photonics Holdings Limited, a limited liability company incorporated under the laws of British Virgin Islands
"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
"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"	Ms. Tsui Lai Ki Vicki, 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

"DVRD"	東莞永健康復器具有限公司 (translated as "Dongguan Vincent Rehabilitation Devices Company Limited"), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
"Fresca"	Fresca Medical, Inc., a limited liability company incorporated under the laws of Delaware, the US
"Global Offering"	the Hong Kong public offering and the international placing in connection with the Listing
"Group"	the Company and its subsidiaries
"GZ Hypnus"	廣州和普樂健康科技有限公司 (translated as "Guangzhou Hypnus Healthcare Technology Co., Limited"), a limited liability company established in the PRC and an indirect non-wholly owned subsidiary of the Company
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Inovytec"	Inovytec Medical Solutions Ltd., a limited liability 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 of 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 to 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 limited liability 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 limited liability 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
"US"	the United States of America, its territories and possessions, and state of the United States and the District of Columbia
"USD"	United States dollars, lawful currency of the US
"Ventific"	Ventific Holdings Pty Ltd, a limited liability company registered in Victoria, Australia
"VMDG"	東莞永勝醫療製品有限公司 (translated as "Vincent Medical (Dongguan) Mfg. Co. Ltd."), a limited liability 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 limited liability company incorporated in Hong Kong and an indirect non-wholly owned subsidiary of the Company
"VRDG"	永勝（東莞）電子有限公司 (translated as "Vincent Raya (Dongguan) Electronics Co., Ltd."), a limited liability 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 limited liability 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 limited liability company incorporated in Hong Kong and wholly-owned by VRI
"VRI"	Vincent Raya International Limited, a limited liability 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"	東莞永勝宏基醫療器械有限公司 (translated as "Vincent Raya (Dong Guan) Medical Device Co., Ltd."), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
"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.

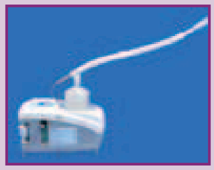
Financial Highlights

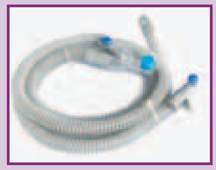
- Revenue for the year ended 31 December 2017 ("**2017**") decreased by 4.5% to HK$446.3 million as compared to that of HK$467.3 million for the year ended 31 December 2016 ("**2016**").
- Gross profit for 2017 increased by 3.1% to HK$150.3 million (2016: HK$145.8 million). Gross profit margin for 2017 improved to 33.7% (2016: 31.2%).
- Profit attributable to owners of the Company for 2017 was HK$13.2 million (2016: HK$29.2 million).
- Basic earnings per share of the Company for 2017 was HK2.06 cents per Share.
- Proposed final dividend of HK1.50 cents per Share for 2017, to be payable on or around Wednesday, 20 June 2018.

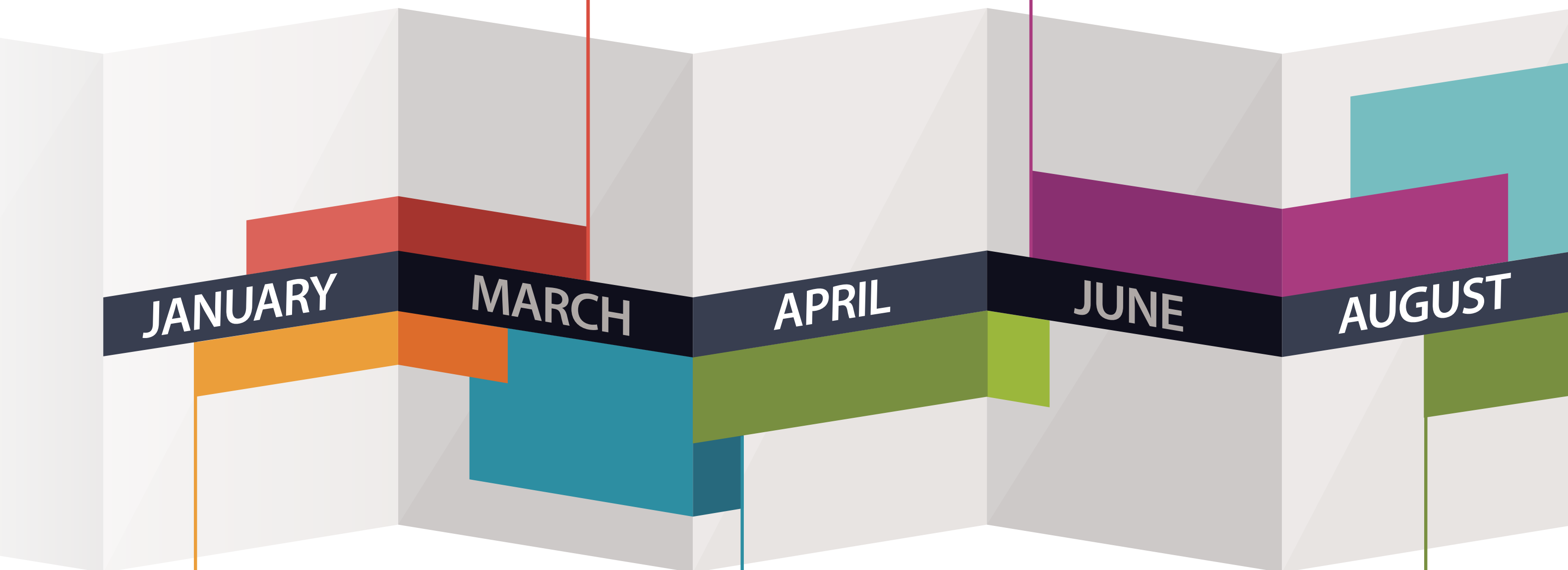
2017 Milestones

- Ranked as "2016 Grade A Medical Device Manufacturer in Guangdong Province for Quality Assurance" by the Guangdong Food and Drug Administration

- Obtained CFDA approval for Ultrasonic Nebulizer and Heated Wire Breathing Circuit





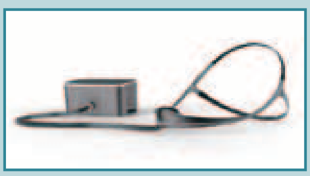


- Invested in Inovytec Medical Solutions Ltd.

INOVYTEC
THE POWER TO SAVE LIVES

- Accredited as a "Teaching and Training Base" of Guangdong Food and Drug Vocational College
- Invested in Fresca Medical Inc.

FRESCA
MEDICAL



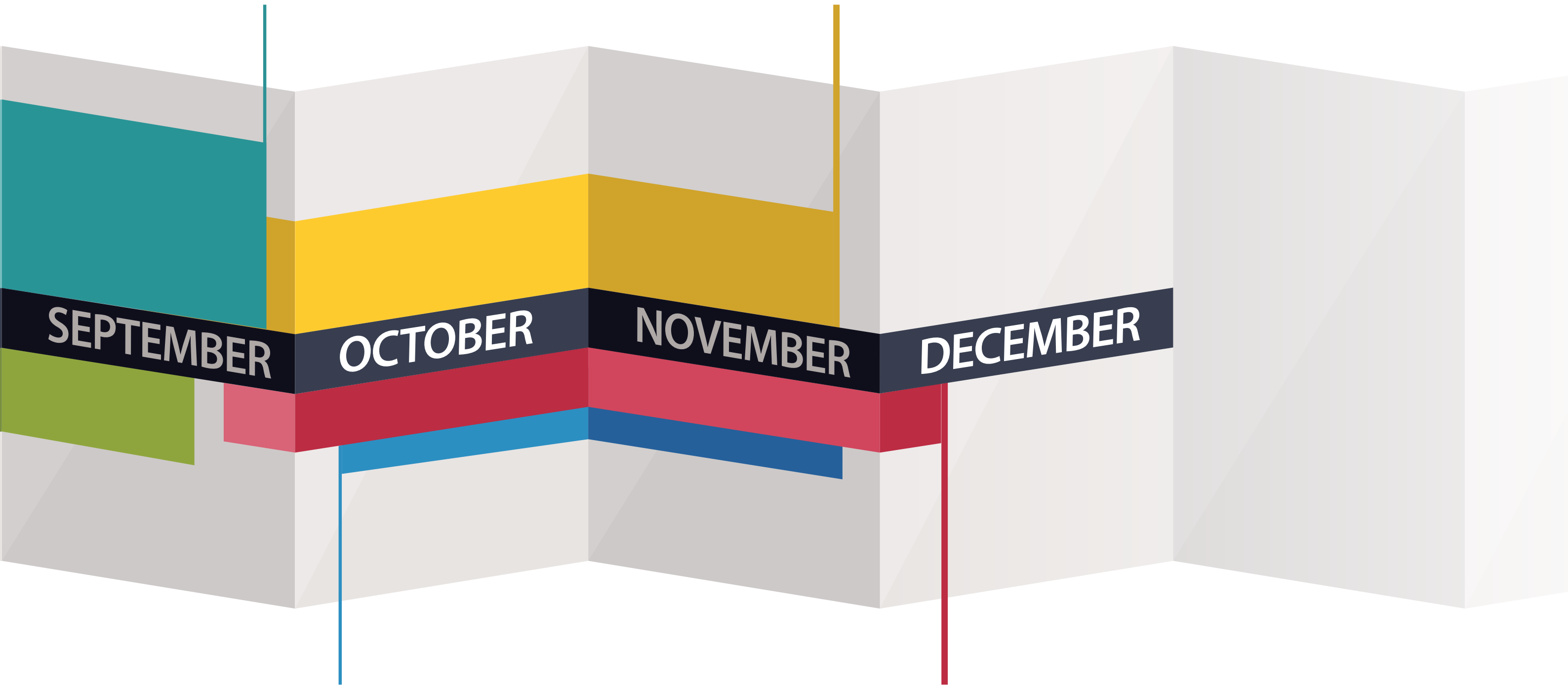
- New sales support office opened in Shanghai

- Obtained CFDA approval for single use Heat and Moisture Exchange Filters and Nebulizer

- Roll out of the new "Inspired Medical" brand identity for international markets

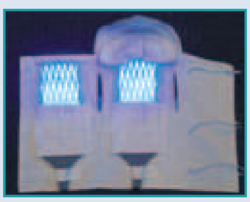
inspired™
breathing life

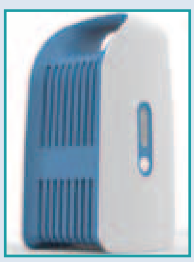
- Obtained CFDA approval for CPAP facemask



AVALON
PHOTONICS

- Invested in Avalon Photonics Holding Limited





- Construction of the new 4,300 m^2 warehouse in Dongguan completed and in use

- Joined the "Guan-Rong Plan" of Dongguan Songshan Lake Science and Technology Industrial Park

Chairman's Statement

Choi Man Shing
Chairman and Executive Director

Dear Shareholders,

On behalf of the Board, I am honored to present the audited results of the Group for the year ended 31 December 2017.

A gradual recovery of the global economy continued in 2017. The US economy showed strong signs of growth on the back of an improving job market. In Asia and the PRC, the speed of economic expansion accelerated even further, as indicated by the growth in personal consumption and foreign trade. However, appreciation of RMB during the year has resulted pressure on profitability of export companies.

During the year under review, we have continued to focus on our core strategies of growing the OBM business, with "Inspired Medical" products recorded another year of double-digit growth with revenue increased by 20.5%. As we are devoted to expand our product offering, R&D activities have become a more important part of the Group's business. In 2017, R&D expenses increased by 99.7% as compared to that for 2016 and accounted for 4.3% of our total revenue (2016: 2.1%). These expenditures are related to the processes of testing and developing new products, improving existing products, collaboration with overseas technology companies, as well as ensuring product efficacy and regulatory compliance prior to launch.

With more resources devoted to regulatory affairs and quality assurance, the Group has strengthened its ability to manage the product registration procedures. During the year, we have submitted a number of applications for product registration and successfully received CFDA clearance for products including the ultrasonic nebulizer, the heated wire breathing circuit, the Hypnus CPAP machine, the CPAP face mask and the single use heat and moisture exchange filters. We are expecting to receive regulatory approval for more products in 2018.

These are all important achievements, but our overall results were not as strong as we wanted. Increasing expenses has impacted our financial performance. In addition, we faced challenges as some of our previous acquisitions did not perform as well as expected, thus, the Group recognized substantial impairment losses of HK$17.9 million for investment in an associate and goodwill arising from the acquisition of a subsidiary. However, these provisions had no impact on the cash flow of the Group as they were non-cash expenses.

To reward the Shareholders for their continuous support, the Board recommended the payment of a final dividend of HK1.50 cents per Share, representing a healthy dividend payout of 30.8% (based on profit attributable to owners of the Company of HK$13.2 million, adding back HK$17.9 million of one-off impairment losses). The Group will continue to maintain a healthy dividend payout subject to overall financial performance, capital requirements and overall strategies.

Looking ahead, we expect the global medical device industry will continue to experience significant growth in the future. Market expansion will be driven by increasing per capita health expenditure, the introduction of innovative devices and the growing demand generated by illnesses associated with the aging populations, especially on devices for the treatment of age-related illnesses e.g. chronic respiratory and cardiovascular diseases. However, the entire medical device development cycle is much longer than everyday business and has become increasingly complex due to evolving regulatory requirements and healthcare reimbursement policies.

Following to the release of the "13th Five-Year Plan for Medical and Healthcare System Reform" and the "Healthy China 2030 Planning Outline", the PRC government had further strengthened its efforts on the healthcare system reform in 2017. With government policy supporting innovation in domestic medical device industry along with the "Made in China 2025" strategy, we expect to see faster consolidation of local medical device manufacturers and more collaboration with overseas medical technology companies. With the implementation of the two-invoice system and the tendering and bidding mechanism for medical device, the Group will need to spend additional resources to navigate through the ongoing evolution of the regulatory environment. We anticipate future sales in the PRC market will be driven by volume growth with a general reduction in price of generic medical devices and consumables.

In 2018, our prime focus will be on three priority areas: (1) To restore growth in revenue - driven by the roll out of new products and market expansion; (2) To keep a keen eye on our investments and strive to create win-win outcomes for us and our partners; and (3) To drive cost efficiency through the entire value chain.

2017 was still a year of investment for the Group, while we will continue to cautiously invest in product development and marketing, we expect to see stronger sales momentum of our Inspired Medical products, a stronger product pipeline and a broader portfolio of products in the years to come.

In closing, I would like to express my sincere thanks to the members of our Board for the exemplary governance and oversight that they provided in 2017. I also want to extend my gratitude to our colleagues for their contribution and hard work over the past year, and for their commitment to the long-term success of the Group.

Choi Man Shing
Chairman and Executive Director

Hong Kong, 23 March 2018

REVIEW OF OPERATIONS

OEM BUSINESS

The OEM business remains as the Group's major business segment and accounted for 82.0% of total revenue (2016: 85.7%). Despite new customers and product launches, the segment recorded a decrease in revenue of 8.7% from HK$400.7 million to HK$366.0 million, mainly due to a lower sales volume of its imaging disposable products and reduced orders on respiratory products from one of its OEM customers in the US. This OEM customer has undergone shareholding change and operational restructuring in the last two years which has affected its business operation. Sales of other products decreased by 18.7% from HK$58.3 million to HK$47.4 million mainly due to the drop in income of mould production from one of its OEM customers.

On 20 December 2017, the Group has entered into a supplemental agreement (the "**Supplemental Agreement**") with Bayer HealthCare LLC (the Group's major OEM customer in the imaging disposable products segment) to renew and extend the supply agreement. The extended partnership strengthens the stable and long-standing cooperation between both companies. Under the terms of the Supplemental Agreement, Bayer HealthCare LLC and Imaxeon Pty Ltd. will continue to acquire imaging disposable products and related components and sub-assemblies from the Group for the next two years. For details, please refer to the Company's announcements dated 21 December 2017 and 15 January 2018.

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

	For the year ended 31 December				
	2017		2016		Change
	HK$'000	**%**	HK$'000	%	
Respiratory products	**87,002**	**23.8**	91,576	22.9	–5.0%
Imaging disposable products	**165,748**	**45.3**	180,817	45.1	–8.3%
Orthopaedic and rehabilitation products	**65,842**	**18.0**	69,957	17.5	–5.9%
Other products	**47,378**	**12.9**	58,307	14.5	–18.7%
Total	**365,970**	**100.0**	400,657	100.0	–8.7%

OBM BUSINESS

The OBM business achieved another year of double-digit growth as revenue increased by 20.5% from HK$66.7 million to HK$80.3 million. Under the OBM business segment, while sales generated from the PRC market grew by 12.2% from HK$39.4 million to HK$44.2 million, sales generated from overseas market (including Hong Kong) also jumped by 32.2% from HK$27.3 million to HK$36.1 million. Such growth was primarily attributable to new product release and enhanced sales and marketing efforts.

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

	For the year ended 31 December				
	2017		2016		Change
	HK$'000	**%**	HK$'000	%	
Respiratory products	**70,192**	**87.4**	60,244	90.3	16.5%
Orthopaedic and rehabilitation products	**10,140**	**12.6**	6,446	9.7	57.3%
Total	**80,332**	**100.0**	66,690	100.0	20.5%

The sales of the OBM respiratory products continued to gain momentum given the launch of the new humidification system (including circuits, humidification chamber, humidifier and respiratory filter) in the international market in the third quarter of 2017. The Group is spending every effort to bolster its sales support and after-sales service structures in support of the sales of new device and system going forward.

For the OBM orthopaedic and rehabilitation products segment, sales of adjustable functional braces recorded satisfactory growth, which was however partially offset by the significant sales drop of the "Hand of Hope" robotic hand training devices. Sales of the "Hand of Hope" decreased from HK$3.4 million to HK$2.7 million, primarily due to the needs for product optimization and redesign of certain parts and firmware of the device. As a result, resources were predominantly spent on the product optimization and the ongoing discussion with certain potential partners in the industry to market the device in specific markets. A new version of the "Hand of Hope" with functional enhancement and new features that targets a wider group of patients is expected to be launched in mid-2018.

Expanding sales and marketing network

The Group continued to make solid steps in expanding and strengthening its sales and distribution network. For the PRC market, in order to swiftly adapt to the evolving regulatory environment, the Group constantly reviews and optimizes its list of distributors. During 2017, the Group sold its products to over 400 distributors covering over 28 provinces and regions. In August 2017, the Group opened its third sales support office in Shanghai, aiming to better serve its customers.

In 2017, the Group continued to participate in various important trade shows and exhibitions including the MEDICA, Arab Health, CMEF and some other industry conferences in the US, the United Arab Emirates, the Czech Republic, South Korea, the PRC and Hong Kong. The Group exhibited the first time at the International Congress of the European Respiratory Society (the "**ERS Congress**") in Milan to showcase its new CPAP machine. The ERS Congress is the largest respiratory meeting in the world that brings together professionals from all areas of the respiratory industry. Through these events, the Group has successfully reached out to new customers, researchers, clinicians, general practitioners and allied health professionals. The Group was able to develop a more geographically diversified business with sales to new markets including Latin America recorded during the year.

Furthermore, the Group's OBM products also saw opportunities to collaborate with global medical devices companies in private label or through the distribution of the "Inspired Medical" branded products. Exclusive distribution partnership with industry leaders will give us access to a broader distribution channels for our products.

New logo of the "Inspired Medical" brand for international market

In conjunction with the official unveiling of a series of new products which includes High Flow Oxygen Therapy (an increasing number of clinicians using this in non-invasive therapy) and significant improvements to the current humidification system for the international market, the Group launched its new Inspired Medical logo "inspired™" and a dedicated product website during the year under review. The new logo and branding reflects a new global spirit and a commitment to quality, innovation and reliability. Product design has also been modernized to better suit international customers.

Investment in medical device/technology companies to broaden product portfolio

To meet its growth ambition of adding new products to its OBM business, the Group has continued to identify suitable investment and collaboration opportunities. During the year under review, the Group continued to closely monitor the progress of its existing partners and had invested in a number of medical device/technology companies with products that will complement the Group's existing product portfolio. For most of the Group's investment, the Group appointed its representative to the investee company's board for effective supervision.

In January 2017, the Group invested in Inovytec, an Israeli private company focusing on the development of medical devices for airway managements, oxygen therapy and defibrillation in respiratory and cardiac emergency situations. The Group was granted the exclusive rights to manufacture and distribute Inovytec's products in the PRC market. Inovytec's first product, the LUBO, a non-invasive upper airway opening device combined with a cervical collar, is now selling in the PRC market through the Group. SALI, the automated oxy-defibrillator, obtained CE certification in June 2017 and is now deployed in a number of hospitals or healthcare centers in Germany and Israel. Inovytec has also submitted the CE Marking Application for its portable ventilator in 2017. For additional information, please refer to the paragraph headed "Material Acquisitions and Disposals" below.

In April 2017, the Group invested in Fresca, a California-based sleep solution and connected health company that is developing a system for the treatment of obstructive sleep apnea. The Group is also granted the exclusive rights to manufacture and distribute such product in the PRC and Japan. Fresca made considerable progress in product development and submitted its USFDA 510(k) application in December 2017. For additional information, please refer to the paragraph headed "Available-for-sale Financial Assets" below.

In September 2017, the Group invested in Avalon, a Hong Kong based medical device and technologies company that researches and develops phototherapeutic technologies for managing various diseases. Kanga-care™, a LED-based Wearable Phototherapy Device for neonatal jaundice that is jointly developed by Avalon and the Group, has received CFDA approval in February 2018. The Group was granted the exclusive distribution rights of the device in the PRC and will also be responsible for the manufacturing of the device and its consumables. The Group expects to generate income from the sale of Kanga-care™ in 2018. For additional information , please refer to the paragraph headed "Material Acquisitions and Disposals" below.

Due to prolonged delay with uncertain timeline of the product development for market launch and severe financial difficulty experienced by Ventific, the Group has made an impairment loss of HK$11.6 million on its interest and the goodwill arising from the investment in Ventific. Ventific is an Australian technology company which owns CPAP-related technologies for treating sleep apnea and other respiratory disorders. This impairment loss had no impact on the cash flow of the Group as they were non-cash expenses.

To set up operations in Songshan Lake, Dongguan

With an aim to facilitate and speed up the product R&D and registration process in the PRC, the Group joined the "Guan-Rong Plan" of Dongguan Songshan Lake Science and Technology Industrial Park (the "**Industrial Park**") in December 2017. The Group plans to relocate the R&D, production and sales functions of the more sophisticated electronic devices to the Industrial Park in 2018.

With the support from the Dongguan Municipal Government, selective biotechnology or medical technology companies are invited to set up its operations in the Industrial Park and the Industrial Park will provide full range of product development and product registration support services to its member companies.

FINANCIAL REVIEW

REVENUE

Despite the 20.5% increase in revenue generated from the Group's OBM business, total revenue of the Group for 2017 decreased by 4.5% to HK$446.3 million (2016: HK$467.3 million), as a result of a 8.7% decrease in the revenue generated from the Group's OEM business.

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
By business		
OEM	**365,970**	400,657
OBM	**80,332**	66,690
Total	**446,302**	467,347
By product category		
Respiratory products	**157,194**	151,820
Imaging disposable products	**165,748**	180,817
Orthopaedic and rehabilitation products	**75,982**	76,403
Other products *(Note)*	**47,378**	58,307
Total	**446,302**	467,347

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

By geography		
The US	**315,800**	323,298
The PRC	**44,197**	39,355
Netherlands	**16,611**	34,370
Australia	**15,796**	17,922
Japan	**13,717**	13,904
Others *(Note)*	**40,181**	38,498
Total	**446,302**	467,347

Note: Others mainly include Korea, Hong Kong, Germany and United Kingdom.

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit increased by 3.1% to HK$150.3 million (2016: HK$145.8 million). Gross profit margin improved to 33.7% (2016: 31.2%) attributable to lowered material costs.

OTHER INCOME

The Group recorded other income of HK$0.7 million (2016: HK$5.9 million). The decrease was mainly due to the absence of write back of trade payables (2016: HK$2.2 million) and exchange gain from foreign currency translations (2016: HK$1.1 million) in 2017. Income from the sales of scrap and government subsidies also decreased by HK$1.4 million and HK$0.5 million respectively in 2017.

DISTRIBUTION COSTS

Distribution costs increased by 49.0% to HK$23.1 million (2016: HK$15.5 million), this was mainly due to the increase in (i) staff cost owing to the increase in headcount to support the Group's sales and distribution activities and annual salary increment; (ii) promotion expenses for OBM business; and (iii) rental expenses owing to new sales support offices set up in the PRC. For 2017, distribution costs as a percentage of revenue was 5.2% (2016: 3.3%).

ADMINISTRATIVE EXPENSES

Administrative expenses for 2017 was HK$89.1 million (2016: HK$88.1 million). Excluding the one-off listing-related expenses incurred in 2016, administrative expenses increased by HK$19.0 million. Such increase was mainly due to (i) increase in staff cost of HK$3.7 million owing to the increase in headcount for R&D and engineering; (ii) increase in R&D cost of HK$5.8 million due to the increase in number of projects for new products of the OBM business; (iii) increase in legal and professional fee of HK$2.9 million mainly for a number of investment projects; and (iv) exchange loss of HK$3.9 million as a result of appreciation of RMB during the year. For 2017, administrative expenses as a percentage of revenue was 20.0% (2016: 15.0%, excluding the one-off listing-related expenses incurred in 2016).

IMPAIRMENT OF GOODWILL

After review of the sales progress of "Hand of Hope" and the fact that the number of units sold is less than the expected level and the delay in the development of new products, the Group recognised an impairment loss of goodwill of HK$6.3 million in relation to its investment in RRCL, resulting a goodwill carrying amount of HK$3.3 million (2016: HK$9.6 million). The impairment loss of goodwill was non-recurring and non-cash in nature which will have no impact on the Group's daily operations and cash flow.

IMPAIRMENT OF INVESTMENT IN AN ASSOCIATE

Due to prolonged delay with uncertain timeline of the product development for market launch and the severe financial difficulty experienced by Ventific, the Group has made an impairment loss of HK$11.6 million on the investment in Ventific. Ventific is an Australian technology company which owns CPAP-related technologies for treating sleep apnea and other respiratory disorders. The impairment loss of investment in an associate was non-recurring and non-cash in nature which will have no impact on the Group's daily operations and cash flow.

SHARE OF LOSSES OF ASSOCIATES

Share of losses of associates increased from HK$0.1 million to HK$1.0 million mainly due to share of loss of Retraction of HK$0.9 million.

INCOME TAX EXPENSE

Income tax expense decreased by 22.6% to HK$8.2 million (2016: HK$10.6 million) which was mainly due to lower provision of the Hong Kong Profits Tax and the PRC Enterprise Income Tax.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company decreased by 54.8% from HK$29.2 million to HK$13.2 million.

Before deducting the non-recurring items including the listing-related expenses of HK$18.0 million and sterilization costs of HK$7.0 million (of which HK$5.6 million attributable to owners of the Company) incurred in 2016 and the impairment losses of goodwill and investment in an associate of HK$17.9 million (of which HK$15.6 million attributable to owners of the Company) recognised in 2017, the profit attributable to owners of the Company would be HK$28.8 million in 2017, which was 45.5% lower than that of HK$52.8 million in 2016.

OTHER INTANGIBLE ASSETS

Other intangible assets increased by 80.1% from HK$14.6 million to HK26.3 million, mainly due to patent acquired through the acquisition of GZ Hypnus and acquisition of license right from a third party.

TRADE RECEIVABLES

Trade receivables increased by 53.5% from HK$75.2 million to HK$115.4 million, this was mainly due to the delay in payment by the major customers. As at 28 February 2018, 80.0% of the trade receivables were subsequently settled.

PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Prepayments, deposits and other receivables increased by 43.6% from HK$29.1 million to HK$41.8 million, mainly due to the increase in (i) deposits paid to the customs department of HK$3.1 million; (ii) deposits for mould production of HK$2.1 million; (iii) deposits for equipment purchase of HK$3.6 million; and (iv) VAT paid to the PRC tax bureau of HK$3.8 million.

INVESTMENTS IN JOINT VENTURES

During the year, the Group recognised investments in joint ventures for a total of HK$23.0 million. Such investments in joint ventures represent investments in Avalon and 100ecare. For details, please refer to paragraphs headed “Significant Investments” and “Material Acquisitions and Disposals” below.

EMPLOYEE INFORMATION

As at 31 December 2017, the total number of full-time employee of the Group was 1,073 (2016: 921). The remuneration of employees was determined according to their experience, qualifications, result of operations of the Group and market condition. During the year, staff costs including directors’ emoluments amounted to HK$113.2 million (2016: HK$96.0 million), representing 25.4% of the Group’s revenue (2016: 20.5%). The increase of staff cost was mainly due to the increase in number of staff for production, R&D, quality control and assurance, engineering and sales and marketing departments and annual salary increment.

CAPITAL EXPENDITURE

The Group’s capital expenditures for 2017 primarily comprised expenditures on plant and machinery, injection moulds and construction of the plant amounting to a total of HK$15.4 million (2016: HK$9.0 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group’s bank and cash balances amounted to HK$113.0 million (2016: HK$222.2 million). Most bank and cash balances were denominated in HKD, USD and RMB. The decrease of bank and cash balances was mainly due to the decrease in cash generated from operating activities, the increase in net cash used in investing activities and financing activities.

As at 31 December 2017, the Group did not have any bank loan for the year (2016: HK$0.9 million) and the Group had other loans of HK$9.8 million (2016: HK$3.7 million) as a result of its subsidiaries incurred other loans from the third parties. As at 31 December 2017, no financial instruments were used for hedging purposes. The Group had an insignificant gearing ratio of 0.03 (2016: 0.01), which was calculated based on total debts divided by total equity attributable to owners of the Company.

CAPITAL STRUCTURE

As at the date of this Annual Report, the issued share capital of the Company was approximately HK$6.4 million, comprising 637,650,000 Shares of nominal value of HK$0.01 per Share.

SIGNIFICANT INVESTMENTS

During the year and as at 31 December 2017, the Company considers that the significant investments are as follows:

1. The Group held 20% interest in Ventific, the Group recognised a goodwill of HK$10.3 million and shared its net assets of HK$1.3 million, resulting in a net value of the investment of HK$11.6 million (before impairment). The Group shared a loss of HK$0.01 million in the consolidated statement of profit or loss during the year. As at 31 December 2017, due to prolonged delay in the product development for market launch and the severe financial difficulty experienced by Ventific, the Group has made full impairment loss of the investment in Ventific as the recoverable amount is considered to be negligible.

2. The Group held 20% interest in Retraction. The Group recognised a goodwill of HK$2.8 million and shared its net assets of HK$1.9 million. Therefore, the net value of the investment of HK$4.7 million. The Group shared a loss of HK$0.9 million in the consolidated statement of profit or loss during the year.

3. The Group acquired 10% interest in 100ecare in March 2017. The Group recognised a goodwill of HK$7.3 million and shared its net assets of HK$2.6 million, resulting a net value of the investment of HK$9.9 million. The Group shared a profit of HK$0.3 million in the consolidated statement of profit or loss during the year.

4. The Group acquired 20% interest in Avalon in October 2017. The Group recognised a goodwill of HK$4.5 million and shared its net assets of HK$8.6 million, resulting a net value of the investment of HK$13.1 million. The Group shared a loss of HK$0.2 million in the consolidated statement of profit or loss during the year.

MATERIAL ACQUISITIONS AND DISPOSALS

On 8 December 2016, 深圳永勝宏基醫療器械有限公司 (translated as Shenzhen Vincent Raya Medical Device Company Limited, "**VMSZ**", an indirect wholly-owned subsidiary of the Company) entered into a subscription agreement with 100ecare and its existing shareholder, 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. The subscription was completed on 21 March 2017 and 100ecare has become a joint venture of the Company. For details, please refer to the Company's announcement dated 8 December 2016.

On 24 January 2017, Vincent Medical Inovytec Limited ("**VMIL**", an indirect wholly-owned subsidiary of the Company) and Inovytec entered into the Series A Preferred Shares Purchase Agreement (the "**Inovytec Agreement**"), pursuant to which Inovytec shall issue and allot to VMIL an aggregate of 12,091 Series A preferred Shares, representing 15% of the enlarged issued share capital of Inovytec, at a total consideration of US$3.0 million. The purchase of Series A Preferred Shares will be completed by three instalments while Inovytec achieves certain milestones. The first instalment of US$1.8 million has been paid by VMIL on 26 January 2017 upon execution of the Inovytec Agreement and Inovytec has allotted 7,255 Series A Preferred Shares to VMIL according to the Inovytec Agreement, representing 10% with diluted effect of the enlarged issued share capital of Inovytec. The second instalment of US$0.6 million for 2,418 Series A Preferred Shares and the third instalment of US$0.6 million for 2,418 Series A Preferred Shares have been paid on 12 July 2017 and 8 March 2018, respectively when Inovytec achieved relevant sales target pursuant to the Inovytec Agreement, they represent another 2.37% and 2.63% with diluted effect of the enlarged issued share capital of Inovytec. For details, please refer to the Company's announcement dated 24 January 2017.

On 18 September 2017, Vincent Medical Avalon Limited ("**VMA**", an indirect wholly-owned subsidiary of the Company) and Avalon entered into the Share Subscription Agreement (the "**Avalon Agreement**"), pursuant to which VMA has conditionally agreed to subscribe 250 shares, representing 20% of the enlarged issued share capital of Avalon, at a total consideration of US$1.7 million in two tranches: (i) the 1st US$1.0 million has been paid by VMA on 13 October 2017 upon completion of the Avalon Agreement; and (ii) the remaining US$0.7 million will be paid within 5 months after completion of the Avalon Agreement. For additional information, please refer to the paragraph headed "Investment in medical device/ technology companies to broaden product portfolio" above.

Save for the above, the Group did not have any other material acquisitions or disposals of subsidiaries, associates, joint ventures or other investments during 2017.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

During the year, the Group recognised available-for-sale financial assets for a total of HK$48.6 million. Such available-for-sale financial assets were mainly consisted of:

1. an acquisition of 12.37% with diluted effect of the enlarged issued share capital of Inovytec with the cost of investment of US$2.4 million (equivalent to HK$18.7 million). For details, please refer to the paragraphs headed "Investment in medical device/technology companies to broaden product portfolio" and "Material Acquisitions and Disposals" above.

2. an acquisition of 13.51% with diluted effect of the enlarged issued share capital of Fresca with the cost of investment of US$2.2 million (equivalent to HK$17.1 million). On 13 April 2017, Vincent Medical Fresca Limited ("**VMF**", an indirect wholly-owned subsidiary of the Company) and Fresca entered into the Series C Preferred Stocks Purchase Agreement (the "**Fresca Agreement**"), pursuant to which VMF has conditionally agreed to subscribe 2,859,865 Series C Preferred Stocks for an aggregate 17.5% of the enlarged issued share capital of Fresca at a total consideration of US$3.0 million. The purchase of Series C Preferred Stocks will be completed by three instalments while Fresca achieves certain milestones. The first instalment of US$1.2 million (of which US$0.2 million convertible promissory note has been paid on 21 December 2016 upon signing the relevant term sheet) has been paid by VMF on 13 April 2017 upon execution of the Fresca Agreement and Fresca has allotted 1,143,945 Series C Preferred Stocks to VMF according to the Fresca Agreement, representing 7.92% with diluted effect of the enlarged issued share capital of Fresca. The second instalment of US$1.0 million for 953,289 Series C Preferred Stocks, representing 5.59% with diluted effect of the enlarged issued share capital of Fresca, has been paid by VMF on 9 October 2017 upon Fresca achieved the first milestone pursuant to the Fresca Agreement. The third instalment of US$0.8 million for 762,631 Series C Preferred Stocks, representing 3.99% with diluted effect of the enlarged issued share capital of Fresca will be made upon Fresca achieving the second milestone pursuant to the Fresca Agreement. For more information, please refer to the paragraph headed "Investment in medical device/technology companies to broaden product portfolio" above.

   Furthermore, on 1 March 2018, Fresca issued a stock warrant to the Group at nil consideration, pursuant to which the Group is entitled to subscribe for up to 952,381 Series C Preferred Stocks at an aggregate maximum consideration of approximately US$1.0 million.

The Directors consider that the investment of the above available-for-sale financial assets are in line with the Company's development strategy to diversify its product offerings and to utilize its production and product commercialization experience in the PRC and other emerging markets.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2017, 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 amount 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.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any contingent liabilities.

OPERATING LEASE COMMITMENT

As at 31 December 2017, the Group had operating lease commitment of HK$21.1 million (2016: HK$21.3 million).

CAPITAL COMMITMENT

As at 31 December 2017, the Group had capital commitment of HK$18.1 million (2016: HK$16.0 million, including HK$8.9 million in respect of the capital contribution to 100ecare) in respect of the acquisition of property, plant and equipment, which were contracted for but not provided in the consolidated financial statements.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Choi Man Shing (蔡文成), aged 65, 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 39 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 51, 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 44, 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 47, 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 20 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 63, 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. Guo Pengcheng (過鵬程), aged 56, was appointed as a non-executive Director of the Company on 1 February 2017. He graduated from the Shanghai University of Technology with a bachelor's degree in mechanical engineering in 1983. He has over 31 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 5.18% of the issued share capital of the Company as at the date of this Annual Report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Ling Ming (陳令名), aged 58, 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 (i) a member of the Biomedical Engineering Programme Advisory Committee of the Chinese University of Hong Kong for a three-year term from August 2016 to July 2019; (ii) a member of the Innovation and Technology Fund Research Projects Assessment Panel, Innovation and Technology Commission, for a two-year term from 1 January 2017 to 31 December 2018; and (iii) a non-official member of the Assessment Panel of the Innovation and Technology Fund for Better Living, Innovation and Technology Commission, for a two-year term from 1 May 2017 to 30 April 2019. Mr. Chan has over 26 years of experience in the manufacture of medical devices and corporate management.

Mr. Mok Kwok Cheung Rupert (莫國章), aged 59, 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 electrical engineering from 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 the secretary general of the executive board, a member of the membership committee and a member of the product and technology committee of the Hong Kong Medical and Healthcare Device Industries Association. Mr. Mok has over 33 years of experience in administrative management, sales and marketing and R&D of medical devices in the Asia Pacific region.

Mr. Au Yu Chiu Steven (區裕釗), aged 59, 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 32 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 68, was appointed as an independent non-executive Director of the Company on 1 February 2017. He 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 and has been promoted to a Chair Professor of Precision Engineering with effect from 1 July 2017.

SENIOR MANAGEMENT

Mr. Tsui Kam Fai Michael (徐錦輝), aged 48, 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 55, is the financial controller of the Group. 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 25 years of experience in accounting.

Ms. Tsui Lai Ki Vicki (徐麗琪), aged 42, is the Company Secretary of the Company. She joined the Group in April 2016 and is responsible for the company secretarial functions and provides advice to the Board and the Board committees. Ms. Tsui was graduated from the University of South Australia with a bachelor degree in accountancy in April 2003. She has extensive experience in a diversified range of corporate services and has been providing company secretarial services to various Hong Kong listed companies for about 13 years. Ms. Tsui is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in United Kingdom.

Mr. Yu Lun Fai Alex (余粦輝), aged 42, 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 17 years of experience in manufacturing industry.

Mr. Wong Yuk Ming David (黃育明), aged 47, 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 and is the current vice chairman for the current term.

Mr. Wong has over 13 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.

Mr. Wong Kai Yuen (黃介原), aged 46, 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, a CCAA (China Certification & Accreditation Association) certified auditor, a ASQ (American Society for Quality) certified biomedical auditor (CBA), and also an Exemplar Global certified medical device principal auditor.

Mr. Wong has over 15 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 37, 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 11 years of experience in financial communications, investor relations and corporate finance.

Mr. Zhang Changqing (張長青), aged 46, 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 12 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 43, is the research and development manager of the Group. He joined the Group in December 1998 and is responsible for initiating research and development 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. Mr. Xu is a member of the Respiratory Disease Professional Equipment Commission* (呼吸病學專業裝備委員會) of the China Association of Medical Equipment* (中國醫學裝備協會).

* *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 2017.

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 customers in the OEM business and developing, manufacturing and sale of our own "Inspired Medical" brand of respiratory equipment and disposable products and orthopaedic and rehabilitation products (also under "Hand of Hope" and "Hypnus" brands) in the OBM business.

The principal activities of the principal subsidiaries of the Company are set out in Note 38 to the consolidated financial statements of this Annual Report. 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, are provided in the sections "Chairman's Statement" on pages 10 and 11 and "Management Discussion and Analysis" on pages 12 to 20 of this Annual Report.

PRINCIPAL RISKS AND UNCERTAINTIES

The business operations and results of the Group may be affected by various factors, some of which are external causes and some are inherent to the business. The Board is aware that the Group is exposed to the following principal risks and uncertainties facing the Company's business:

(a) Customer Concentration

The Group generated 68.8% of revenue from the top five customers for the year. Customer concentration exposes the Group to risks and factors affecting the performance of major customers and may subject us to fluctuations or decline in the Group's revenue. It may also result in difficulty for the Group to negotiate with such customers for satisfactory prices for the products and commercial terms. These risks result in a lack of predictability about the Group's sales, and any reduction in the order from and termination of relationship with the major customers will have material adverse effect on our business and results of operations.

(b) Product Development Risks

The actual timing of the introduction of each of the future products to the market could vary significantly due to a number of factors, many of which are outside our control, including but not limited to, the difficulties and failures in R&D process, the availability of funds and the competition within medical device market. In addition, clinical trials and product registration are inherently a lengthy and expensive process and there can be no assurance that the future products will meet the standards required to pass all necessary clinical trials. Failure to develop, obtain registration or approval for or commercialise the pipeline products could materially and adversely affect the Group's business and results of operation.

(c) Labour Costs and Shortage

In recent years, average labour costs in the PRC have increased due to the PRC government's policies to impose more stringent requirements on employers such as minimum wage and maximum working hours. Furthermore, there has been a growing shortage of labour, especially skilled labour in the PRC. The utilisation of our production facilities may be limited by our ability to recruit sufficiently skilled labour. Accordingly, any shortage of labour or significant increase in labour cost to the extent that the Group is unable to offset such increase by reducing other costs or passing it on to the Group's customers, the Group's business, financial condition and results of operations may be materially and adversely affected.

(d) Intellectual Property Infringement

The Group operates in an industry in which the Group and its competitors or customers may utilise or own similar technologies and product designs. Consequently, both the Group, its competitors or customers may claim intellectual property rights over the technology and product design used in the products. Legal proceedings involving intellectual property rights can be expensive and time-consuming, and their outcomes are uncertain. Successful infringement claims by third parties against us could materially and adversely harm the Group's business and reputation.

(e) Change of Laws and Regulations

The medical device industry is highly regulated in the PRC and other countries to which the Group export its products. Any change in the applicable laws, regulations, standards or import policies of overseas countries may prevent or restrict us from conducting certain aspects of the Group's current business.

(f) 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.

RELATIONSHIPS WITH ITS KEY STAKEHOLDERS

The success of the Group also depends on the support from key stakeholders which comprise customers, suppliers, employees and Shareholders.

Customers

The customers of the Group comprise generally the OEM customers (include major international medical device companies), and distributors and some medical equipment manufacturers for its OBM products. The Group has been devoted to providing good customer service with the purpose of maintaining a stable and long-term co-operation relationship, increasing sales volume and improving profitability.

Suppliers

Strong relationship with the Group's major suppliers constitutes one of the essential elements of the Group's success. To achieve positive business growth, the Group maintains close relationship with the major suppliers to ensure stability of supply, and leveraging on large volume of purchase which provides the Group with significant bargaining power to purchase raw materials at competitive prices.

The principal raw materials used for products are resin, plastic parts and tubing. The Group purchase raw materials only from approved suppliers which meet the Group's evaluation criteria and are listed on the Group's approved supplier list. The Group select major suppliers based on their technological capacity, quality control system, business reputation and production scale and regularly assess them based on their product quality, price and delivery time. For OEM business, the Group is often required to purchase the relevant raw materials from suppliers as specified by the OEM customers.

Employees

The Group focuses on the talents of employees as the most valuable asset and provides a harmonious and safety working environment to all employees. The key objective of the Group's human resource management is to recognize and reward performing staff by providing competitive remuneration packages and implementing an effective performance appraisal system with appropriate incentives.

Shareholders

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations. Apart from transparent and timely disclosure of corporate information in the websites of the Company and the Stock Exchange, the senior management maintains regular dialogue with institutional investors through one-on-one meetings and conference calls. The principal goal of the Group is to maximize the return to the Shareholders. The Group will focus on the core business for achieving sustainable profit growth and rewarding the Shareholders with stable dividend payouts taking into account the business development needs and financial health of the Group so that the potential Shareholders will invest to the Company and contribute to the success of the Group.

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 46 to 57 and the "Environmental, Social and Governance Report" on pages 58 to 64 of this Annual Report.

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 2017, the net proceeds from the Global Offering were utilized as follows:

	Amount received from net proceeds HK$' million	**Amount actually used up to 31 December 2017** HK$' million
Expansion and upgrading of production facility from 2016 to 2018	47.3	20.7
Development of pipeline and planned products from 2016 to 2018	25.5	24.8
Sales and marketing from 2016 to 2018	17.1	16.8
General corporate purposes and working capital	4.7	4.7

As of 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 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 2017 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 30.8% (calculated based on the adding back of impairment losses of goodwill and investment in an associate of HK$17.9 million to the profit attributable to owners to the Company of HK$13.2 million) has to be approved by the Shareholders in the AGM to be held on 24 May 2018. These proposed dividends are not reflected as dividend payable in the consolidated statement of financial position as at 31 December 2017, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2018.

RESERVES

Movements in the reserves of the Company and of the Group during the year are set out in Note 27(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 2017, the Company's reserves available for distribution to the Shareholders amounted to approximately HK$161.7 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 Thursday, 24 May 2018, the register of members of the Company will be closed from Friday, 18 May 2018 to Thursday, 24 May 2018, 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 AGM, 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, 17 May 2018.

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 Friday, 1 June 2018 to Tuesday, 5 June 2018, 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 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, 31 May 2018.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets, equity and liabilities of the Group for the last five financial years is set out on page 132 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 26 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 the 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 during the year. On 3 January 2018, the Company repurchased 350,000 shares at HK$227,500 and these shares were cancelled on 16 January 2018.

DONATIONS

Charitable donations made by the Group during the year amounted to HK$65,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the year, the aggregate sales attributable to the Group's five largest customers was 68.8%. The sales attributable to the Group's largest customer during the year was 37.9%.

The aggregate purchases attributable to the Group's five largest suppliers during the year was 24.9%. The purchases attributable to the Group's largest supplier during the year was 9.7%.

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 for the year 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 (resigned on 25 July 2017)
Mr. Poon Lai Yin Michael *(Alternate to Mr. Amir Gal Or)* (ceased on 25 July 2017)
Mr. Guo Pengcheng (appointed on 1 February 2017)

Independent Non-executive Directors

Mr. Chan Ling Ming
Mr. Mok Kwok Cheung Rupert
Mr. Au Yu Chiu Steven
Prof. Yung Kai Leung (appointed on 1 February 2017)

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/herself 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. Koh Ming Fai and Mr. Fu Kwok Fu, both executive Directors, Ms. Liu Pui Ching, a non-executive Director, and Mr. Chan Ling Ming, an independent non-executive Director, shall retire by rotation and being eligible, at the AGM. Mr. Koh Ming Fai, Mr. Fu Kwok Fu and Mr. Chan Ling Ming have offered themselves for re-election at the AGM. Ms. Liu Pui Ching confirmed that due to her desire to devote more time to her personal affairs and commitments, she will not offer herself for re-election as a non-executive Director and will retire from the Board with effect from the conclusion of 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 21 to 25 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 have 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 SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2017, to the best knowledge of the Directors and chief executive 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	383,989,890 Shares *(Note 2)*	60.22%
Liu Pui Ching	Interest in spouse/interest in controlled corporation	383,989,890 Shares *(Note 3)*	60.22%
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%
Yung Kai Leung	Beneficial owner	200,000 Shares	0.03%

Notes:

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

2. These interests represented:

   (a) 2,000,000 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) 2,000,000 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, of which 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; and

    (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.

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 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 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 headed "Share Options Schemes" in this Directors' Report.

7. Approximate percentage calculated based on the 637,650,000 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 2017, 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 2017, 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 4)*
VRI	2	Beneficial owner/ interest of controlled corporation	381,989,890	59.91%
China Orient Asset Management Corporation	3	Interest of controlled corporation	33,000,000	5.18%
Dong Yin Development (Holdings) Limited	3	Interest of controlled corporation	33,000,000	5.18%
Bright Way Enterprise Inc.	3	Beneficial owner	33,000,000	5.18%

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) China Orient Asset Management Corporation holds 100% interest of Dong Yin Development (Holdings) Limited, which in turns 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.

(4) Approximate percentage calculated based on the 637,650,000 Shares in issue as at the date of this Annual Report.

Save as disclosed above, as at 31 December 2017, 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 "**Date of Grant**"). 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 and the remaining life of the Pre-IPO Share Option Scheme as at the date of this Annual Report is around 8 years.

On 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 will be granted under the Pre-IPO Share Option Scheme. The exercise price in respect of each option granted under the Pre-IPO Share Option Scheme is HK$0.80 which is an amount equal to 80% of the final price (i.e. HK$1.00) for each offer share of the Hong Kong public offering and the international placing in connection with the Listing.

For the year ended 31 December 2017, none of the above share options were exercised and a total of 1,448,000 share options were forfeited as results of voluntary resignation, retirement and termination of employment of the relevant option holders. 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 2017:

Grantee	Date of Grant	Vesting schedule	Exercise period	Number of Shares underlying the share options granted	Number of Shares: Outstanding as at 1 January 2017	Number of Shares: Forfeited during the year	Number of Shares: Outstanding as at 31 December 2017
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	**17,244,000**	**-**	**(1,448,000)**	**15,796,000**
Total				**19,356,000**	**-**	**(1,448,000)**	**17,908,000**

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

Share option scheme adopted on 24 June 2016

A share option scheme (the "**Share Option Scheme**") was adopted by the Company on 24 June 2016. The purpose of the Share Option Scheme is to recognise and acknowledge the contributions of eligible participants of the Share Option Scheme including any executive, Director, employee, advisor, consultant, professional, agent, contractor, customer, provider of goods and/or services or business or joint-venture partner to the Group (the "**Eligible Participants**") by granting options to them as incentives or rewards. HK$1.00 is payable by an Eligible Participant upon acceptance of an offer of option. The Share Option Scheme will expire on 23 June 2026. The remaining life of the Share Option Scheme as at the date of this Annual Report is around 8 years.

The subscription price per Share shall be determined by the Board and notified to the grantee at the time of offer of the option. The subscription price should at least be the highest of:

(i) the nominal value of the Shares;

(ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a day on which the Stock Exchange is open for the business of dealing in securities (the "**Business Day**"); and

(iii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of offer,

or (where applicable) such price as from time to time adjusted pursuant to the Share Option Scheme.

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

For the year ended 31 December 2017, 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, 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 37 to the consolidated financial statements, respectively, to the consolidated financial statements, no contracts of significance was entered into between the Company or any of its subsidiaries and any Controlling Shareholder or its subsidiaries subsisted during the year or at the end of the year.

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 37 to the consolidated financial statements, 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 and the performance and results of the Group. 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) 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 46 to 57 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 during the year and up to the date of this Annual Report.

DEED OF NON-COMPETITION

During the year, the Controlling Shareholders have confirmed to the Company of their compliance 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.

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.

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 2018 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

A summary of the significant related party transactions which were conducted in the ordinary course of business are set out in Note 37 to the consolidated financial statements.

As mentioned in Note 37, the rental expenses paid to related companies and the metal supplies and processing service fee to a related company were continuing connected transactions contemplated under the Lease Agreements and the Plastic and Metal Services Agreement mentioned in paragraphs (a) and (c) of the paragraph headed "Continuing Connected Transactions" below respectively.

As mentioned in Note 37, the purchases of goods from related companies and the catering service fee paid to a related company were continuing connected transactions which were exempt from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has complied with the applicable requirements under the Listing Rules for those related party transactions which constituted non-fully exempt and non-exempt 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 2017, 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	VMDG	DVRD
Landlord	VRDL *(Note 1)*	VRDG *(Note 1)*	VRDG *(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	Factory 1 of Zone B industrial complex located in 45-46 Qiaolong Shabu Industrial Zone, Tangxia Town, Dongguan City, Guangdong Province, the PRC	Factory 2 of Zone B industrial complex located in 45-46 Qiaolong Shabu Industrial Zone, Tangxia Town, Dongguan City, Guangdong Province, the PRC
Size of property (GFA)	2,686.26 sq.ft.	24,608.53 sq.m.	1,500.00 sq.m.	4,230 sq.m.	4,960 sq.m.
Term	1 January 2016 to 31 December 2018	1 January 2016 to 31 December 2018	1 January 2016 to 31 December 2018	1 July 2017 to 31 December 2019	1 September 2017 to 31 December 2019
Rent payable	HK$456,000 per annum *(Note 2)*	RMB4,824,000 per annum *(Note 3)*	RMB288,000 per annum *(Note 3)*	RMB70,000 per calendar month *(Note 3)*	RMB81,000 per calendar month *(Note 3)*
Annual caps	HK$456,000	RMB4,824,000	RMB288,000	For the year ended/ending 31 December: 2017: RMB420,000 2018: RMB840,000 2019: RMB840,000	For the year ended/ending 31 December: 2017: RMB324,000 2018: RMB972,000 2019: RMB972,000
Use of property	Our office	Our production plant warehouse, office, staff quarters and canteen	Our warehouse	Our warehouse	Our production plant and warehouse

Notes:

(1) VRDL is a direct wholly-owned subsidiary of VRI 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, VRMD and DVRD paid RMB5,244,000, RMB288,000 and RMB324,000 partly including value added tax respectively to VRDG pursuant to the PRC lease agreements.

(b) Bayer Supply Agreement

In respect of the supply agreement (the "**Bayer Supply Agreement**") entered into between VMHK and VMDG (collectively the "**Suppliers**") and VRHK and Bayer Medical Care, Inc. or Bayer HealthCare LLC (with effect from 1 January 2018) and Imaxeon Pty Ltd. (the "**Bayer Companies**"), pursuant to which the Suppliers and VRHK would manufacture and supply certain components, assemblies and related services to the Bayer Companies, for a term from 1 August 2013 to 31 December 2017. VRHK has been removed as a party to the Bayer Supply Agreement effective from 7 June 2016, being the date of the previous supplemental agreement.

As the Bayer Supply Agreement was expired on 31 December 2017, the following supplemental agreement (the "**Supplemental Agreement**") was entered into by the Suppliers and the Bayer Companies to renew the Bayer Supply Agreement:

Bayer Supply Agreement and Supplemental Agreement			
Parties *(Note 1)*	Suppliers:	(1)	VMHK
		(2)	VMDG
	Customers:	(1)	Bayer HealthCare LLC *(Note 2)*
		(2)	Imaxeon Pty Ltd.
Effective period	The Supplemental Agreement is for an initial term from 1 January 2018 to 31 December 2019 (the "**Initial Term**"). Thereafter, the Bayer Companies shall have the right to renew the Supplemental Agreement for one successive year period by giving the Suppliers written notice of such renewal at least 90 days prior to the expiration of the Initial Term. The Supplemental Agreement may be terminated in whole or in part at any time upon 60 days prior written notice by the Bayer Companies to the Suppliers.		
Principal terms	The Suppliers would manufacture, assemble, test, package and sterilise (where applicable) and sell to the Bayer Companies plastic injection moulded components and assemblies (the "**Products**"). Certain components necessary for the manufacture of the Products (the "**Components**") are provided to the Suppliers from the Bayer Companies. In consideration for the performance by the Suppliers under the Bayer Supply Agreement, the Bayer Companies agree 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 Suppliers. The Suppliers will be responsible for the maintenance and service of the Equipment. The Bayer Companies will pay and settle the invoices for the Products supplied under the Bayer Supply Agreement within 45 days of each monthly statement.		

Bayer Supply Agreement and Supplemental Agreement	
Pricing basis	The price of each of the Products are agreed on the basis of the Suppliers' cost plus a profit margin, which margin varied and will continue to vary according to the requirements and specifications of each of the Products (the "**Pricing Basis**"). The price of each of the Products is negotiated between the Bayer Companies and the Group on an arm's length basis and determined based on the Pricing Basis, in the ordinary course of business, on normal commercial terms or on terms no less favourable to the Company than those provided to independent third parties. When determining the price for each of the Products, the Directors take into account (i) the complexity and technicality of the relevant project; and (ii) the estimated cost to the Group of leasing the Equipment from an independent third party or purchasing the Equipment from an independent third party and amortising the cost of such Equipment over the Equipment's estimated useful life. Specifically, the price of each of the Products are prepared by the sales teams of the Group and subject to the review and pre-approval of an executive Director (who does not have any material interests in the transactions). The executive Director will compare the gross profit margin of sales to the Bayer Companies to those of sales to other independent third party customers of the OEM business segment, given that the Bayer Companies are the Company's customers of the same business segment. In any event, the profit margin of the transaction under the Bayer Supply Agreement should be no less favourable than those applicable to the sales of other products by the Group to other independent third party customers of the OEM business.
Adjustment in pricing terms	The Bayer Companies and the Suppliers acknowledge and agree that the Suppliers are responsible for the sterilization of the Products and that the purchase price includes any sterilisation costs associated with the Products. The Bayer Companies and the Suppliers acknowledge and agree that the Suppliers shall deliver to the Bayer Companies sterilized Products.
Annual caps	Annual caps for the Products supplied by the Suppliers to the Bayer Companies for the year ended/ending 31 December: 2017: HK$240 million 2018: HK$200 million 2019: HK$220 million 2020: HK$242 million Annual caps for the purchase of the Components from the Bayer Companies for the year ended/ending 31 December: 2017: HK$10 million 2018: HK$4.4 million 2019: HK$4.8 million 2020: HK$5.3 million

Notes:

(1) Bayer Medical Care, Inc. holds 19.9% of the shares in VMHK, and therefore it is a connected person of the Company at the subsidiary level. As both Bayer Medical Care, Inc. and the Bayer Companies are indirect wholly-owned subsidiaries of Bayer AG, the Bayer Companies are the connected persons of the Company at the subsidiary level under the Listing Rules.

(2) Bayer HealthCare LLC has accepted and assumed all obligations of Bayer Medical Care, Inc. under the Bayer Supply Agreement.

During the year, the Suppliers manufactured the Products and supplied to the Bayer Companies amounted to approximately HK$169.0 million pursuant to the Bayer Supply Agreement. The Suppliers also purchased the Components from the Bayer Companies amounted to approximately HK$3.1 million pursuant to the Bayer Supply Agreement.

(c) Plastic and Metal Services 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**"):

	Plastic and Metal Services Agreement
Parties *(Note 1)*	VMDG as purchaser VRDG as supplier
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: 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$4.3 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 non-fully exempt and non-exempt 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 Company and 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.

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, the Risk Management Committee maintained 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. In the opinion of the Directors, the Company has complied with the Sanctions Undertaking for the year.

EVENTS AFTER THE REPORTING PERIOD

1. With respect to the subscription under the preference share subscription agreement dated 28 November 2016 (the "**Retraction Agreement**") entered into between Vincent Medical Retraction Limited ("**VMR**", an indirect wholly-owned subsidiary of the Company), Retraction and its founder shareholders (collectively the "**Parties**"), VMR has subscribed for the 27 preference shares of Retraction, at a consideration of US$750,000. For the remaining US$750,000, VMR will pay to Retraction upon achievement of certain milestones stipulated in the Retraction Agreement.

   Retraction reported to the Group in January 2018 that only 88.89% of the milestones can be achieved on or before the expiry of 11 calendar months from the signing of the Retraction Agreement. On 24 January 2018, the Parties entered into the supplemental agreement, pursuant to which the Parties have agreed to VMR's payment for the subscription and share allotment in respect of the 2nd tranche preference shares subject to the Retraction Agreement are to be further divided into 2 sub-tranches, namely, T2A (US$666,666 for 40 preference shares) and T2B (US$83,334 for 5 preference shares).

   The T2A, representing 18.3% with diluted effect of the enlarged issued share capital of Retraction, has been paid on 25 January 2018. The T2B, representing 1.7% with diluted effect of the enlarged issued share capital of Retraction, will be paid on 15 July 2018 (subject to the achievement of the remaining 11.11% of the milestones on or before 30 June 2018.)

2. On 1 March 2018, Fresca issued a stock warrant to the Group at nil consideration, pursuant to which the Group is entitled to subscribe for up to 952,381 Series C Preferred stocks at an aggregate maximum consideration of approximately US$1.0 million.

3. With respect to the subscription under the Inovytec Agreement as disclosed in the paragraph headed "Material Acquisitions and Disposals" of "Management Discussion and Analysis" section on page 18 of this Annual Report, VMIL paid the third instalment of US$0.6 million on 8 March 2018 for 2,418 Series A Preferred Shares, representing 2.63% with diluted effect of the enlarged issued share capital of Inovytec.

Details of significant events occurring after the reporting period also provided under Note 39 to the consolidated financial statements.

PUBLICATION OF ANNUAL REPORT

This Annual Report containing all the relevant information required by the Listing Rules and the relevant laws and regulations 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 2018

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. 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 year.

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 year 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 49 to 52 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 ten members, which comprised four executive Directors, two non-executive Directors 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 meetings, Board committees' meetings and general meetings during the year 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**	**General meetings**
Executive Directors						
Mr. Choi Man Shing *(Chairman)*	8/8	N/A	2/2	2/2	N/A	1/2
Mr. To Ki Cheung *(CEO)*	8/8	N/A	N/A	N/A	N/A	2/2
Mr. Koh Ming Fai	8/8	N/A	N/A	N/A	2/2	1/2
Mr. Fu Kwok Fu	8/8	N/A	N/A	N/A	N/A	1/2
Non-executive Directors						
Ms. Liu Pui Ching	8/8	N/A	N/A	N/A	N/A	1/2
Mr. Amir Gal Or (resigned on 25 July 2017)	4/5	N/A	N/A	N/A	N/A	0/1
Mr. Poon Lai Yin Michael *(Alternate to Mr. Amir Gal Or)* (ceased on 25 July 2017)	1/5	N/A	N/A	N/A	N/A	0/1
Mr. Guo Pengcheng (appointed on 1 February 2017)	7/7	N/A	N/A	N/A	N/A	1/2
Independent Non-executive Directors						
Mr. Chan Ling Ming	8/8	3/3	2/2	2/2	N/A	2/2
Mr. Mok Kwok Cheung Rupert	8/8	3/3	2/2	2/2	N/A	2/2
Mr. Au Yu Chiu Steven	8/8	3/3	N/A	N/A	N/A	1/2
Prof. Yung Kai Leung (appointed on 1 February 2017)	6/7	N/A	N/A	N/A	N/A	1/2

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 21 to 25 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 year under review, 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 their work on 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 year, the Company organized a directors' training to the Directors and encouraged the Directors to view the training webcast launched by the Stock Exchange. Also, the Directors attended the 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 holds at least four Board meetings per year, with special Board meetings being scheduled as required to determine the overall strategic directions and objectives of the Group and approve interim and annual results and other significant matters. 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 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 meetings. 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 meetings with all non-executive Directors (including independent non-executive Directors) on 23 March 2017 and 25 August 2017 without the presence of other 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 auditor.

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 year, three meetings were held which were attended by all members of the Audit Committee. At the meetings, the Audit Committee:

- reviewed the audited annual financial statements for the year ended 31 December 2016;
- reviewed the unaudited interim financial statements for the six months ended 30 June 2017;
- made recommendations to the Board for approval the above-mentioned financial statements respectively;
- reviewed and approved the audit closing memorandum presented by the external auditor;
- discussed with the management and the external auditor above the issues concerning the accounting policies and practices which may affect the Group, along with financial reporting matters;
- reviewed the risk management and internal audit systems;
- recommended to the Board on the re-appointment of the external auditor; and
- determined the interim review and annual audit fees of the external auditor.

Apart from the regular Audit Committee meetings, the Audit Committee also held a meeting with the external auditor on 23 March 2017 without the presence of management.

This Annual Report for the year ended 31 December 2017 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. During the year, 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;
- made recommendations to the Board to approve the appointment of the above-mentioned two new Directors;
- 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. During the year, 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;
- recommended to the Board on 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 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 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	2

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 of 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 year, two meetings were held which were attended by all members of the Risk Management Committee. At the meetings, the Risk Management Committee:

- reviewed the 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;

- reviewed the business operation to manage the Group's exposure to risks, including but not limited to of the environmental, health and safety risk, financial risk and data security risk;

- 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; and

- discussed and considered whether the Group's internal control, compliance and risk management policies and procedures are adequate, effective and efficient in monitoring the Group's risks and, where necessary, make recommendations to the Board to improve and enhance the internal control, compliance and risk management policies and procedures of the Group.

Details of its main responsibilities within risk management and internal control structural framework are set out in the section entitled "Risk Management and Internal Control Structural Framework" 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 CONTROL

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 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 year. 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 2017 and the review of the interim results for the six months ended 30 June 2017 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 other permissible non-audit services amounted to approximately HK$0.5 million.

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, Ms. Tsui Lai Ki Vicki, 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. Ms. Tsui joined the Group in April 2016 and was appointed as the Company Secretary of the Company in May 2017. She has day-to-day knowledge of the Group's affairs. During the year under review, Ms. Tsui confirmed that she had taken no less than 15 hours of relevant professional training to update her 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 its Articles of Association on 24 June 2016. During the year, 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 continuously invests into the future by providing innovative, quality and reliable products. While bringing new product to the market, the Group also implements environmental and social initiatives to achieve the goal of long-term sustainability. The Group strives to integrate the sustainability development into its business to increase the competitiveness of its business. The Board is pleased to present the second "Environment, Social and Governance Report" that demonstrates the internal control system and sustainable development efforts of the Group.

The report delivers the commitment and practices of the environmental, social and governance performance of the Group for the year ended 31 December 2017. The report is prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules.

STAKEHOLDERS ENGAGEMENT

The Group believes that the better management of stakeholders' expectation is more likely to gain support and trust. Stakeholders are identified and various communication channels are used to engage with them on regular basis. Through these engagements, the Group is able to prioritize the action to be taken for strategic development.

ENVIRONMENTAL PROTECTION

Any operation that depletes the future resources has certain environmental impact. The Company is classified as low emission industry by the Dongguan Tangxia Environmental Protection Department* (東莞塘廈環保分局). The Group's commitment is to minimize the environmental impact throughout the operation. The Company manages the environmental impacts and resources by identifying the major environmental matters in respect of all production segments. Procedures are established and performance indicator is closely monitored. Actions are taken in response to the challenges. There was no suspected case of environmental related violation during the year.

Emission and Energy Consumption

To minimise emission is the Group's long-term goal. The Group strives to achieve better environmental performance by investing into new technology and improving its daily operational practices. Electricity is the major energy source in its operation. Energy management center is set up to analyze and monitor energy used in production lines. Equipment with energy saving features is prioritized upon replacement. Solar powered water heating system is installed in the office and dormitory.

The production facility was expanded in 2017 and as a result, the greenhouse gas and electricity consumption increases while the intensity lowered. Company vehicles were replaced in 2017. Upon purchase of vehicles, fuel efficiency is taken into careful consideration. Electrical forklifts are gradually replaced to reduce fuel consumption.

	Unit	2017
Total Greenhouse gas emission (Scope 1 & 2)	CO_2e tonnes	10,246
Scope 1 Direct emission	CO_2e tonnes	16
Scope 2 Indirect emission	CO_2e tonnes	10,230
Electricity consumption	kwh	11,418,518
Nitrogen Oxides (NOx)	g	11,946
Sulfur Oxides (SOx)	g	106
Particulate Matter (PM)	g	1,037

* *For identification purpose only*

Water Consumption

Water is not substantially consumed in medical device production. Our water consumption is mainly for the office and household use. We are committed to reduce the use of natural resources. Staff are reminded to conserve water wherever possible. Treatment of waste water is governed by the local regulator. A total of 73,958 liters of water were consumed in the year.

Packaging Material and Waste Management

The Group recognizes that the material purchased and the waste generated are causing direct impact to the environment.

Quality of materials is of great importance to the business. Therefore, there are limitations when selecting materials. We work with suppliers to achieve the long-term sustainability goals. Please refer to the paragraph headed "Supplier Management" below for more details. Carton boxes and plastics are used for product packaging and transportation.

Packaging material used	Unit	2017
Paper/ Carton boxes	tonnes	737
Plastic	tonnes	113

Wastes are sorted in accordance with National Hazardous Waste List. Recyclable materials such as plastics and papers are collected separately to be used elsewhere. Hazardous wastes are stored in covered containers and collected by the licensed contractor.

Waste generated	Unit	2017
Non-hazard waste	tonnes	230
Hazard waste	tonnes	0.81

Environmental Education

We rely on our staff's support on the environmental protection. Trainings are provided for new employees and refresher training is also organized to recall and reinforce the previously acquired knowledge. We take actions to protect the environment and at the same time, we also try to be environmental friendly in the community. Our staff brought their family members to participate in the clean-up campaign and other environmental activities during the year.

Staff participated in clean-up activities in the neighborhood park

CARING OUR STAFF

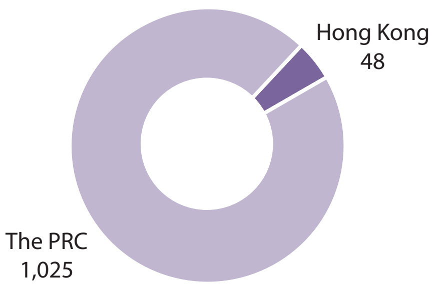
Employment and Labour Practices

Staff are the Company's valuable assets. The Company's competitiveness relies on staff efforts. We strive to provide a suitable and welcomed working environment. The Company appreciates diverse working culture. Recruitment is mainly based on the candidate's capabilities and the needs of the business. Other factors such as age, gender, background are not the selection criteria. Equal opportunities are given for training and promotions. Policies and procedures are formulated in accordance with National and Regional Labour Law. There was no report in relation to compensation and dismissal, recruitment and promotion, equal opportunities, diversity, as well as discrimination during the year.

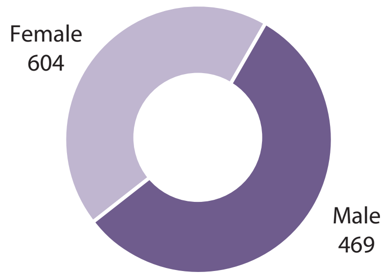
There is a total of 1,073 staff in 2017. The team is young and energetic with the majority below the age of 50. The Company believes that product quality is the core of our business, as all staff are full time employee, therefore stable and high quality of our products can be maintained.

Team structure

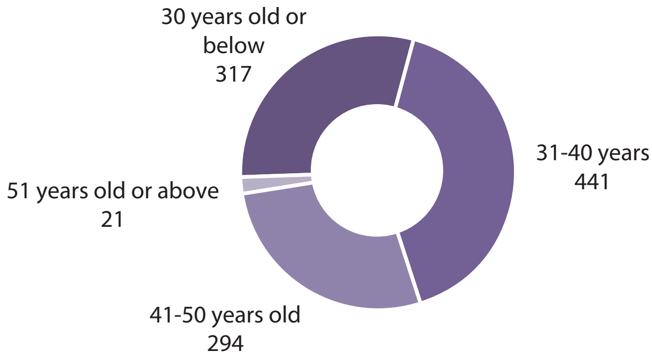
By location



By Gender



By age group



Staff remuneration is mainly depend on market conditions and the position held. The Company offers a competitive remuneration but we understand that it is not enough. Fringe benefits are offered to staff and social gatherings are also organized so as to promote work-life balance. A green working environment with plantations and recreation facilities are provided at the Dongguan production sites.

The Company welcomes new staff to join the energetic team. Trainings and friendly orientation are organized to help them adapt to the new working environment. However, we regret that some staff choose to leave the Company. The employee turnover rate in 2017 was 7.2%. (Male/Female: 47/53; the PRC/Hong Kong: 98/2; Aged 30 or below/31-40/41-50/51 or above: 69/21/10/0). Interviews were carried out to understand the reason for their leaving.

Training and Development

It is necessary for staff to equip with new knowledge and technology to keep up with the competitive market. The Company wishes to advance together with the staff. Annual training plan is established as needed. The human resources department takes the responsibility to conduct survey in each year to find out the needs from staff.

The Company encourages its staff to share among themselves the work-related knowledge. Management, engineer and related staff are invited to provide tailor-made training. The business environment is ever changing. To keep up with the market, we support our staff to participate in training provided by external provider so as to capture the latest information. Due to the business expansion, training hours in 2017 increased by 1.7 times compared to 2016, in which a total of 33,550 hours are used. The training covers diverse topics including regulations and product safety.

Training Distribution

By Gender	Number of people	%
Male	877	45
Female	1,085	55
		100

By employment category	Number of people	%	Number of hours trained	%
Senior Management	6	0.31	16	0.05
Middle Management	107	5.45	3,527	10.51
General Staff	1,849	94.24	30,007	89.44
		100.00		100.00

The Company continues to seek talented staff for the business growth. The appraisal system is established as a platform for staff to discuss with their supervisor regarding their needs and expectations. The Company also uses this opportunity to identify high-caliber. Job rotations are offered to retain talents. Internal staff are first considered for filling job vacancies.

Health and Safety

The Company takes the responsibility to ensure the staff working in a safe environment. Occupational health and safety policies and procedures are adopted during the course of production. Safety committee comprising safety managers from various business units is established and is responsible to formulate the safety strategy and procedures that fit in for the business. Potential risks are identified. Noise control measures and fire-alarm control policies are formulated. Suitable personal protective equipment is provided as needed. Regular safety audits and inspections are conducted across the production facilities. Machineries are checked on regular basis to ensure proper functioning.

Some products need to be manufactured in highly sanitized environment. The Company keeps high level of hygiene control at the production facilities. All staff are required to have body check regularly to make sure that they are fit for work. For those staff failed in the body check, they will be immediately suspended from work or arranged with suitable job duty. Ventilation system is installed for improving indoor air quality. Production areas are cleaned regularly.

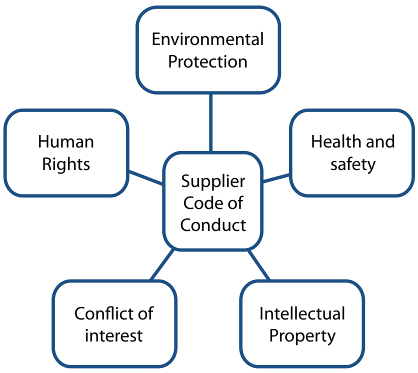
During the year, there was no work-related fatalities. Five accidents occurred in the production facilities and as a result, a total of 336 man days were lost due to the accidents. The Company provides immediate support to the injured staff. Intensive investigation was carried out after each accident in order to prevent from reocurrence. Many of these injuries can possibly be avoided. Warning signages are marked and protective equipment are provided as needed. We promote safety culture and instilling safety mind-set to our staff. Safety training are conducted for all new staff. Additional training is organized for staff upon their change of job duties to ensure that they are fully aware of the working procedures.

Labour Standards

Children should at their age enjoy their childhood. No children are allowed to work in the Company. Identity check as a measure is intermittently carried out to ensure no employment of any underage youth. It has been noticed that long working hours decrease the productivity but increases the risk of accident. The Company is fully aware of the importance of work-life balance. Production schedule is arranged conscientiously to avoid over time work. Employees are entitled to enjoy statutory holidays and different types of paid leave. We neither encourage nor force the employees to work overtime. Workflow will be reviewed when a large amount of overtime work comes to notice. Labour union is established and all staff are welcomed and free to join. Staff can voice their opinion freely. Apart from the monthly meeting with the Company representatives, communication channels such as emails, phones and face-to-face interviews are also arranged as needed.

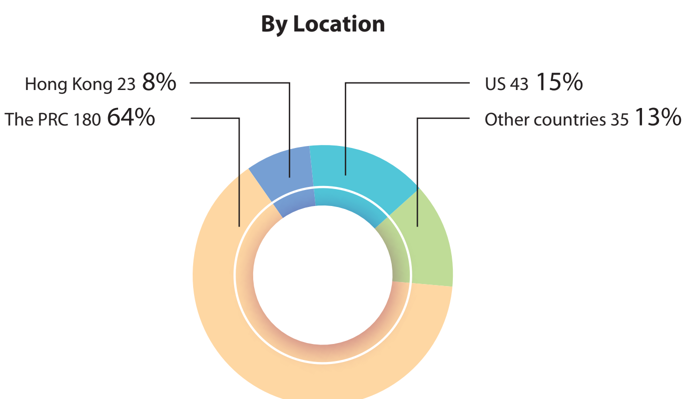
SUPPLIER MANAGEMENT

The Company operates on the basis of trust, cooperation, honesty and mutual respect. We believe our honest attitude can bring about influence throughout the supply chain. We maintain long-term partnership with suppliers to achieve the goals. Engagement is made with suppliers on the same principle. Supplier social responsibility code of conduct is shared with all valuable suppliers.



Materials and service are sourced worldwide. Price is not the only consideration for our selection. Members of the evaluating team carry out on-site evaluation especially on the suppliers' quality standard, environmental protection and social responsibilities. Detailed supplier management guideline is established. Regular review and assessment are in place to ensure that the supplies meet our requirements.

Supplier Distribution



PRODUCT RESPONSIBILITY

Product quality is the core of medical device manufacturing business. Defective products may cause serious consequences to the end users or patients. The Company fully complies with the related regulations and standards within our business scope, but we are not just satisfied with this. We seek to abide by the laws and regulation for further improvement. The Company has obtained Medical Device Quality Management System ISO 13485 and Risk Management for Medical Device ISO 14971. We will continue to review all the necessary processes for continuous improvement. It is an ongoing process to evaluate the cause and to enhance the quality control system and risk management framework, thus enabling the Company to adopt a proactive and structural approach to manage risk from conceptual stage to post market services.

Quality Assurance

Quality assurance is important throughout the production process. We consider that the raw material has a great influence on the final product. Starting from the purchase, all purchase must be made with the approved suppliers. Suppliers are required to provide certificates and testing reports for validation of their supplies. Quality department oversees validating the different types of materials. Validating report are documented. Quality check are not only for the finished products. Inspection and monitoring are carried out in the whole production chain.

Some of our products required to be manufactured in highly sanitized environment. The production facilities are specially designed to maintain hygiene levels and other instability outside the production room. In order to provide a good working condition, all staff must follow the rules and show good personal hygiene.

Product Recall and Complaint Handling

During the year, there is total sales of 49 million pieces from our range of products. There are no products recall or return due to the reasons relating to safety issues. The Company received from customers enquiring about the products from time to time. The cases were handled and recorded in detail according to the prescribed procedures. We value all feedback from customers. Investigations must be conducted with a view to fact finding and improvement.

Intellectual Property Rights

The Company has invested time and effort for today's achievement. Product design and development have the greatest value. Inspired Medical is the self-owned OBM business brand. Unauthorized use of brand name may cause harm to the business and bring about a bad image of the Company. As a precaution, the Company has applied for trademark for its design and products. In 2017, 43 trademarks were registered. We fully understand that the laws and regulations are to protect the Company rights. Close communication is built with the business partners to protect our property rights.

Data Privacy

Our customer and suppliers are from around the world. The Company has developed the data privacy policies and procedures. Internet and emails are one of the effective communication channels. Latest software is updated on computer to avoid data leakages with spyware. Designated personnel are assigned to handle the confidential information. Guidelines are provided to staff for handling confidential information.

ANTI-CORRUPTION

Business ethics has a great influence on the performance and brand images. The Company takes the responsibility of maintaining the highest business ethics to avoid any improper activities. The anti-corruption procedures help the Company ensures the business operation abide by the PRC and Hong Kong law and regulations. Procedures are updated whenever there are changes made in the law and all members of the Company are required to comply with the code of conduct.

To help our staff understand our standpoint in anti-corruption and to make correct decisions, the Company has organized integrity training program to strengthen the staff's awareness. Specified training is arranged for areas with high risk in corruption. Measures such as whistle blowing channels and penalties are clearly implemented. There was no suspected case of anti-corruption during the year.

COMMUNITY INVESTMENT

Business development is closely connected with the community. The Company uses its strength and resources in the development of the community. We believe that there are many areas which require our help and it is not just limited to financial support. Staff devote themselves to community service by setting up volunteer group and partner with local charitable organization in providing direct assistance to the community. The volunteer group provides a platform for our staff to contribute time and skills to support those in needs. A range of activities with different focuses were organized during the year such as rubbish collection in the nearby park, blood donation, community visit to elderly home stay. There was a total of 692 hours spent for the activities and a total donation of HK$ 65,000. In future, the Company will continue to use its resources to support in improving the community.

Blood donation

Community visit to elderly home

RSM

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 131, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 matter we identified is:

1. Impairment assessment of goodwill and other intangible assets in relation to Rehab-Robotics Company Limited ("RRCL")

Key Audit Matter	How our audit addressed the Key Audit Matter
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 (before impairment) and HK$14,518,000 respectively as at 31 December 2017 in relation to RRCL which was acquired in December 2015. RRCL incurred a loss for the year ended 31 December 2017. This has increased the risk that the carrying amounts of goodwill and other intangible assets may be impaired. Management performed an impairment assessment of goodwill and other intangible assets and concluded that an impairment loss on goodwill of approximately HK$6,291,000 should be recognised. 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 with the assistance of 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 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 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, 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 2018

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	7	446,302	467,347
Cost of sales		(295,999)	(321,585)
Gross profit		150,303	145,762
Other income	8	684	5,948
Distribution costs		(23,067)	(15,485)
Administrative expenses		(89,123)	(88,076)
Impairment of goodwill		(6,291)	-
Impairment of investment in an associate		(11,629)	-
Profit from operations		20,877	48,149
Finance costs – interest on borrowings		(361)	(339)
Share of losses of associates		(1,003)	(114)
Share of profits of joint ventures		104	-
Profit before tax		19,617	47,696
Income tax expense	10	(8,163)	(10,614)
Profit for the year	11	11,454	37,082
Attributable to:			
Owners of the Company		13,155	29,242
Non-controlling interests		(1,701)	7,840
		11,454	37,082
Earnings per share	15		
Basic		HK2.06 cents	HK5.27 cents
Diluted		HK2.06 cents	HK5.25 cents

Consolidated Statement of
Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Profit for the year	**11,454**	37,082
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Share of other comprehensive income of joint ventures	**17**	-
Exchange differences on translating foreign operations	**9,393**	(12,104)
Other comprehensive income for the year, net of tax	**9,410**	(12,104)
Total comprehensive income for the year	**20,864**	24,978
Attributable to:		
Owners of the Company	**20,600**	19,318
Non-controlling interests	**264**	5,660
	20,864	24,978

Consolidated Statement of Financial Position

At 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**47,190**	40,131
Goodwill	17	**4,270**	9,591
Other intangible assets	18	**26,333**	14,628
Investments in associates	19	**4,760**	16,460
Investments in joint ventures	20	**22,988**	-
Available-for-sale financial assets	21	**48,640**	-
Total non-current assets		**154,181**	80,810
Current assets			
Inventories	22	**97,439**	87,899
Trade receivables	23	**115,443**	75,223
Prepayments, deposits and other receivables	24	**41,826**	29,060
Current tax assets		**3,277**	-
Bank and cash balances	25	**112,993**	222,206
Total current assets		**370,978**	414,388
TOTAL ASSETS		**525,159**	495,198
EQUITY AND LIABILITIES			
Share capital	26	**6,380**	6,380
Reserves	28(a)	**358,805**	344,692
Equity attributable to owners of the Company		**365,185**	351,072
Non-controlling interests		**49,766**	50,404
Total equity		**414,951**	401,476
Non-current liabilities			
Borrowings	30	**–**	1,450
Deferred tax liabilities	31	**2,395**	2,415
Total non-current liabilities		**2,395**	3,865
Current liabilities			
Trade payables	32	**43,276**	32,866
Other payables and accruals	33	**46,156**	47,039
Borrowings	30	**9,824**	3,167
Current tax liabilities		**8,557**	6,785
Total current liabilities		**107,813**	89,857
TOTAL EQUITY AND LIABILITIES		**525,159**	495,198
Net current assets		**263,165**	324,531
Total assets less current liabilities		**417,346**	405,341

Approved by the Board of Directors on 23 March 2018 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 2017

	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 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	–*	60,000	–	–	–	–	60,000	–	60,000
Share capitalisation	5,104	(5,104)	–	–	–	–	–	–	–
Shares issued under the Global Offering	1,276	116,421	–	–	–	–	117,697	–	117,697
Dividend paid	–	–	–	–	–	(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
At 1 January 2017	6,380	171,317	2,714	12,094	(8,057)	166,624	351,072	50,404	401,476
Total comprehensive income for the year	–	–	–	–	7,445	13,155	20,600	264	20,864
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	1,884	1,884
Share-based payments	–	–	3,083	–	–	–	3,083	–	3,083
Dividend paid *(Note 14)*	–	(9,570)	–	–	–	–	(9,570)	–	(9,570)
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	(2,786)	(2,786)
Changes in equity for the year	–	(9,570)	3,083	–	7,445	13,155	14,113	(638)	13,475
At 31 December 2017	**6,380**	**161,747**	**5,797**	**12,094**	**(612)**	**179,779**	**365,185**	**49,766**	**414,951**

* Represent the amount less than HK$1,000

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	19,617	47,696
Adjustments for:		
Allowance for inventories	448	18
Allowance for trade receivables	110	–
Amortisation	1,829	1,522
Depreciation	10,814	11,094
Finance costs	361	339
Interest income	(132)	(57)
Impairment of goodwill	6,291	–
Impairment of investment in an associate	11,629	–
Share of losses of associates	1,003	114
Share of profits of joint ventures	(104)	–
Share-based payments	3,083	2,714
Write back of trade payables	–	(2,207)
Write off of property, plant and equipment	543	99
Operating profit before working capital changes	55,492	61,332
Increase in inventories	(10,297)	(22,295)
(Increase)/decrease in trade receivables	(40,330)	11,965
Increase in prepayments, deposits and other receivables	(11,958)	(12,398)
Increase in trade payables	10,410	10,322
(Decrease)/increase in other payables and accruals	(10,443)	16,262
Cash (used in)/generated from operations	(7,126)	65,188
Income taxes paid	(10,097)	(43,342)
Interest paid	(361)	(339)
Net cash (used in)/generated from operating activities	(17,584)	21,507
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	132	57
Purchases of property, plant and equipment	(15,382)	(8,991)
Additions to other intangible assets	(5,636)	(2,493)
Acquisition of associates	–	(5,804)
Acquisition of joint ventures	(17,036)	–
Acquisition of available-for-sale financial assets	(48,640)	–
Cash inflow from acquisition of a subsidiary *(Note 34(a))*	400	–
Net cash used in investing activities	(86,162)	(17,231)

	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	–	177,697
Proceeds from bank loan	–	10,699
Repayment of bank loan	(892)	(9,807)
Proceeds from other loans	2,282	–
Repayment of other loans	(2,275)	(992)
Capital contribution from non-controlling shareholders	1,884	–
Dividend paid to owners of the Company	(9,570)	(18,015)
Dividend paid to non-controlling shareholders	(2,786)	(2,985)
Net cash (used in)/generated from financing activities	(11,357)	156,597
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(115,103)	160,873
Effect of foreign exchange rate changes	5,890	(7,970)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	222,206	69,303
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	112,993	222,206
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	112,993	222,206

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, P.O. 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's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 38 to the consolidated financial statements.

In the opinion of the directors of the Company, Vincent Raya International Limited ("**VRI**"), a company incorporated in the British Virgin Islands (the "**BVI**"), 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.

2. BASIS OF PREPARATION

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 to the consolidated financial statements 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 2017. None of these impacts on the accounting policies of the Group. However, the Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative require disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The effect of the amendments on the Group's consolidated financial statements has been the inclusion of additional disclosures in Note 34(b).

(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 2017. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HKFRS 16 Leases	1 January 2019

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. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

HKFRS 9 Financial Instruments

HKFRS 9 will replace HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

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)

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of HKFRS 9 to the Group's consolidated financial statements as follows:

(a) Classification and measurement

The Group expects to irrevocably designate those unlisted equity securities currently classified as available-for-sale as at fair value through other comprehensive income.

Fair value gains and losses on these instruments will no longer be recycled to profit or loss on disposal. Impairment losses on equity securities will no longer be recognised in profit or loss but rather in other comprehensive income. In addition, the Group currently measures certain unlisted equity securities at cost less impairment. Under HKFRS 9 these instruments will be measured at fair value. Based on a preliminary assessment, the fair value of these unlisted equity securities was amounted to approximately HK$61,398,000 at 31 December 2017.

(b) Impairment

HKFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses.

However, based on a preliminary assessment, if the Group were to adopt the new impairment requirements at 31 December 2017, there would not be material difference on the accumulated impairment loss at that date as compared with that recognised under HKAS 39.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

3. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

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

HKFRS 15 Revenue from Contracts with Customers (continued)

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) Timing of revenue recognition

Currently, revenue from the sales of manufactured goods (both OEM and OBM) is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; and

c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

For revenue from the sales of manufactured OEM goods, the adoption of HKFRS 15 is expected to have a significant impact on the Group's revenue or profit or loss. The Group will change the timing of revenue recognition on certain OEM contracts and expects that revenue will be recognised over time (i.e. as production occurs) rather than at a point in time (i.e. on delivery of goods) for these contracts. However, the Group could not quantify the impact until a detailed assessment has been performed.

For revenue from the sales of manufactured OBM goods, the adoption of HKFRS 15 is not expected to have any impact on the Group's revenue or profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

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.

3. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

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

HKFRS 16 Leases (continued)

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office and factory 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 36 to the consolidated financial statements, the Group's future minimum lease payments under non-cancellable operating leases for its office and factory premises amounted to approximately HK$21,151,000 as at 31 December 2017. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets. Once HKFRS 16 is adopted, the amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

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 to the consolidated financial statements.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Business combination and goodwill (continued)

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.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Associates (continued)

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.

(d) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint 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.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group has assessed the type of each of its joint arrangements and determined them to all be joint ventures.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture 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 joint venture'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 a joint venture'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 a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Joint arrangements (continued)

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Foreign currency translation (continued)

(iii) Translation on consolidation (continued)

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 consolidated 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.

(f) 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 equipment pending 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.

(g) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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.

Patents

Patents are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 5 years.

License right

License right is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the license period.

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.

(i) 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 labour 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)

(j) 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.

(k) 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 in the following categories: loans and receivables and available-for-sale. 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss. Interest calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) Trade and other payables

Trade and other payables are recognised 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, and interests in joint arrangements, 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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Impairment of non-financial assets (continued)

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 (other than those at fair value through profit or loss) 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 available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

In addition, 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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Joint control assessment

Guangzhou 100ecare Technology Co. Limited ("100ecare")

The Group entered into a share subscription agreement with 100ecare and its existing shareholders, pursuant to which, the Group has agreed to subscribe for 10% of the registered capital of 100ecare at a consideration of RMB8.0 million.

The board of directors of 100ecare is composed of five directors, three of them are appointed by the founders, and the remaining two directors are appointed by the Group and another investor respectively. In accordance with the shareholders' agreement, directors' resolution in relation to the relevant activities of 100ecare could not be passed without the agreement of the director appointed by the Group. Therefore, the Group considers to have joint control together with the founders over 100ecare and the Group classified 100ecare as a joint venture.

Avalon Photonics Holdings Limited ("Avalon")

The Group entered into a share subscription agreement with Avalon and its existing shareholders, pursuant to which, the Group has agreed to subscribe for 20% of the registered capital of Avalon at a consideration of USD1.7 million.

The board of directors of Avalon is composed of five directors, four of them are appointed by the founders, and the remaining director is appointed by the Group. In accordance with the shareholders' agreement, directors' resolution in relation to the relevant activities of Avalon could not be passed without the agreement of the director appointed by the Group. Therefore, the Group considers to have joint control together with the founders over Avalon and the Group classified Avalon as a joint venture.

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.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (continued)

(a) Property, plant and equipment and depreciation (continued)

The carrying amount of property, plant and equipment as at 31 December 2017 was approximately HK$47,190,000 (2016: HK$40,131,000).

(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 of HK$8,163,000 (2016: HK$10,614,000) was charged to profit or loss based on the estimated profit.

(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 2017 were approximately HK$4,270,000 (2016: HK$9,591,000) and HK$26,333,000 (2016: HK$14,628,000) respectively after an impairment loss of HK$6,291,000 (2016: HK$Nil) was recognised during the year. Details of the impairment loss calculation are provided in Note 17 to the consolidated financial statements.

(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 2017, accumulated impairment loss for bad and doubtful debts amounted to approximately HK$110,000 (2016: HK$Nil).

(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$448,000 (2016: HK$18,000) was made.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (continued)

(f) Impairment of investments in associates

Determining whether investments in associates are impaired requires an estimation of the recoverable amount of the investments in associates, when indicators of potential impairment are identified. The carrying amount of investments in associates as at 31 December 2017 was HK$4,760,000 (2016: HK$16,460,000) and the accumulated impairment loss was HK$11,629,000 (2016: HK$Nil).

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 2017, there were 2 (2016: 2) customers which individually contributed over 10% of the Group's trade receivables. The aggregate amounts of trade receivables from these customers amounted to 64% (2016: 55%) of the Group's total trade receivables as at 31 December 2017.

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 2017					
Trade payables	**43,276**	**–**	**–**	**–**	**43,276**
Other payables and accruals	**37,333**	**–**	**–**	**–**	**37,333**
Borrowings	**9,841**	**–**	**–**	**–**	**9,841**
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

(d) Interest rate risk

The Group's exposure to interest-rate risk mainly arises from its bank deposits and other loans. Bank deposits bears interest at variable rates varied with the then prevailing market condition. Other loans bear 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.

(e) Categories of financial instruments at 31 December 2017

	2017 HK$'000	2016 HK$'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**236,812**	300,612
Available-for-sale financial assets	**48,640**	–
Financial liabilities:		
Financial liabilities at amortised cost	**90,433**	71,037

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair values

Except as disclosed in Note 21 to the consolidated financial statements, 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. REVENUE

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

	2017 HK$'000	2016 HK$'000
Respiratory products	157,194	151,820
Imaging disposable products	165,748	180,817
Orthopaedic and rehabilitation products	75,982	76,403
Other products	47,378	58,307
	446,302	467,347

8. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Exchange gain, net	–	1,141
Interest income	132	57
Sundry income	552	2,543
Write back of trade payables	–	2,207
	684	5,948

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 represents "original brand manufacturing", comprises research, development, manufacturing, marketing and sales of medical devices under "Inspired Medical" (英仕醫療), "Hand of Hope" and "Hypnus" 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, share of profits of joint ventures, write back of trade payables, impairment of investment in an associate, 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 2017			
Revenue from external customers	**365,970**	**80,332**	**446,302**
Segment profit/(loss)	**66,383**	**(26,664)**	**39,719**
Allowance for trade receivables	**–**	**110**	**110**
Depreciation and amortisation	**7,864**	**4,761**	**12,625**
Impairment of goodwill	**–**	**6,291**	**6,291**
Research and development expenditure	**–**	**11,828**	**11,828**
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
Research and development expenditure	–	5,830	5,830

9. SEGMENT INFORMATION (CONTINUED)

Reconciliations of reportable segment revenue and profit or loss:

	2017 HK$'000	2016 HK$'000
Revenue		
Total revenue of reportable segments	446,302	467,347
Profit or loss		
Total profit or loss of reportable segments	39,719	65,929
Interest income	132	57
Interest expenses	(361)	(339)
Listing-related expenses	–	(17,964)
Share-based payments	(3,083)	(2,714)
Share of losses of associates	(1,003)	(114)
Share of profits of joint ventures	104	-
Write back of trade payables	–	2,207
Impairment of investment in an associate	(11,629)	-
Unallocated corporate income	552	3,684
Unallocated corporate expenses	(4,814)	(3,050)
Consolidated profit before tax	19,617	47,696

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	
	2017 HK$'000	2016 HK$'000
United States	315,800	323,298
The People's Republic of China (the "**PRC**")	44,197	39,355
Netherlands	16,611	34,370
Australia	15,796	17,922
Japan	13,717	13,904
Others	40,181	38,498
	446,302	467,347

9. SEGMENT INFORMATION (CONTINUED)

Geographical information: (continued)

	Non-current assets	
	2017	2016
	HK$'000	HK$'000
Hong Kong	**36,676**	30,993
The PRC	**68,865**	39,095
Australia	**–**	10,722
	105,541	80,810

Revenue from major customers:

	2017	2016
	HK$'000	HK$'000
OEM segment		
Customer A	**169,032**	187,508
Customer B	**76,009**	103,757

10. INCOME TAX EXPENSE

	2017	2016
	HK$'000	HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**5,408**	6,012
Under/(Over)-provision in prior years	**6**	(20)
	5,414	5,992
Current tax – the PRC		
Provision for the year	**2,732**	4,365
Under-provision in prior years	**37**	95
	2,769	4,460
Deferred tax *(Note 31)*	**(20)**	162
Income tax expense	**8,163**	10,614

10. INCOME TAX EXPENSE (CONTINUED)

Hong Kong Profits Tax has been provided at a rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year ended 31 December 2017.

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 and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2017 HK$'000	2016 HK$'000
Profit before tax	19,617	47,696
Tax at Hong Kong Profits Tax rate of 16.5% (2016: 16.5%)	3,237	7,870
Tax effect of share of losses of associates	165	19
Tax effect of share of profits of joint ventures	(17)	–
Tax effect of income that is not taxable	(19,635)	(25,037)
Tax effect of expenses that are not deductible	21,411	25,456
Tax effect of temporary differences not recognised	(316)	(653)
Tax effect of tax losses not recognised	3,397	3,125
Effect of different tax rates of subsidiaries	(122)	(241)
Under-provision in prior years, net	43	75
Income tax expense	8,163	10,614

As at 31 December 2017, the Group has unused tax losses of approximately HK$45,142,000 (2016: HK$35,802,000) 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:

	2017 HK$'000	2016 HK$'000
On 31 December 2017	–	1,344
On 31 December 2018	–	1,571
On 31 December 2019	–	1,803
On 31 December 2020	–	1,866
On 31 December 2021	4,514	5,401
On 31 December 2022	8,392	–
Carried forward indefinitely	32,236	23,817
	45,142	35,802

As at 31 December 2017, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is approximately HK$7,385,000 (2016: HK$6,935,000). 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:

	2017 HK$'000	2016 HK$'000
Allowance for inventories (included in cost of inventories sold)	**448**	18
Allowance for trade receivables	**110**	–
Amortisation	**1,829**	1,522
Auditor's remuneration	**1,655**	1,485
Cost of inventories sold	**295,999**	321,585
Depreciation	**10,814**	11,094
Equity-settled share-based payments	**3,083**	2,714
Exchange loss/(gain), net	**3,857**	(1,141)
Impairment of goodwill	**6,291**	–
Impairment of investment in an associate	**11,629**	–
Listing-related expenses	**–**	17,964
Operating lease charges – land and buildings	**10,143**	9,688
Research and development expenditure	**19,147**	9,587
Write back of trade payables	**–**	(2,207)
Write off of property, plant and equipment	**543**	99

Cost of inventories sold include staff costs of approximately HK$63,663,000 (2016: HK$53,235,000), depreciation of approximately HK$7,371,000 (2016: HK$7,763,000), and operating lease charges of approximately HK$3,788,000 (2016: HK$3,521,000), which are included in the amounts disclosed separately.

Research and development expenditure include staff costs of approximately HK$5,846,000 (2016: HK$3,464,000), depreciation of approximately HK$530,000 (2016: HK$151,000), and operating lease charges of approximately HK$943,000 (2016: HK$142,000), which are included in the amounts disclosed separately.

12. EMPLOYEE BENEFITS EXPENSE

	2017 HK$'000	2016 HK$'000
Salaries, bonuses and allowances	**98,729**	83,701
Retirement benefits scheme contributions	**6,305**	4,692
Other benefits	**5,218**	4,934
Equity-settled share-based payments	**2,976**	2,640
	113,228	95,967

(a) Pensions – defined contribution plans

No contribution (2016: 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 four (2016: three) directors whose emoluments are reflected in the analysis presented in Note 13 to the consolidated financial statements. The emoluments paid to the remaining one (2016: two) individual is set out below:

	2017 HK$'000	2016 HK$'000
Salaries and allowances	**1,200**	1,555
Discretionary bonuses	**20**	279
Retirement benefits scheme contributions	**18**	92
Equity-settled share-based payments	**–**	119
	1,238	2,045

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**1**	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								
	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	*(Note i)* Estimated money value of other benefits HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Housing allowance HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Total HK$'000
Name of director									
Mr. Choi	–	1,123	166	–	104	–	–	–	1,393
Mr. To Ki Cheung	–	1,260	93	115	58	–	–	–	1,526
Mr. Koh Ming Fai	–	951	137	115	44	–	–	–	1,247
Mr. Fu Kwok Fu	–	836	124	115	39	–	–	–	1,114
Ms. Liu	–	–	–	–	–	–	–	–	–
Mr. Amir Gal Or *(Note (ii))*	102	–	–	–	–	–	–	–	102
Mr. Poon Lai Yin Michael *(Note (ii))*	–	–	–	–	–	–	–	–	–
Mr. Chan Ling Ming	180	–	–	–	–	–	–	–	180
Mr. Mok Kwok Cheung Rupert	180	–	–	–	–	–	–	–	180
Mr. Au Yu Chiu Steven	180	–	–	–	–	–	–	–	180
Mr. Guo Pengcheng *(Note (iii))*	165	–	–	–	–	–	–	–	165
Prof. Yung Kai Leung *(Note (iii))*	165	–	–	–	–	–	–	–	165
Total for 2017	972	4,170	520	345	245	–	–	–	6,252

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	–	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	84	–	–	–	–	–	–	–	84
Mr. Poon Lai Yin Michael	–	–	–	–	–	–	–	–	–
Mr. Chan Ling Ming	84	–	–	–	–	–	–	–	84
Mr. Mok Kwok Cheung Rupert	84	–	–	–	–	–	–	–	84
Mr. Au Yu Chiu Steven	84	–	–	–	–	–	–	–	84
Total for 2016	336	3,501	394	237	217	–	–	–	4,685

Notes:

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

(ii) Resigned and ceased on 25 July 2017.

(iii) Appointed on 1 February 2017.

Neither the chief executive nor any of the directors waived any emoluments during the year (2016: 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	423	Mr. Choi and Ms. Liu have beneficial interests in the contracting party
	Catering service fee	1,027	
	Rental expenses	6,105	
	Metal supplies and processing service fee	4,311	
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

	2017 HK$'000	2016 HK$'000
2016 Final of HK1.5 cents (2016: 2015 Final of HK$Nil) per ordinary share	9,570	–

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2017 of HK1.5 cents per share has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting to be held on 24 May 2018.

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:

	2017 HK$'000	2016 HK$'000
Earnings		
Profit attributable to owners of the Company	13,155	29,242

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	638,000	554,746
Effect of dilutive potential ordinary shares arising from share options issued by the Company	1,751	2,161
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	639,751	556,907

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 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 and 1 January 2017	11,585	41,089	24,933	24,175	1,473	831	104,086
Additions	1,581	6,830	397	2,347	245	3,982	15,382
Write off	(624)	(63)	(95)	(12)	–	(292)	(1,086)
Acquisition of a subsidiary *(Note 34(a))*	23	–	–	–	–	–	23
Transfer from inventories	–	69	–	–	–	–	69
Transfer	–	–	2,085	379	–	(2,464)	–
Exchange differences	692	3,198	1,831	1,768	79	117	7,685
At 31 December 2017	13,257	51,123	29,151	28,657	1,797	2,174	126,159
Accumulated depreciation							
At 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 and 1 January 2017	7,336	24,380	19,731	11,856	652	–	63,955
Charge for the year	1,647	4,910	2,319	1,639	299	–	10,814
Write off	(446)	(41)	(45)	(11)	–	–	(543)
Exchange differences	435	1,941	1,462	859	46	–	4,743
At 31 December 2017	8,972	31,190	23,467	14,343	997	–	78,969
Carrying amount							
At 31 December 2017	4,285	19,933	5,684	14,314	800	2,174	47,190
At 31 December 2016	4,249	16,709	5,202	12,319	821	831	40,131

17. GOODWILL

	2017 HK$'000	2016 HK$'000
Cost		
At 1 January	9,591	9,591
Arising on acquisition of a subsidiary *(Note 34(a))*	970	–
At 31 December	10,561	9,591
Accumulated impairment loss		
At 1 January	–	–
Impairment loss recognised in the current year	6,291	–
At 31 December	6,291	–
Carrying amount		
At 31 December	4,270	9,591

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:

	2017 HK$'000	2016 HK$'000
Development of "Hand of Hope" robotic hand training devices		
Rehab-Robotics Company Limited ("**RRCL**")	3,300	9,591
Manufacturing and trading of "Hypnus" branded continuous positive airway pressure ("CPAP") equipment		
Guangzhou Hypnus Healthcare Technology Co., Limited ("**GZ Hypnus**")	970	–
	4,270	9,591

17. GOODWILL (CONTINUED)

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% (2016: 3%) and 3% (2016: Nil) for development of "Hand of Hope" robotic hand training devices business and manufacturing and trading of "Hypnus" branded CPAP equipment respectively. These rates do 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 and manufacturing and trading of "Hypnus" branded CPAP equipment are 21.5% (2016: 20%) and 20% (2016: Nil) respectively.

At 31 December 2017, before impairment testing, goodwill of approximately HK$9,591,000 was allocated to RRCL under the development of "Hand of Hope" robotic hand training devices business. After review of the sales progress of the "Hand-of-Hope" and the fact that the number of units sold is less than the expected level and the delay in development of new products, the directors have determined to make impairment loss on goodwill of approximately HK$6,291,000.

18. OTHER INTANGIBLE ASSETS

	Use right HK$'000	Robotic training product development costs HK$'000	Patents HK$'000	License right HK$'000	Total HK$'000
Cost					
At 1 January 2016	13,753	–	–	–	13,753
Additions	1,200	1,293	–	–	2,493
At 31 December 2016 and 1 January 2017	14,953	1,293	–	–	16,246
Acquisition of a subsidiary *(Note 34(a))*	–	–	7,676	–	7,676
Additions	–	1,500	–	4,136	5,636
Exchange difference	–	–	233	–	233
At 31 December 2017	14,953	2,793	7,909	4,136	29,791
Accumulated amortisation					
At 1 January 2016	96	–	–	–	96
Amortisation for the year	1,522	–	–	–	1,522
At 31 December 2016 and 1 January 2017	1,618	–	–	–	1,618
Amortisation for the year	1,610	–	219	–	1,829
Exchange difference	–	–	11	–	11
At 31 December 2017	3,228	–	230	–	3,458
Carrying amount					
At 31 December 2017	11,725	2,793	7,679	4,136	26,333
At 31 December 2016	13,335	1,293	–	–	14,628

Use right and robotic training product development costs

The use right represents the 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 7.38 years (2016: 8.38 years).

18. OTHER INTANGIBLE ASSETS (CONTINUED)

Patents

The patents are used for the manufacturing and trading of "Hypnus" branded CPAP equipment. The average remaining amortisation period of the patents is 4.73 years (2016: Nil).

License right

On 8 September 2017, the Group entered into a license agreement, pursuant to which, the Group has granted a right of 10 years (exclusive rights for the first 5 years) to produce and sell the licensed goods in the licensed territory as specified in the license agreement after obtaining the relevant products registration.

As at 31 December 2017, the products registration is in progress. Amortisation of license right will be commenced after completion of registration.

19. INVESTMENTS IN ASSOCIATES

	2017 HK$'000	2016 HK$'000
Unlisted investments:		
Share of net assets	**1,942**	4,195
Goodwill	**2,818**	12,265
	4,760	16,460

Details of the Group's associates at 31 December 2017 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 surgeries
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)

Due to prolonged delay with uncertain timeline of the product development for market launch and the severe financial difficulty experienced by Ventific, the Group recognised impairment losses of approximately HK$11,629,000 for the year ended 31 December 2017 on the investment in Ventific.

In light of these events and circumstances, the directors considered that indicators of impairment existed in respect of the investment in Ventific, and as the recoverable amount is considered to be negligible, full impairment loss was made on the investment in Ventific.

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	
	2017	2016	**2017**	2016
Principal place of business/ country of incorporation	**Australia**	Australia	**Hong Kong**	Hong Kong
% of ownership interests/voting rights held by the Group	**20%/20%**	20%/20%	**20%/20%**	20%/20%
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 31 December:				
Non-current assets	**16**	15	**10,941**	11,715
Current assets	**6,790**	6,363	**1,265**	5,044
Non-current liabilities	**–**	–	**–**	(1,813)
Current liabilities	**(3)**	(1)	**(2,493)**	(348)
Net assets	**6,803**	6,377	**9,713**	14,598
Group's share of net assets	**1,361**	1,275	**1,942**	2,920
Goodwill	**10,268**	9,447	**2,818**	2,818
Group's share of carrying amount of interests before impairment	**11,629**	10,722	**4,760**	5,738
Less: impairment losses	**(11,629)**	–	**–**	–
	–	10,722	**4,760**	5,738
Year ended 31 December:				
Revenue	**–**	–	**1,805**	15
Loss for the year	**(66)**	(239)	**(4,885)**	(331)
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**(66)**	(239)	**(4,885)**	(331)
Dividends received from associates	**–**	–	**–**	–

20. INVESTMENTS IN JOINT VENTURES

	2017 HK$'000	2016 HK$'000
Unlisted investments:		
Share of net assets	**11,169**	–
Goodwill	**11,819**	–
	22,988	–

Details of the Group's joint ventures at 31 December 2017 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
100ecare	The PRC	Registered capital of RMB10,022,898	10%	Design, development, sales and operation of wearable devices.
Avalon	BVI	50,000 ordinary shares of US$1 each	20%	Investment holding
Avalon Photonics (HK) Limited ("**Avalon HK**") *(Note)*	Hong Kong	10,000 ordinary shares	20%	Design, development and distribution of kanga-care products
Avalon Medical Devices (Chongqing) Co., Limited 重慶凱耀醫療器械有限公司 ("**Avalon PRC**") *(Note)*	The PRC	Registered capital of RMB10,000,000	20%	Manufacturing of kanga-care products

Note:

Avalon HK and Avalon PRC are the wholly-owned subsidiaries of Avalon.

20. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The following table shows information on the joint ventures that are material to the Group. These joint ventures 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 joint ventures.

Name	100ecare		Avalon and its subsidiaries	
	2017	2016	**2017**	2016
Principal place of business/ country of incorporation	**The PRC**	The PRC	**BVI**	BVI
% of ownership interests/ voting rights held by the Group	**10%/10%**	n/a	**20%/20%**	n/a
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 31 December:				
Non-current assets	9,452	n/a	25,708	n/a
Current assets	16,436	n/a	17,737	n/a
Non-current liabilities	–	n/a	(317)	n/a
Current liabilities	(302)	n/a	(77)	n/a
Net assets	25,586	n/a	43,051	n/a
Group's share of net assets	2,559	n/a	8,610	n/a
Goodwill	7,347	n/a	4,472	n/a
Group's share of carrying amount of interests	9,906	n/a	13,082	n/a
Cash and cash equivalents included in current assets	8,893	n/a	12,051	n/a
Current financial liabilities (excluding trade and other payables and provisions) included in current liabilities	–	n/a	–	n/a
Non-current financial liabilities (excluding trade and other payables and provisions) included in non-current liabilities	–	n/a	–	n/a

20. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Name	100ecare		Avalon and its subsidiaries	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Year ended 31 December:				
Revenue	**10,380**	n/a	**–**	n/a
Depreciation and amortisation	**(595)**	n/a	**(518)**	n/a
Interest income	**10**	n/a	**1**	n/a
Income tax expense	**(70)**	n/a	**–**	n/a
Profit/(loss) for the year	**3,260**	n/a	**(1,076)**	n/a
Other comprehensive income	**–**	n/a	**84**	n/a
Total comprehensive income	**3,260**	n/a	**(992)**	n/a
Dividends received from joint ventures	**–**	n/a	**–**	n/a

As at 31 December 2017, the bank and cash balances of the Group' joint ventures in the PRC denominated in RMB amounted to approximately HK$12,701,000. 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.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 HK$'000	2016 HK$'000
Unlisted equity securities	**48,640**	–
Analysed as:		
Non-current assets	**48,640**	–

Unlisted equity securities with carrying amount of HK$48,640,000 (2016: Nil) were carried at cost as they do not have a quoted market price in an active market and their fair value cannot be reliably measured.

Available-for-sale financial assets are denominated in USD.

22. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	55,464	54,840
Work in progress	22,646	21,444
Finished goods	19,329	11,615
	97,439	87,899

23. 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:

	2017 HK$'000	2016 HK$'000
0 to 30 days	39,925	35,910
31 to 60 days	27,348	23,333
61 to 90 days	22,249	4,602
Over 90 days	25,921	11,378
	115,443	75,223

As at 31 December 2017, an allowance was made for estimated irrecoverable trade receivables of approximately HK$110,000 (2016: HK$Nil).

Reconciliation of allowance for trade receivables:

	2017 HK$'000	2016 HK$'000
At 1 January	–	895
Allowance for the year	110	(895)
At 31 December	110	–

23. TRADE RECEIVABLES (CONTINUED)

As of 31 December 2017, trade receivables of approximately HK$44,195,000 (2016: HK$13,726,000) respectively were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2017 HK$'000	2016 HK$'000
Overdue by:		
Up to 3 months	**40,019**	6,928
Over 3 months	**4,176**	6,798
	44,195	13,726

Overdue balances relate to a number of independent customers that have good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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

	2017 HK$'000	2016 HK$'000
HKD	**1,133**	1,462
RMB	**12,885**	7,923
USD	**101,425**	65,838
	115,443	75,223

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Deposits for investments	**1,855**	1,943
Deposits for purchases of property, plant and equipment	**10,521**	5,012
Deposits for purchases of goods	**14,945**	16,505
Prepaid expenses	**2,552**	1,003
Rental and other deposits	**6,487**	3,191
Other receivables	**5,466**	1,406
	41,826	29,060

25. BANK AND CASH BALANCES

The carrying amounts of the Group's bank and cash balances are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
HKD	66,318	156,286
RMB	10,192	19,489
USD	36,435	46,396
Others	48	35
	112,993	222,206

As at 31 December 2017, the bank and cash balances of the Group denominated in RMB and kept in the PRC amounted to approximately HK$7,289,000 (2016: HK$8,309,000). 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.

26. SHARE CAPITAL

	The Company	
	Number of shares	Amount HK$
Authorised:		
On 1 January 2016 (US$1 each)	50,000	390,000
Cancellation of shares under the redenomination	(50,000)	(390,000)
Creation of shares under the redenomination	10,000,000,000	100,000,000
At 31 December 2016, 1 January 2017 and 31 December 2017 (HK$0.01 each)	10,000,000,000	100,000,000
Issued and fully paid:		
On 1 January 2016 (US$1 each)	1	8
Repurchase or shares under the redenomination	(1)	(8)
Allotment of shares under the redenomination	1	–*
Shares issued pursuant to the reorganisation	9,998	100
Shares issued to pre-IPO investors	2,500	25
Shares capitalisation	510,387,501	5,103,875
Shares issued under the Global Offering	127,600,000	1,276,000
At 31 December 2016, 1 January 2017 and 31 December 2017 (HK$0.01 each)	638,000,000	6,380,000

* Represent an amount less than HK$1

26. SHARE CAPITAL (CONTINUED)

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 2017 amounted to approximately HK$365,185,000 (2016: HK$351,072,000), 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 as required by the Listing Rules. As at 31 December 2017, over 25% (2016: over 25%) of the shares were in public hands.

On 3 January 2018, the Group repurchased 350,000 ordinary shares at HK$227,500 and these shares were cancelled on 16 January 2018.

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

(a) Statement of financial position of the Company

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		–*	–*
Current assets			
Due from subsidiaries		95,822	26,391
Prepayments, deposits and other receivables		280	2,204
Bank and cash balances		50,849	128,643
Total current assets		146,951	157,238
TOTAL ASSETS		146,951	157,238
EQUITY AND LIABILITIES			
Share capital	26	6,380	6,380
Reserves	27(b)	137,407	147,002
Total equity		143,787	153,382
Current liabilities			
Due to subsidiaries		2,490	2,980
Other payables and accruals		674	876
Total current liabilities		3,164	3,856
TOTAL EQUITY AND LIABILITIES		146,951	157,238

* Represent the amount less than HK$1,000

Approved by the Board of Directors on 23 March 2018 and are signed on its behalf by:

Choi Man Shing **To Ki Cheung**

27. 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
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	60,000	–	–	–	60,000
Shares capitalisation	(5,104)	–	–	–	(5,104)
Shares issued under the Global Offering	116,421	–	–	–	116,421
At 31 December 2016 and 1 January 2017	171,317	2,714	–*	(27,029)	147,002
Loss for the year	–	–	–	(3,108)	(3,108)
Dividend paid	(9,570)	–	–	–	(9,570)
Share-based payments	–	3,083	–	–	3,083
At 31 December 2017	161,747	5,797	–*	(30,137)	137,407

* Represent the amount less than HK$1,000

28. 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.

28. 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 Vincent Healthcare Products Limited ("**VHPL**") and Vincent Medical Manufacturing Co., Limited ("**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(e)(iii) to the consolidated financial statements.

29. 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.

29. 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:

	2017		2016	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	**19,356,000**	**0.80**	–	
Granted during the year	**–**		19,684,000	0.80
Forfeited during the year	**(1,448,000)**	**0.80**	(328,000)	0.80
Outstanding at the end of the year	**17,908,000**	**0.80**	19,356,000	0.80
Exercisable at the end of the year	**3,391,000**	**0.80**	–	

The options outstanding at the end of the year have a weighted average remaining useful life of 8.46 years (2016: 9.46 years) and the exercise price is HK$0.8 (2016: HK$0.8).

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 ended 31 December 2017 and 2016, no share option was granted under the Share Option Scheme.

30. BORROWINGS

	2017 HK$'000	2016 HK$'000
Bank loan, secured	–	892
Other loans, unsecured	9,824	3,725
	9,824	4,617

The borrowings are repayable as follows:

	2017 HK$'000	2016 HK$'000
Within one year	9,824	3,167
More than one year, but not exceeding two years	–	1,450
	9,824	4,617
Less: Amount due for settlement within 12 months (shown under current liabilities)	(9,824)	(3,167)
Amount due for settlement after 12 months	–	1,450

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

	2017 HK$'000	2016 HK$'000
HKD	1,450	4,617
RMB	8,374	–
	9,824	4,617

The effective interest rates of borrowings were as follows:

	2017	2016
Bank loan	n/a	2.35%
Other loans	5%-8%	5%

Other loans are arranged at fixed rate and exposes the Group to fair value interest risk.

31. 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 2016	2,253	–	2,253
Charge/(credit) to profit or loss for the year *(Note 10)*	(239)	401	162
At 31 December 2016 and 1 January 2017	**2,014**	**401**	**2,415**
Charge/(credit) to profit or loss for the year *(Note 10)*	**(242)**	**222**	**(20)**
At 31 December 2017	**1,772**	**623**	**2,395**

32. TRADE PAYABLES

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

	2017 HK$'000	2016 HK$'000
0 to 30 days	**20,784**	18,119
31 to 60 days	**7,134**	4,340
Over 60 days	**15,358**	10,407
	43,276	32,866

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

	2017 HK$'000	2016 HK$'000
HKD	**3,865**	5,597
RMB	**23,106**	15,846
USD	**16,271**	10,965
Others	**34**	458
	43,276	32,866

33. OTHER PAYABLES AND ACCRUALS

	2017 HK$'000	2016 HK$'000
Accrued staff costs	**18,394**	16,639
Other accrued expenses	**7,485**	9,807
Other payables	**5,325**	7,373
Receipt in advance	**5,275**	9,472
Unpaid investment costs	**9,677**	3,748
	46,156	47,039

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of a subsidiary

In 28 August 2017, the Group (through Hypnus Healthcare Technology Limited, a 60% owned subsidiary) acquired 100% of the registered capital of GZ Hypnus for a total consideration of RMB100,000. GZ Hypnus was engaged in manufacturing and trading of "Hypnus" branded CPAP equipment during the year. The acquisition is for the purpose of matching the Group's strategies to broaden its product portfolio to CPAP equipment.

The fair value of the identifiable assets and liabilities of GZ Hypnus acquired as at the date of acquisition are as follows:

Net liabilities acquired:	**HK$'000**
Property, plant and equipment	23
Intangible assets	7,676
Inventories	26
Prepayments and deposits	808
Bank and cash balances	400
Other payables and accruals	(3,981)
Other loans	(5,806)
	(854)
Goodwill *(Note 17)*	970
	116
Satisfied by:	
Consideration payable	116
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	400

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Acquisition of a subsidiary (continued)

The goodwill arising on the acquisition of GZ Hypnus is attributable to is attributable to the anticipated future operating synergies from the combination.

GZ Hypnus contributed approximately HK$654,000 and HK$3,346,000 to the Group's revenue and loss for the year between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2017, total Group revenue for the year would have been approximately HK$446,358,000, and profit for the year would have been approximately HK$10,501,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is intended to be a projection of future results.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2017 HK$'000	Cash flows HK$'000	Acquisition of a subsidiary HK$'000	Exchange difference HK$'000	31 December 2017 HK$'000
Bank loan	892	(892)	–	–	–
Other loans	3,725	7	5,806	286	9,824
	4,617	(885)	5,806	286	9,824

35. CAPITAL COMMITMENTS

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

	2017 HK$'000	2016 HK$'000
Property, plant and equipment	18,135	7,085
Capital contribution to an investment	–	8,944
	18,135	16,029

36. LEASE COMMITMENTS

At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 HK$'000	2016 HK$'000
Within one year	**12,768**	8,570
In the second to fifth years inclusive	**8,383**	12,747
	21,151	21,317

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.

37. 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:

	2017 HK$'000	2016 HK$'000
Year ended 31 December:		
Purchases of goods from related companies	**423**	53,105
Catering service fee paid to a related company	**1,027**	1,053
Rental expenses paid to related companies	**6,561**	6,045
Reimbursement of staff costs to a related company	**–**	5,401
Metal supplies and processing service fee to a related company	**4,311**	2,182
Purchases of property, plant and equipment from a related company	**–**	1,129
At 31 December:		
Trade payables to related companies	**–**	6,156
Other payables to a related company	**478**	567
Other receivables from a related company	**76**	76

Note:

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

37. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2017 HK$'000	2016 HK$'000
Short-term benefits	**12,106**	7,729
Retirement benefits scheme contributions	**505**	423
Share-based payments	**736**	503
	13,347	8,655

38. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2017 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:				
Vincent Medical Manufacturing Holdings Limited	The BVI, limited liability company	US$1	100%	Investment holding
Vincent Medical Care Holdings Limited	The BVI, 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$18,900,000	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 and investment holding
VHPL	Hong Kong, limited liability company	HK$100,000	100%	Provision of marketing services to group companies and investment holding
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

38. 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
VMDG	The PRC, wholly-foreign owned enterprise with limited liability	HK$15,000,000	80.1%	Manufacturing of medical devices
Vincent Medical Avalon Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
Vincent Medical Fresca Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
Vincent Medical Innovation Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
Vincent Medical Inovytec Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
Vincent Medical Respinova Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
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
Hypnus Healthcare Technology Limited	Hong Kong, limited liability company	HK$10,000	60%	Investment holding
GZ Hypnus	The PRC, wholly-foreign owned enterprise with limited liability	HK$20,000,000 *(Note)*	60%	Manufacturing and trading of CPAP equipment
Vincent Medical Celsius Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding

Note: The registered capital of GZ Hypnus is HK$20,000,000 and HK$5,000,000 has been paid up as at 31 December 2017.

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.

38. 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	
	2017	2016	**2017**	2016	**2017**	2016
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	**14,917**	14,902	**40,799**	35,809	**15,009**	15,162
Current assets	**160,824**	185,832	**141,183**	128,006	**4,977**	4,546
Non-current liabilities	**–**	–	**–**	–	**(7,195)**	(3,865)
Current liabilities	**(42,786)**	(64,095)	**(32,424)**	(27,499)	**(6,750)**	(5,796)
Net assets	**132,955**	136,639	**149,558**	136,316	**6,041**	10,047
Accumulated NCI	**26,391**	27,124	**27,184**	24,506	**2,831**	4,710
Year ended 31 December						
Revenue	**324,328**	418,211	**282,950**	285,888	**2,685**	4,150
Profit/(loss)	**10,315**	49,819	**3,515**	15,917	**(8,006)**	(9,733)
Other comprehensive income	**–**	–	**9,726**	(8,912)	**–**	–
Total comprehensive income	**10,315**	49,819	**13,241**	7,005	**(8,006)**	(9,733)
Profit/(loss) allocated to NCI	**2,053**	9,914	**700**	3,168	**(3,753)**	(4,562)
Dividends paid to NCI	**(2,786)**	(2,786)	**–**	–	**–**	–
Net cash generated from/(used in) operating activities	**(30,041)**	54,073	**2,793**	12,162	**(6,585)**	(8,922)
Net cash used in investing activities	**(143)**	(43)	**(11,822)**	(6,612)	**(1,691)**	(2,544)
Net cash generated from/(used in) financing activities	**(14,892)**	(14,108)	**–**	–	**7,725**	(992)
Effect of foreign exchange rate changes	**–**	–	**7,164**	(7,325)	**–**	–
Net increase/(decrease) in cash and cash equivalents	**(45,076)**	39,922	**(1,865)**	(1,775)	**(551)**	(12,458)

39. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed above, the following significant events took place subsequent to 31 December 2017 and up to the date of this report.

i) On 24 January 2018, the Group entered into a supplemental agreement with Retraction and its founder shareholders, pursuant to which, the subscription of 2nd tranche preference shares by the Group are to be divided into 2 stages, namely T2A (US$666,666 for 40 preference shares) and T2B (US$83,334 for 5 preference shares).

On 25 January 2018, the Group has paid US$666,666 for subscription of 40 preference shares, representing 18.3% of the enlarged issued share capital of Retraction under the T2A stage.

In accordance with the supplemental agreement, the Group will subscribe 5 preference shares under the T2B stage if all the remaining milestones are achieved on or before 30 June 2018. Further, in the event that Retraction fails to achieve the remaining milestones on or before 30 June 2018, Retraction undertakes to buy-back from the Group the 40 preference shares allotted at the T2A stage at the purchase price of US$666,666.

ii) On 1 March 2018, Fresca Medical Inc. ("**Fresca**") (classified as available-for-sale financial assets at 31 December 2017) granted a Series C preferred share warrant to the Group, pursuant to which the Group is entitled to purchase 952,381 Series C preferred shares from Fresca. The warrant will not be exercisable until 29 February 2020. The exercise price shall be US$1.05 per Series C preferred share.

iii) On 8 March 2018, the Group paid the third instalment of US$600,000 for subscription of 2,418 Series A Preferred Shares in Inovytec Medical Solutions Ltd. (classified as available-for-sale financial assets at 31 December 2017).

Five-Year Financial Summary

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

	Year ended 31 December				
	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
Results					
Revenue	**446,302**	467,347	448,169	388,977	324,492
Profit before tax	**19,617**	47,696	69,172	53,958	35,475
Income tax (expense)/credit	**(8,163)**	(10,614)	2,484	(11,562)	(8,465)
Profit for the year	**11,454**	37,082	71,656	42,396	27,010
Attributable to:					
Owners of the Company	**13,155**	29,242	58,153	35,759	23,413
Non-controlling interests	**(1,701)**	7,840	13,503	6,637	3,597
	11,454	37,082	71,656	42,396	27,010

	At 31 December				
	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
Assets and liabilities					
Non-current assets	**154,181**	80,810	81,393	63,421	39,789
Current assets	**370,978**	414,388	238,575	232,964	200,912
Non-current liabilities	**(2,395)**	(3,865)	(5,978)	–	–
Current liabilities	**(107,813)**	(89,857)	(96,903)	(127,687)	(93,803)
Net assets	**414,951**	401,476	217,087	168,698	146,898
Attributable to:					
Owners of the Company	**365,185**	351,072	169,358	138,533	120,271
Non-controlling interests	**49,766**	50,404	47,729	30,165	26,627
	414,951	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.