

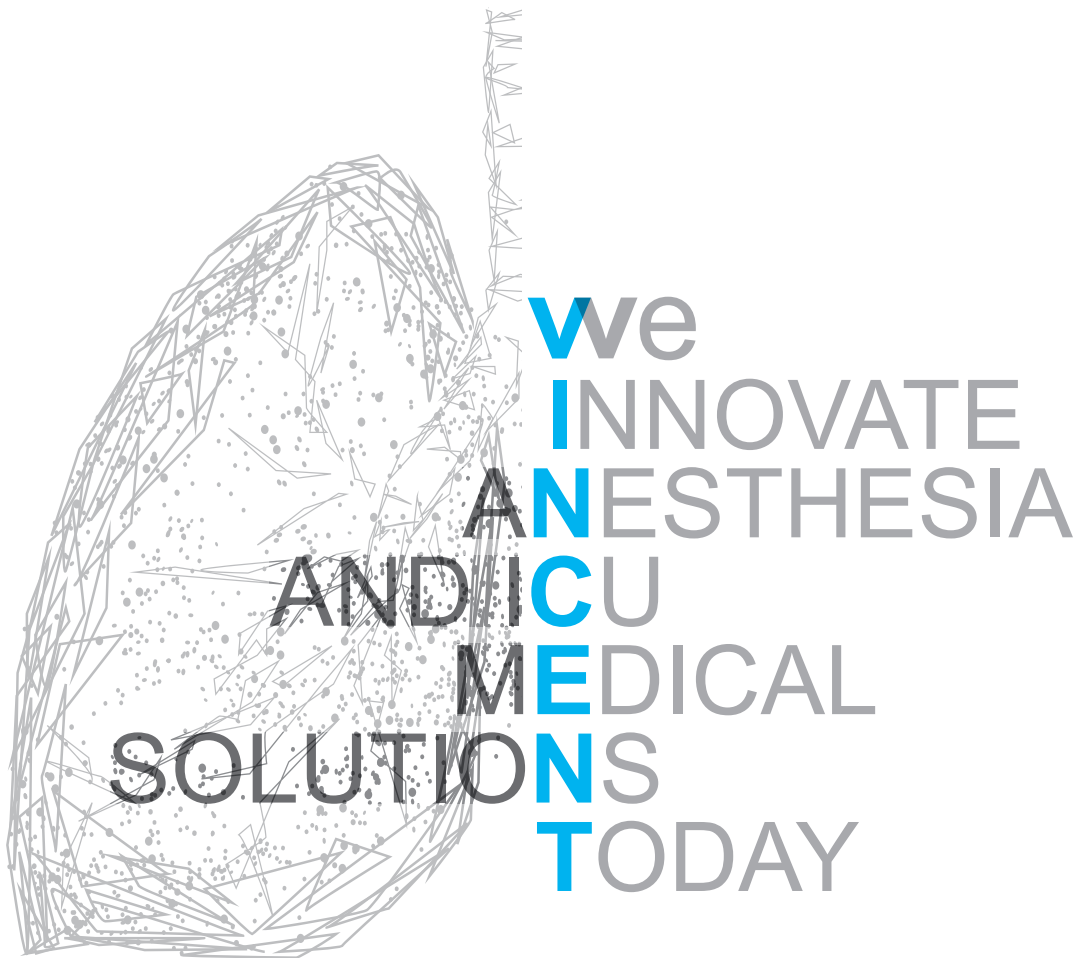


**Vincent
Medical**

VINCENT MEDICAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1612



INTERIM REPORT 2018

C O N T E N T S

2	Corporate Information
3	Financial Highlights
4	Management Discussion and Analysis
13	Other Information
22	Independent Review Report
23	Condensed Consolidated Statement of Profit or Loss
24	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
25	Condensed Consolidated Statement of Financial Position
26	Condensed Consolidated Statement of Changes in Equity
27	Condensed Consolidated Statement of Cash Flows
28	Notes to the Condensed Consolidated Financial Statements

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 (Retired on 24 May 2018)
Mr. GUO Pengcheng

Independent Non-executive Directors

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

BOARD COMMITTEE

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Risk Management Committee

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

COMPANY SECRETARY

Ms. TSUI Lai Ki Vicki

AUTHORISED REPRESENTATIVES

Mr. CHOI Man Shing
Mr. TO Ki Cheung

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat B2, 7th Floor, Phase 2,
Hang Fung Industrial Building,
2G Hok Yuen Street,
Hung Hom, Hong Kong

AUDITOR

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

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre, 183 Queen's Road East,
Hong Kong

PRINCIPAL BANKERS

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



FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2018 ("**1H2018**" or the "**Period**") increased by 10.6% to HK\$227.1 million as compared to that of HK\$205.4 million for the six months ended 30 June 2017 ("**1H2017**").
- Gross profit for 1H2018 increased by 2.7% to HK\$72.8 million (1H2017: HK\$70.9 million). Gross profit margin for 1H2018 decreased by 2.4 percentage points from 34.5% to 32.1%.
- Profit attributable to owners of the Company for 1H2018 increased by 4.4% to HK\$12.9 million (1H2017: HK\$12.4 million).
- Basic earnings per share of the Company for 1H2018 increased by 4.1% to HK2.02 cents (1H2017: HK1.94 cents).
- The board of directors of the Company did not recommend the payment of any interim dividend for 1H2018 (1H2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Vincent Medical Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2018. This report has been reviewed by RSM Hong Kong, the external auditor of the Company, and the Company’s audit committee (the “**Audit Committee**”).

For 1H2018, the Group’s revenue increased by 10.6% to HK\$227.1 million (1H2017: HK\$205.4 million). Gross profit margin decreased by 2.4 percentage points to 32.1% (1H2017: 34.5%). Profit attributable to owners of the Company increased by 4.4% to HK\$12.9 million (1H2017: HK\$12.4 million). Basic earnings per share of the Company (the “**Share(s)**”) was HK2.02 cents (1H2017: HK1.94 cents). The Board did not recommend the payment of interim dividend to the shareholders of the Company (the “**Shareholders**”) for 1H2018 (1H2017: Nil).

REVIEW OF OPERATIONS

During 1H2018, the Group has continued to focus on its core strategies of expanding its product offerings and to promote its existing products in both the original equipment manufacturing (“**OEM**”) and the original brand manufacturing (“**OBM**”) segments by reaching out to new customers and increasing market penetration. Sales of the Group has restored growth thanks to increased marketing efforts, scheduled new products roll-out in the OBM segment and increased orders from our existing OEM customers.

Despite our continued efforts to drive cost efficiency through our entire value chain, overall operating costs was higher as compared to same period last year. This was mainly due to increasing wages and labour costs in the People’s Republic of China (the “**PRC**”), the scale up of our research and development (“**R&D**”), regulatory assurance and marketing setup to support the expanding product portfolio (e.g. the new Hypnus™ CPAP (continuous positive airway pressure) machine and the new humidification system were first launched in the second half of 2017).

We are leveraging our strengths through collaborating with medical technology partners and internal R&D to expand our portfolio, to enter into new medical specialty areas and expedite our regulatory approval process. During the Period, our Inspired Bubble CPAP system has been granted the CE (Conformité Européenne) marking certificate and we have completed the development of the high flow oxygen therapy machine.

Bubble CPAP system is a non-invasive positive airway pressure system that is particularly popular in countries where resources for neonatal ventilators are limited thus allowing hospitals to use bubble CPAP system on neonate, infant and paediatric patients where breathing support is required. Major markets for bubble CPAP will be in the less developed Asia Pacific countries, India, Africa, Latin America and selected markets in Europe and the United States of America (the “**US**”).

During the Period, development of the high flow oxygen therapy machine was completed. Non-invasive ventilation like high flow oxygen therapy is becoming an integral tool for the treatment of both acute and chronic respiratory failure in both home setting and critical care unit. As such, we expect strong market interest of our high flow oxygen therapy machines when it is ready for market towards the end of 2018.

In April 2018, we received a gold medal at the 46th International Exhibition of Inventions Geneva 2018 for our germ-repellent and moisture dissipating medical breathing tube which was co-developed with Nano and Advanced Materials Institute Limited. With built-in germ-repellent and moisture dissipating technology, the non-toxic, leach-free, biocompatible germ-repellent plastics and moisture dissipating cartridge can reduce bacteria by over 90%, which is an ideal material for fabricating medical breathing tubes.

MANAGEMENT DISCUSSION AND ANALYSIS

OEM

Revenue from the OEM segment amounted to HK\$184.0 million (1H2017: HK\$170.1 million), representing a growth of 8.2% and accounting for 81.0% of the Group's total revenue (1H2017: 82.8%). The increase was primarily attributable to higher sales volumes of the existing imaging disposable and orthopaedic and rehabilitation products and increase in new product sales, which were partially offset by a 5.8% decrease in revenue from the respiratory products. During the Period, we have expanded our OEM product line to offer a broader spectrum of plastic disposable products, filters and surgical tools to meet customers' needs.

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

By product category

	For the six months ended 30 June				Change
	2018		2017		
	HK\$'000	% share	HK\$'000	% share	
Respiratory products	41,558	22.6	44,102	25.9	-5.8%
Imaging disposable products	81,729	44.4	79,093	46.5	+3.3%
Orthopaedic and rehabilitation products	31,402	17.1	29,493	17.4	+6.5%
Others (including infusion regulators, moulds and surgical tools)	29,285	15.9	17,390	10.2	+68.4%
Total	183,974	100.0	170,078	100.0	+8.2%

Our OEM products are mainly sold to customers in the US. During the Period, sales to the US slightly dropped by 0.5% to HK\$145.5 million. Sales to Europe and Australia grew 47.1% and 126.5%, respectively. We expect the North America market will continue to account for a major part of our OEM revenue in the future.

The table below sets out the breakdown of revenue by location of customers in terms of absolute amount and as a percentage of revenue from the OEM segment:

By geography

	For the six months ended 30 June				Change
	2018		2017		
	HK\$'000	% share	HK\$'000	% share	
US	145,532	79.1	146,206	86.0	-0.5%
Europe	13,734	7.5	9,337	5.5	+47.1%
Australia	13,225	7.2	5,840	3.4	+126.5%
Japan	6,163	3.3	6,936	4.1	-11.1%
Others (including Israel and Hong Kong)	5,320	2.9	1,759	1.0	+202.4%
Total	183,974	100.0	170,078	100.0	+8.2%

MANAGEMENT DISCUSSION AND ANALYSIS

OBM

The growth momentum of the OBM segment continued in 1H2018 with sales increased by 22.1% to HK\$43.1 million (1H2017: HK\$35.3 million). This was primarily attributable to new product launch in the respiratory product segment and the continued enhancement of marketing efforts to gradually establish a long-term stable sales channel. The PRC market continued to be the major market for our OBM segment with sales grew by 27.1% to HK\$23.9 million in 1H2018 (1H2017: HK\$18.8 million). Sales to international markets also recorded an overall growth of 16.4% to HK\$19.2 million (1H2017: HK\$16.5 million) despite a 14.7% drop in the sales to Europe, this was mainly attributable to the 55.4% increase in sales to Korea and Japan and the 59.2% increase in the sales to the US.

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

By product category

	For the six months ended 30 June				Change
	2018		2017		
	HK\$'000	% share	HK\$'000	% share	
Respiratory products	38,638	89.6	29,792	84.3	+29.7%
Orthopaedic and rehabilitation products	4,476	10.4	5,531	15.7	-19.1%
Total	43,114	100.0	35,323	100.0	+22.1%

The table below sets out the breakdown of revenue by location of customers in terms of absolute amount and as a percentage of revenue from the OBM segment:

By geography

	For the six months ended 30 June				Change
	2018		2017		
	HK\$'000	% share	HK\$'000	% share	
PRC	23,887	55.4	18,801	53.2	+27.1%
Korea and Japan	5,081	11.8	3,269	9.2	+55.4%
Europe	5,054	11.7	5,923	16.8	-14.7%
US	1,888	4.4	1,186	3.4	+59.2%
Australia	430	1.0	354	1.0	+21.5%
Others (including Israel, Chile and Canada)	6,774	15.7	5,790	16.4	+17.0%
Total	43,114	100.0	35,323	100.0	+22.1%

MANAGEMENT DISCUSSION AND ANALYSIS

INVESTMENTS AND COLLABORATION

During the Period, we continued to work closely with our existing partners and medical technology companies that the Group invested in and to monitor the product development progress of these companies.

Fresca Medical, Inc. ("**Fresca**"), a US company owned as to 13.51% of its issued share capital by the Group, was granted the De Novo request to market the CURVE™ Positive Airway Pressure Delivery System for the treatment of obstructive sleep apnea by FDA (Food and Drug Administration of the US) in June 2018. Fresca's breakthrough technology provides physicians the opportunity to offer a new breathing experience for patients who cannot tolerate existing CPAP therapy. During the Period, we worked seamlessly with Fresca to prepare for the transfer of manufacturing process of certain components of the system to our production facilities in Dongguan. It is expected that the launching of the CURVE™ System will begin in the US in 2019.

廣州柏頤信息科技有限公司 (translated as Guangzhou 100ecare Technology Co. Limited "**100ecare**", the Group owns 10% of its issued share capital) is a PRC high-tech enterprise which principally engages in the design, development, sales and operation of smart wearable devices; and a service provider of smart elderly healthcare solutions and information management solutions that integrates cloud computing and IoT (Internet of Things) technology. During the Period, 100ecare teamed up with a number of elderly care companies and district elderly community centers in the PRC to provide smart community care service. In addition, there have been considerable progress in product development, with the new electrocardiogram (ECG) smart wristband and remote health monitoring solutions scheduled to launch in the second half of 2018.

Retraction Limited ("**Retraction**"), the Hong Kong-based surgical device developer owned as to 40% of its issued share capital by the Group, launched its new version of REVEEL (a series of patented retractor for soft tissue mobilization to be used in endoscopic and laparoscopic procedures) after obtaining the CE marking certificate in 1H2018. The new family of devices are compatible with leading industry standard trocars which will allow for its use in a wider range of surgical applications. Further development of the new retractors is ongoing to include additional features as part of a larger product offering.

Inovytec Medical Solutions Ltd. ("**Inovytec**", the Group currently owns 13.7% with diluted effect of its enlarged issued share capital) is an Israeli private company focusing on the development of medical devices for airway managements, oxygen therapy and defibrillation in respiratory and cardiac emergency situations. During the Period, our engineers continued to work with Inovytec for the transfer of manufacturing process of their portable ventilator "Sparrow" to our production facilities, aiming to manufacture and test the first commercial production batch by the fourth quarter of 2018.

Avalon Photonics Holdings Limited ("**Avalon**", the Group owns 20% of its issued share capital), is a medical device and technologies company that researches and develops phototherapeutic technologies for managing various diseases. The LED-based Wearable Phototherapy Device for neonatal jaundice jointly developed by Avalon and the Group has received CFDA (China Food and Drug Administration of the PRC) approval in February 2018. During the Period, the Group began to penetrate the market with this product in selected cities with partners and specialized distributors.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

REVENUE

Driven by improved sales in both OEM and OBM segments, the Group's total revenue increased by 10.6% to HK\$227.1 million for 1H2018 (1H2017: HK\$205.4 million). Revenue from the US market stood at HK\$147.4 million while revenue from the PRC market increased by 27.1%. In respect of business segments, OEM and OBM contributed 81.0% (1H2017: 82.8%) and 19.0% (1H2017: 17.2%), respectively, to the Group's total revenue.

GROSS PROFIT AND GROSS PROFIT MARGIN

Despite the 10.6% increase in total revenue, gross profit rose slightly by 2.7% to HK\$72.8 million for 1H2018 (1H2017: HK\$70.9 million). Gross profit margin decreased by 2.4 percentage points from 34.5% to 32.1%. The aggregate effect during the Period from the appreciation of Renminbi ("RMB") against US dollars ("USD"), rising of labour costs and increasing price of raw materials for production has more than offset the positive contribution to the Group's gross profit margin through the enhancement of production efficiency.

OTHER INCOME

Other income for the Period mainly represented the subsidies of HK\$0.6 million (1H2017: Nil) from the Enterprise Support Scheme under the Innovation and Technology Fund of Hong Kong Government.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by 75.1% to HK\$12.5 million for 1H2018 (1H2017: HK\$7.1 million). The increase was primarily due to (i) the start-up marketing cost for the new Hypnus™ CPAP machine business; and (ii) an increase in staff cost for sales and marketing. Selling and distribution expenses as a percentage of revenue was 5.5% (1H2017: 3.5%).

ADMINISTRATIVE EXPENSES

Despite the increase in staff cost and general office expenses, administrative expenses in 1H2018 decreased by 8.9% to HK\$41.8 million (1H2017: HK\$45.9 million), this was primarily due to the capitalisation of certain R&D expenses related to the Group's OBM segment.

Capitalised R&D expenses (including salaries and wages of R&D staff) for 1H2018 was HK\$8.1 million (1H2017: HK\$0.9 million), while expensed R&D expenses (including salaries and wages of R&D staff) which included in administrative expenses for 1H2018 was HK\$9.3 million (1H2017: HK\$7.9 million). The increase in total R&D expenses was mainly due to (i) expansion of our R&D team and an increase in average salaries and wages of our R&D staff; (ii) an increase in the number of in-process R&D projects; and (iii) an increase in product development related expenses, such as engineering sample and tooling fees. The increase in capitalised R&D expenses during the Period was mainly due to increase in the number of R&D projects that could meet recognition criteria for capitalisation under HKFRSs.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

The Group shared losses of associates for 1H2018 amounted to HK\$0.9 million (1H2017: losses of HK\$0.4 million) and losses of joint ventures amounted to HK\$0.7 million (1H2017: profits of HK\$0.1 million), reflected mainly by the share of results of Retraction, 100ecare and Avalon.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company for 1H2018 increased by 4.4% to HK\$12.9 million (1H2017: HK\$12.4 million). The increase was mainly due to an overall increase in revenue and gross profit from both OEM and OBM segments, which was partly offset by the increase in selling and distribution expenses and share of losses of associates and joint ventures.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER INTANGIBLE ASSETS

As at 30 June 2018, other intangible assets included (i) use right and development costs of HK\$14.1 million (31 December 2017: HK\$14.5 million) for “Hand of Hope” robotic hand training devices business, (ii) patents and development costs of HK\$11.2 million (31 December 2017: HK\$7.7 million) for Hypnus™ CPAP machine business, and (iii) patents, license rights and development costs of HK\$9.9 million (31 December 2017: HK\$4.1 million) for other products. The increase was mainly due to capitalised R&D expenses of HK\$8.1 million during the Period as explained in the paragraph headed “Administrative Expenses” above.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

As at 30 June 2018, investments in associates amounted to HK\$13.9 million (31 December 2017: HK\$4.8 million), consisted of the Group’s investments in Retraction and another associate which acquired at a consideration of HK\$4.2 million during the Period.

As at 30 June 2018, investments in joint ventures amounted to HK\$22.2 million (31 December 2017: HK\$23.0 million), consisted of the Group’s investments in 100ecare and Avalon.

For details, please refer to the paragraph headed “Significant Investments” below.

EQUITY INVESTMENTS AT FVTOCI

On 1 January 2018, the date of initial application of HKFRS 9 Financial Instruments, the Group reclassified its equity investments (primarily consisted of the Group’s investment in Fresca and Inovytec) from available-for-sale financial assets to FVTOCI. Before adoption of HKFRS 9 on or prior to 31 December 2017, these equity investments are measured at cost less impairment losses, while after adoption of HKFRS 9 from 1 January 2018, these equity investments are measured at fair value. On 1 January 2018, the fair value of these equity investments (with cost of HK\$48.6 million) amounted to HK\$61.4 million.

During the Period, the Group paid HK\$14.1 million to subscribe additional interests in Inovytec and other investments upon achievement of relevant milestones pursuant to the related agreements. On 30 June 2018, the fair value of the Group’s equity investments amounted to HK\$77.3 million.

CONTRACT ASSETS

As at 30 June 2018, contract assets primarily consisted of unbilled amount of HK\$18.0 million (31 December 2017: Nil) resulting from sales of OEM products transferred over time after adoption of HKFRS 15 Revenue from Contracts with Customers from 1 January 2018. Contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

CURRENT TAX ASSETS

As at 30 June 2018, current tax assets represented prepaid Hong Kong Profits Tax for two subsidiaries incorporated in Hong Kong, which decreased by 79.6% to HK\$0.7 million (31 December 2017: HK\$3.3 million). The decrease was attributable to the provision of Hong Kong Profits Tax for these two subsidiaries during the Period.

EMPLOYEE INFORMATION

As at 30 June 2018, the total number of full-time employee of the Group was 1,127 (31 December 2017: 1,073). The remuneration of employees was determined according to their experience, qualifications, results of operations of the Group and the market condition. During the Period, staff costs including Directors’ emoluments (including capitalised salaries and wages for R&D staff) amounted to HK\$58.9 million (1H2017: HK\$54.1 million), representing 25.9% of the Group’s revenue (1H2017: 26.3%). The increase in staff costs was mainly due to the increase in number of employees for production, quality assurance, sales and marketing and business development and salary increment.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND BORROWINGS

Bank and cash balances for 1H2018 decreased by 42.4% to HK\$65.1 million (31 December 2017: HK\$113.0 million). This was a result of the net cash inflow from operating activities of HK\$9.8 million, net cash outflow from investing activities of HK\$46.3 million, net cash outflow from financing activities of HK\$9.8 million and negative effect of foreign exchange rate changes of HK\$1.6 million. Most of the bank and cash balances were denominated in HKD, USD and RMB.

Net cash outflow from investing activities for 1H2018 mainly arose from the purchase of equity investments at FVTOCI of HK\$14.1 million, purchase of property, plant and equipment of HK\$11.2 million, addition to other intangible assets of HK\$10.9 million and capital injection/acquisition of associates of HK\$10.1 million, while net cash outflow from financing activities mainly arose from final dividend paid for the year ended 31 December 2017 of HK\$9.6 million.

As at 30 June 2018, total borrowings amounted to HK\$9.7 million (31 December 2017: HK\$9.8 million). The net gearing ratio, which was calculated on the basis of the amount of total borrowings divided by the total equity attributable to owners of the Company, was 0.03 (31 December 2017: 0.03). As at 30 June 2018, the Group had undrawn bank loan of HK\$40.0 million.

CAPITAL EXPENDITURE AND COMMITMENTS

During the Period, total investment in property, plant and equipment was HK\$11.2 million (1H2017: HK\$3.1 million), in which 36.0% was used for purchasing production equipment and the remaining balance for procurement of other fixed assets.

As at 30 June 2018, the Group had contracted capital commitments of HK\$18.1 million for procurement of property, plants and equipment and capital contribution to certain investments, which was mainly financed with internal resources and bank borrowings.

CAPITAL STRUCTURE

As at the date of this 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

As at 30 June 2018, the Company considered that the significant investments were as follows:

1. The Group held 40% (31 December 2017: 20%) interest in Retraction with carrying amount of HK\$9.7 million (31 December 2017: HK\$4.8 million). The Group shared a loss of HK\$0.9 million in the consolidated statement of profit or loss during the Period.
2. The Group paid US\$3.0 million (31 December 2017: US\$2.4 million) to subscribe for 12,091 (31 December 2017: 9,673) Series A preferred shares, representing 13.7% (31 December 2017: 12.4%) with diluted effect of the enlarged issued share capital of Inovytex. After adoption of HKFRS 9 from 1 January 2018, the equity investment in Inovytex is measured at fair value. At 30 June 2018, the fair value of the equity investment in Inovytex amounted to US\$4.5 million (equivalent to HK\$35.0 million) (1 January 2018: US\$3.6 million (equivalent to HK\$27.9 million)).
3. The Group held 10% (31 December 2017: 10%) interest in 100ecare with carrying amount of HK\$9.9 million (31 December 2017: HK\$9.9 million). The Group shared a profit of HK\$0.09 million in the consolidated statement of profit or loss during the Period.
4. The Group held 20% (31 December 2017: 20%) interest in Avalon with carrying amount of HK\$12.3 million (31 December 2017: HK\$13.1 million). The Group shared a loss of HK\$0.78 million in the consolidated statement of profit or loss during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

For additional information regarding the principal activities, performance during the Period and future prospects of the above significant investments, please refer to the paragraph headed “Investments and Collaboration” above.

MATERIAL ACQUISITIONS AND DISPOSALS

During the Period, the Group had no material acquisitions or disposals of subsidiaries and associated companies.

EVENTS AFTER THE REPORTING PERIOD

There were no other significant events after the reporting period up to the date of this report.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2018, 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, there was a substantial amount of sales denominated in USD given the export-oriented nature of the OEM segment. 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.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds from the global offering (the “**Net Proceeds**”) received by the Company after deducting underwriting fees and estimated expenses was approximately HK\$94.6 million. Unutilised Net Proceeds as at 30 June 2018 amounted to approximately HK\$15.4 million and is deposited in a licensed bank in Hong Kong as short-term deposits. The Company intends to use the remaining Net Proceeds in accordance with the purposes set out in the prospectus of the Company dated 30 June 2016.

As at 30 June 2018, the Group has utilised the Net Proceeds as follows:

	Net Proceeds HK\$' million	Utilised amount HK\$' million	Unutilised amount HK\$' million
Expansion and upgrading of production facility from 2016 to 2018	47.3	31.9	15.4
Development of pipeline and planned products from 2016 to 2018	25.5	25.5	–
Sales and marketing from 2016 to 2018	17.1	17.1	–
General corporate purposes and working capital	4.7	4.7	–

CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have other contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

We see ample growth opportunities in the medical device industry in the long run driven primarily by increasing per capita spending on healthcare globally, the expanding coverage of insurance reimbursement on medical devices and market consolidation. However, the operating environment for the rest of 2018 has become more challenging and complicated due to uncertainties of the emerging trade wars and its impact on global trade and movement of the RMB and other currencies.

The US market accounted for approximately 65% of the Group's 1H2018 revenue and stood at HK\$147.4 million during the Period and we expect sales from this market may gradually decrease if the trade wars persist. Given mounting uncertainties ahead, the Group will stay vigilant to closely monitor the market dynamics and continue our seamless dialogue with our OEM customers to swiftly respond to any changes in policies and market conditions. We will also continue to keep up our effort in cost rationalization across all functions and projects. Lastly, we will continue to develop new markets to reduce the reliance on the US market in the medium to long term.

OTHER INFORMATION

INTERIM DIVIDEND

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil).

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

As at 30 June 2018, to the best knowledge of the Directors and chief executives of the Company, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had been notified to the Company and The Stock Exchange of Hong Kong Limited (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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Interests in Shares and underlying Shares

Name of Director	Type of interest	Number of Shares (L) <i>(Note 1)</i>	Approximate percentage of shareholding <i>(Note 6)</i>
Choi Man Shing	Beneficial owner/interest in controlled corporation	383,989,890 Shares <i>(Note 2)</i>	60.22%
To Ki Cheung	Beneficial owner	19,024,110 Shares <i>(Note 3)</i>	2.98%
Koh Ming Fai	Beneficial owner	6,970,000 Shares <i>(Note 4)</i>	1.09%
Fu Kwok Fu	Beneficial owner	6,970,000 Shares <i>(Note 5)</i>	1.09%
Chan Ling Ming	Beneficial owner	262,000 Shares	0.04%
Yung Kai Leung	Beneficial owner	1,200,000 Shares	0.19%

OTHER INFORMATION

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 of the Company;
 - (b) 381,939,890 Shares held by Vincent Raya International Limited (“**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 Vincent Raya Co., Limited (永勝宏基集團有限公司) (“**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) 16,497,778 Shares held by Mr. To Ki Cheung, the chief executive officer and executive Director of the Company;
 - (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 paragraph headed “Share Option Schemes” below; and
 - (c) 2,000,000 options granted to Mr. To Ki Cheung, which are subject to certain vesting conditions pursuant to the share option scheme of the Company, details of which are set out in the paragraph headed “Share Option Schemes” below.
4. These interests represented:
 - (a) 4,941,166 Shares held by Mr. Koh Ming Fai, an executive Director;
 - (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 paragraph headed “Share Option Schemes” below; and
 - (c) 1,500,000 options granted to Mr. Koh Ming Fai, which are subject to certain vesting conditions pursuant to the share option scheme of the Company, details of which are set out in the paragraph headed “Share Option Schemes” below.
5. These interests represented:
 - (a) 4,941,166 Shares held by Mr. Fu Kwok Fu, an executive Director;
 - (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 paragraph headed “Share Option Schemes” below; and
 - (c) 1,500,000 options granted to Mr. Fu Kwok Fu, which are subject to certain vesting conditions pursuant to the share option scheme of the Company, details of which are set out in the paragraph headed “Share Option Schemes” below.
6. Approximate percentage calculated based on the 637,650,000 Shares in issue as at the date of this report.

OTHER INFORMATION

Save as disclosed above and to the best knowledge of the Directors, as at 30 June 2018, 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 30 June 2018, 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'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 interest in all the Shares held by VRHK.
- (3) China Orient Asset Management Corporation holds 100% interest of Dong Yin Development (Holdings) Limited, which in turn holds 100% interest of Bright Way Enterprise Inc. Therefore, each of China Orient Asset Management Corporation and Dong Yin Development (Holdings) Limited is deemed to be interested in the same 33,000,000 Shares held by Bright Way Enterprise Inc..
- (4) Approximate percentage calculated based on the 637,650,000 Shares in issue as at the date of this report.

Save as disclosed above, as at 30 June 2018, 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.

OTHER INFORMATION

SHARE OPTION SCHEMES

Pre-IPO share option scheme adopted on 17 June 2016

A pre-IPO share option scheme (the “**Pre-IPO Share Option Scheme**”) was adopted by the Company on 17 June 2016. The purpose of the Pre-IPO Share Option Scheme is to recognise and acknowledge the contributions made by certain executives, Directors, employees and/or consultants of the Group to the growth of the Group by granting options to them as rewards and further incentives. The Pre-IPO Share Option Scheme will expire in 16 June 2026 and the remaining life of the Pre-IPO Share Option Scheme as at the date of this report is around 8 years.

Pursuant to the Pre-IPO Share Option Scheme, on 17 June 2016, the Company conditionally granted the options to subscribe for an aggregate of 19,684,000 Shares to a total of 91 grantees at exercise price of HK\$0.80 per Share 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 Company’s listing of the Shares on the main board of the Stock Exchange on 13 July 2016. Save for the options which have been granted on 17 June 2016, no further options will be granted under the Pre-IPO Share Option Scheme.

For the six months ended 30 June 2018, none of the above share options were exercised and a total of 592,000 share options were lapsed as a result of voluntary resignation of the relevant option holders. As at 30 June 2018, the maximum number of Shares which might be issued upon exercise of all outstanding options granted under the Pre-IPO Share Option Scheme was 17,316,000 Shares, representing approximately 2.7% of the Company’s issued share capital as at 30 June 2018.

OTHER INFORMATION

Details of the outstanding share options under the Pre-IPO Share Option Scheme during the Period as follows:

Grantee	Date of grant	Vesting schedule	Exercise period	Number of Shares underlying the share options granted			Outstanding as at 30 June 2018
				Outstanding as at 1 January 2018	Exercised during the Period	Lapsed during the Period	
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	15,796,000	-	(592,000)	15,204,000
Total				17,908,000	-	(592,000)	17,316,000

OTHER INFORMATION

Share option scheme adopted on 24 June 2016

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

Pursuant to the Share Option Scheme, on 28 May 2018, the Company conditionally granted the options to subscribe for an aggregate of 14,300,000 Shares to a total of 21 grantees, including Directors, executive and officer of the Group, at exercise price of HK\$0.80 per Share which was determined by the Board and at least be the highest of (i) the closing price of HK\$0.63 per Share as stated in the Stock Exchange’s daily quotations sheet on 28 May 2018; (ii) the average closing price of HK\$0.65 per Share as stated in the Stock Exchange’s daily quotations sheets for the five trading days immediately preceding 28 May 2018; and (iii) the nominal value of the Share of HK\$0.01 each.

For the six months ended 30 June 2018, none of the above share options were exercised and a total of 100,000 share options were lapsed due to non-acceptance of an offer of option by the relevant option holder by reason of voluntary resignation. As at 30 June 2018, the maximum number of Shares which might be issued upon exercise of all outstanding options granted under the Share Option Scheme was 14,200,000 Shares, representing approximately 2.2% of the Company’s issued share capital as at 30 June 2018.

OTHER INFORMATION

Details of the outstanding share options under the Share Option Scheme during the Period as follows:

Grantee	Date of grant	Vesting schedule	Exercise period	Number of Shares underlying the share options granted				Outstanding as at 30 June 2018
				Outstanding as at 1 January 2018	Granted during the Period	Exercised during the Period	Lapsed during the Period	
Directors								
To Ki Cheung	28 May 2018	25% of options will vest on each of 28 May 2019, 2020, 2021 and 2022 respectively	25% of options will be exercisable from each of 28 May 2019, 2020, 2021 and 2022 respectively to 23 June 2026	-	2,000,000	-	-	2,000,000
Koh Ming Fai	28 May 2018	25% of options will vest on each of 28 May 2019, 2020, 2021 and 2022 respectively	25% of options will be exercisable from each of 28 May 2019, 2020, 2021 and 2022 respectively to 23 June 2026	-	1,500,000	-	-	1,500,000
Fu Kwok Fu	28 May 2018	25% of options will vest on each of 28 May 2019, 2020, 2021 and 2022 respectively	25% of options will be exercisable from each of 28 May 2019, 2020, 2021 and 2022 respectively to 23 June 2026	-	1,500,000	-	-	1,500,000
In aggregate				-	5,000,000	-	-	5,000,000
Senior management and other employees								
In aggregate	28 May 2018	25% of options will vest on each of 28 May 2019, 2020, 2021 and 2022 respectively	25% of options will be exercisable from each of 28 May 2019, 2020, 2021 and 2022 respectively to 23 June 2026	-	9,300,000	-	(100,000)	9,200,000
Total				-	14,300,000	-	(100,000)	14,200,000

Further details of the share options are set out in Note 16 to the condensed consolidated financial statements of this report.

OTHER INFORMATION

CHANGE OF DIRECTORS' INFORMATION

Subsequent to publication of the 2017 Annual Report, the change of Directors' information, which is required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules, is set out below:

Name of Director	Details of change
Liu Pui Ching	Retired as a non-executive Director on 24 May 2018

The biographies of Directors are available in About Us section of the Company's website.

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 Corporate Governance Code and Corporate Governance Report (the "CG Code") as contained in Appendix 14 to the Listing Rules as its own code of corporate governance. The corporate governance principles of the Company emphasise a quality Board, sound internal controls and risk management, and transparency and accountability to all Shareholders.

In the opinion of the Directors, the Company has complied with the code provisions set out in the CG Code throughout the Period and up to the date of this report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding their securities transactions throughout the Period and up to the date of this report.

AUDIT COMMITTEE

The Company established the Audit Committee which currently consists of three independent non-executive Directors, namely Mr. Au Yu Chiu Steven, Mr. Chan Ling Ming and Mr. Mok Kwok Cheung Rupert, with written terms of reference which deal clearly with its authority and duties.

The Group's unaudited consolidated interim results for the six months ended 30 June 2018 have been reviewed by the Audit Committee.

RSM Hong Kong, the Company's auditor, has reviewed the unaudited consolidated interim results of the Group for the six months ended 30 June 2018 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's independent review report was included in the Company's interim report for the six months ended 30 June 2018 to the Shareholders.

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

On 3 January 2018, the Company repurchased 350,000 Shares at approximately HK\$228,000 and these Shares were cancelled on 16 January 2018. Saved for the above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2018.

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 for the six months ended 30 June 2018.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2018 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
Vincent Medical Holdings Limited
Choi Man Shing
Chairman and Executive Director
Hong Kong, 23 August 2018

INDEPENDENT REVIEW REPORT



TO THE BOARD OF DIRECTORS OF VINCENT MEDICAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 23 to 46 which comprises the condensed consolidated statement of financial position of the Company as at 30 June 2018 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

RSM Hong Kong

Certified Public Accountants

Hong Kong

23 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Note	Six months ended 30 June	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	5	227,088	205,401
Cost of sales		(154,298)	(134,526)
Gross profit		72,790	70,875
Other income		893	296
Selling and distribution expenses		(12,499)	(7,137)
Administrative expenses		(41,817)	(45,920)
Profit from operations		19,367	18,114
Finance costs – interest on borrowings		(344)	(78)
Share of losses of associates		(932)	(419)
Share of (losses)/profits of joint ventures		(689)	121
Profit before tax		17,402	17,738
Income tax expense	6	(4,167)	(4,555)
Profit for the period	7	13,235	13,183
Attributable to:			
Owners of the Company		12,905	12,365
Non-controlling interests		330	818
		13,235	13,183
Earnings per share	9		
Basic		HK2.02 cents	HK1.94 cents
Diluted		n/a	HK1.93 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Profit for the period	13,235	13,183
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value changes of equity investments at fair value through other comprehensive income (FVTOCI)	1,816	–
<i>Items that will be reclassified to profit or loss:</i>		
Share of other comprehensive income of joint ventures	(47)	–
Exchange differences on translating foreign operations	(2,056)	5,570
	(2,103)	5,570
Other comprehensive income for the period, net of tax	(287)	5,570
Total comprehensive income for the period	12,948	18,753
Attributable to:		
Owners of the Company	13,080	16,985
Non-controlling interests	(132)	1,768
	12,948	18,753

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	Note	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	10	51,782	47,190
Goodwill		4,270	4,270
Other intangible assets		35,243	26,333
Investments in associates		13,885	4,760
Investments in joint ventures		22,167	22,988
Available-for-sale financial assets		–	48,640
Equity investments at FVTOCI		77,341	–
Total non-current assets		204,688	154,181
Current assets			
Inventories		88,005	97,439
Contract assets		17,973	–
Trade receivables	11	97,321	115,443
Prepayments, deposits and other receivables	12	42,116	41,826
Current tax assets		669	3,277
Bank and cash balances		65,095	112,993
Total current assets		311,179	370,978
TOTAL ASSETS		515,867	525,159
EQUITY AND LIABILITIES			
Share capital	15	6,377	6,380
Reserves		375,060	358,805
Equity attributable to owners of the Company		381,437	365,185
Non-controlling interests		55,822	49,766
Total equity		437,259	414,951
Non-current liabilities			
Deferred tax liabilities		2,644	2,395
Current liabilities			
Trade payables	13	27,960	43,276
Other payables and accruals	14	28,831	46,156
Borrowings		9,709	9,824
Current tax liabilities		9,464	8,557
Total current liabilities		75,964	107,813
TOTAL EQUITY AND LIABILITIES		515,867	525,159
Net current assets		235,215	263,165
Total assets less current liabilities		439,903	417,346

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Attributable to owners of the Company									
	Share capital	Share premium account	Share-based payment reserve	Merger reserve	Foreign currency translation reserve	FVTOCI reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2017 (audited)	6,380	171,317	2,714	12,094	(8,057)	-	166,624	351,072	50,404	401,476
Total comprehensive income for the period	-	-	-	-	4,620	-	12,365	16,985	1,768	18,753
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	1,875	1,875
Share-based payments	-	-	2,405	-	-	-	-	2,405	-	2,405
Dividend paid	-	(9,570)	-	-	-	-	-	(9,570)	-	(9,570)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(2,786)	(2,786)
Changes in equity for the period	-	(9,570)	2,405	-	4,620	-	12,365	9,820	857	10,677
At 30 June 2017 (unaudited)	6,380	161,747	5,119	12,094	(3,437)	-	178,989	360,892	51,261	412,153
At 31 December 2017 (audited)	6,380	161,747	5,797	12,094	(612)	-	179,779	365,185	49,766	414,951
Adjustments on initial application of										
- HKFRS 9 (Note 2)	-	-	-	-	-	12,758	-	12,758	-	12,758
- HKFRS 15 (Note 2)	-	-	-	-	-	-	3,976	3,976	988	4,964
Restated balance at 1 January 2018	6,380	161,747	5,797	12,094	(612)	12,758	183,755	381,919	50,754	432,673
Total comprehensive income for the period	-	-	-	-	(1,641)	1,816	12,905	13,080	(132)	12,948
Repurchase of shares	(3)	(225)	-	-	-	-	-	(228)	-	(228)
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	50	50
Share-based payments	-	-	1,381	-	-	-	-	1,381	-	1,381
Dividend paid	-	(9,565)	-	-	-	-	-	(9,565)	-	(9,565)
Loss on deemed acquisition	-	-	-	-	-	-	(1,455)	(1,455)	1,455	-
Purchases from non-controlling shareholders	-	-	-	-	71	-	(3,766)	(3,695)	3,695	-
Changes in equity for the period	(3)	(9,790)	1,381	-	(1,570)	1,816	7,684	(482)	5,068	4,586
At 30 June 2018 (unaudited)	6,377	151,957	7,178	12,094	(2,182)	14,574	191,439	381,437	55,822	437,259

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	9,781	263
Purchases of property, plant and equipment	(11,234)	(3,139)
Purchases of available-for-sale financial assets	–	(28,303)
Purchases of equity investments at FVTOCI	(14,127)	–
Capital injection/acquisition of associates	(10,056)	–
Acquisition of a joint venture	–	(9,218)
Additions to other intangible assets	(10,875)	(851)
Other investing cash flows (net)	21	57
NET CASH USED IN INVESTING ACTIVITIES	(46,271)	(41,454)
Repurchase of shares	(228)	–
Repayment of bank loan	–	(892)
Proceeds from other loans	1,406	–
Repayment of other loans	(1,450)	(1,123)
Contribution from non-controlling shareholders	50	1,875
Dividend paid to owners of the Company	(9,565)	(9,570)
Dividend paid to non-controlling shareholders	–	(2,786)
NET CASH USED IN FINANCING ACTIVITIES	(9,787)	(12,496)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(46,277)	(53,687)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	112,993	222,206
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(1,621)	4,002
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY	65,095	172,521
Bank and cash balances	65,095	172,521

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

1. BASIS OF PREPARATION

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

These condensed consolidated financial statements should be read in conjunction with the 2017 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2017 except as stated below.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards (“HKAS”) and Interpretations.

The Group has initially adopted HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group’s consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. As permitted by the transitional provisions of HKFRS 9, the Group was elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current period.

The adoption of HKFRS 9 resulted in the following changes to the Group’s accounting policies.

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income (“FVTOCI”) or fair value through profit or loss (“FVTPL”); and
- those to be measured at amortised cost.

The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period, the Group changes its business model for managing financial assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKFRS 9 Financial Instruments (continued)

(a) Classification (continued)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

The Group classifies its financial assets at amortised cost only if both of the following criteria are met:

- the asset is held within a business model with the objective of collecting the contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

(b) Measurement

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, in the case of financial asset not at FVTPL, transactions costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

(c) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKFRS 9 Financial Instruments (continued)

(c) Impairment (continued)

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets.

Impairment on other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Set out below is the impact of the adoption of HKFRS 9 on the Group.

The following table and the accompanying note below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018.

Financial assets	Classification under HKAS 39	Classification under HKFRS 9	Carrying amount under HKAS 39 HK\$'000	Carrying amount under HKFRS 9 HK\$'000
Equity investments (<i>Note</i>)	Available-for-sale	FVTOCI	48,640	61,398
Trade and other receivables	Loans and receivables	Amortised cost	236,812	236,812

The impact of these changes on the Group's equity is as follows:

	Effect on FVTOCI reserve HK\$'000	Effect on retained earnings HK\$'000
Opening balance – HKAS 39	–	179,779
Reclassify non-trading equity investments from available-for-sale to financial assets at FVTOCI (<i>Note</i>)	12,758	–
Opening balance – HKFRS 9	12,758	179,779

Note:

These unlisted equity investments represent investments that the Group intends to hold for the long term for strategic purposes. Before adoption of HKFRS 9, these equity investments were measured at cost less impairment loss. As permitted by HKFRS 9, the Group has designated these investments at the date of initial application as measured at FVTOCI. As a result, these equity investments were reclassified from available-for-sale financial assets to financial assets at FVTOCI with fair value gain of approximately HK\$12,758,000 credited to the FVTOCI reserve on 1 January 2018. Unlike HKAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group has adopted HKFRS 15 using the cumulative effect method with the effect of initially applying this standard recognised at the date of initial application. Accordingly, the information presented for 2017 has not been restated, i.e. it is presented, as previously reported, under HKAS 18, HKAS 11 and related interpretations.

Under HKFRS 15, revenue is recognised when or as the control of promised goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of promised goods or services may be transferred over time or at a point in time. Control of the promised goods or services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer control as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the promised goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the promised goods or services.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- the direct measurements of the value of assets transferred by the Group to customer; or
- The Group's efforts or inputs to the satisfaction of the performance obligations.

In prior reporting periods, revenue from the sales of original equipment manufacturing ("OEM") and original brand manufacturing ("OBM") products is generally recognised when the risk and rewards of ownership have passed to the customers.

The adoption of HKFRS 15 resulted in the following changes to the Group's accounting policies on revenue recognition.

(a) Revenue from the sales of OEM products

Under HKFRS 15, OEM products that have no alternative use to the Group and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method, by reference to the costs incurred to date over the total expected costs. Otherwise, sales are recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been delivered to the designated location prescribed by the customer.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKFRS 15 Revenue from Contracts with Customers (continued)

(a) Revenue from the sales of OEM products (continued)

When either party to a contract has performed, the Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers goods to the customer, the Group presents the contract as a contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

(b) Revenue from the sales of OBM products

Under HKFRS 15, the sales of OBM products are recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Set out below is the impact of the adoption of HKFRS 15 on the Group.

The following table summarises the impact on the Group's opening retained earnings and non-controlling interests as at 1 January 2018 is as follows:

	HK\$'000
Sales of OEM products transferred over time	5,560
Related tax	(596)
	<hr/>
Adjustment to retained earnings and non-controlling interests from adoption of HKFRS 15 on 1 January 2018	4,964
	<hr/>
Attributable to:	
Owners of the Company	3,976
Non-controlling interests	988
	<hr/>
	4,964
	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKFRS 15 Revenue from Contracts with Customers (continued)

The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18, HKAS 11 and related interpretations that was previously in effect before the adoption of HKFRS 15 is as follows:

Consolidated statement of financial position (extract)	Previously stated as at 31 December 2017 HK\$'000	Adjustments under HKFRS 15 HK\$'000	Restated as at 1 January 2018 HK\$'000
Inventories	97,439	(12,262)	85,177
Contract assets	–	17,822	17,822
Current tax assets	3,277	(596)	2,681
Retained earnings	179,779	3,976	183,755
Non-controlling interests	49,766	988	50,754

The amount by each financial statements line items affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18, HKAS 11 and related interpretations that was previously in effect before the adoption of HKFRS 15 is as follows:

Consolidated statement of financial position as at 30 June 2018 (extract)	As reported HK\$'000	Effect of the adoption of HKFRS 15 HK\$'000	Amounts without adoption of HKFRS 15 HK\$'000
Inventories	88,005	11,990	99,995
Contract assets	17,973	(17,973)	–
Current tax assets	669	642	1,311
Retained earnings	191,439	(4,278)	187,161
Non-controlling interests	55,822	(1,063)	54,759

Consolidated statement of profit of loss for the six months ended 30 June 2018 (extract)	As reported HK\$'000	Effect of the adoption of HKFRS 15 HK\$'000	Amounts without adoption of HKFRS 15 HK\$'000
Revenue	227,088	(151)	226,937
Cost of sales	154,298	271	154,569
Income tax expense	4,167	(45)	4,122

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

3. FAIR VALUE MEASUREMENTS

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

a) Disclosures of level in fair value hierarchy at 30 June 2018:

Description	Fair value measurements as at 30 June 2018			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurements:				
Financial assets at FVTOCI –				
Unlisted equity securities	–	–	77,341	77,341

b) Reconciliation of financial assets measured at fair value based on level 3:

	Financial assets at FVTOCI	
	2018 HK\$'000	2017 HK\$'000
At beginning of period	–	–
Initial application of HKFRS 9 (Note)	61,398	–
Purchases	14,127	–
Total gains or losses recognised in other comprehensive income	1,816	–
At end of period	77,341	–

The total gains or losses recognised in other comprehensive income are presented in fair value changes of equity investments at FVTOCI in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

3. FAIR VALUE MEASUREMENTS (CONTINUED)

b) Reconciliation of financial assets measured at fair value based on level 3: (continued)

Note:

Before adoption of HKFRS 9, these unlisted equity securities were measured at cost less impairment losses. As permitted by HKFRS 9, the Group has designated these investments at the date of initial application as measured at FVTOCI. As a result, these equity securities were reclassified from available-for-sale financial assets to financial assets at FVTOCI with fair value of approximately HK\$61,398,000 at 1 January 2018.

c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2018:

The Group's financial controller is responsible for the fair value measurements of financial assets and financial liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase input	Fair value as at 30 June 2018 HK\$'000
Unlisted equity securities classified as financial assets at FVTOCI	Discount cash flow	Weighted average cost of capital	32% – 50%	Decrease	77,341
		Discount for lack of marketability	20%	Decrease	
		Long-term growth rate	2%	Increase	

There were no changes in the valuation techniques used.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

4. SEGMENT INFORMATION

Information about reportable segment profit or loss:

	OEM HK\$'000 (unaudited)	OBM HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
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Six months ended 30 June 2018

Revenue from external customers	183,974	43,114	227,088
Segment profit/(loss)	29,862	(7,430)	22,432

Six months ended 30 June 2017

Revenue from external customers	170,078	35,323	205,401
Segment profit/(loss)	27,651	(3,568)	24,083

Reconciliation of reportable segment profit or loss:

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Total profit or loss of reportable segments	22,432	24,083
Interest income	21	57
Interest expenses	(344)	(78)
Share-based payments	(1,381)	(2,405)
Share of losses of associates	(932)	(419)
Share of (losses)/profits of joint ventures	(689)	121
Unallocated corporate income	872	239
Unallocated corporate expenses	(2,577)	(3,860)
Consolidated profit before tax	17,402	17,738

Revenue from major customers:

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
OEM segment		
Customer A	85,162	80,949
Customer B	39,571	35,197

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

5. REVENUE

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers.

The nature and effect of initially applying HKFRS 15 on the Group's interim financial statements are disclosed in Note 2.

In the following table, revenue is disaggregated by product category, geographical market and timing of revenue recognition.

	Six months ended 30 June (unaudited)					
	OEM		OBM		Total	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
By product category						
Respiratory products	41,558	44,102	38,638	29,792	80,196	73,894
Imaging disposable products	81,729	79,093	–	–	81,729	79,093
Orthopaedic and rehabilitation products	31,402	29,493	4,476	5,531	35,878	35,024
Other products	29,285	17,390	–	–	29,285	17,390
	183,974	170,078	43,114	35,323	227,088	205,401
By geographical market						
United States of America	145,532	146,206	1,888	1,186	147,420	147,392
The People's Republic of China (the "PRC")	–	–	23,887	18,801	23,887	18,801
Australia	13,225	5,840	430	354	13,655	6,194
Netherlands	8,380	7,504	–	–	8,380	7,504
Japan	6,163	6,936	1,320	752	7,483	7,688
Others	10,674	3,592	15,589	14,230	26,263	17,822
	183,974	170,078	43,114	35,323	227,088	205,401
By timing of recognition						
Products transferred at a point in time	98,812	170,078	43,114	35,323	141,926	205,401
Products transferred over time	85,162	–	–	–	85,162	–
	183,974	170,078	43,114	35,323	227,088	205,401

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

5. REVENUE (CONTINUED)

The following table provides information about receivables and contract assets from contracts with customers:

	30 June 2018 HK\$'000 (unaudited)	1 January 2018 HK\$'000 (unaudited)
Receivables, which included in "trade receivables"	97,321	115,443
Contract assets	17,973	17,822

Contract assets primarily consist of unbilled amount resulting from sales of OEM products transferred over time. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Current tax		
– Hong Kong Profits Tax	2,647	2,727
– PRC Corporate Income Tax	1,271	1,824
Deferred tax	249	4
	4,167	4,555

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profits for the six months ended 30 June 2018 and 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, a PRC subsidiary of the Company 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 of the Company's PRC subsidiaries range from 15% to 25%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

7. PROFIT FOR THE PERIOD

The Group's profit for the period is arrived at after charging:

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Amortisation	1,890	821
Cost of inventories sold	154,298	134,526
Depreciation	6,212	5,299
Directors' emoluments	3,098	3,069
Equity-settled share-based payments	1,381	2,405
Exchange loss, net	2,633	2,938
Operating lease charges – land and buildings	6,228	4,280
Research and development expenditure	9,746	8,192
Staff costs including directors' emoluments	57,185	54,075

8. DIVIDENDS

The board of directors of the Company has resolved not to declare any interim dividend for the six months ended 30 June 2018 (for six months ended 30 June 2017: Nil).

The final dividend of HK1.5 cents amounting to approximately HK\$9,565,000 for the year ended 31 December 2017 has been approved and paid on 20 June 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

9. EARNINGS PER SHARE

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	<u>12,905</u>	<u>12,365</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares used in calculating basic earnings per share	637,656	638,000
Effect of dilutive potential ordinary shares arising from share options issued by the Company (<i>Note</i>)	<u>n/a</u>	<u>3,373</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>n/a</u>	<u>641,373</u>

Note:

The effects of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2018.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment of approximately HK\$11,234,000 (for the six months ended 30 June 2017: HK\$3,139,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

11. 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, is as follows:

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
0 to 30 days	48,452	39,925
31 to 60 days	19,567	27,348
61 to 90 days	15,993	22,249
Over 90 days	13,309	25,921
	97,321	115,443

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Deposits for investments	–	1,855
Deposits for purchases of property, plant and equipment	11,227	10,521
Deposits for purchases of goods	15,107	14,945
Prepaid expenses	2,006	2,552
Rental and other deposits	5,702	6,487
Value added tax and other receivables	8,074	5,466
	42,116	41,826

13. TRADE PAYABLES

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

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
0 to 30 days	17,814	20,784
31 to 60 days	2,584	7,134
Over 60 days	7,562	15,358
	27,960	43,276

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

14. OTHER PAYABLES AND ACCRUALS

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Accrued staff costs	11,711	18,394
Other accrued expenses	4,938	7,485
Other payables	3,634	5,325
Receipts in advance	3,689	5,275
Unpaid investment costs	4,859	9,677
	28,831	46,156

15. SHARE CAPITAL

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Authorised: 10,000,000,000 ordinary shares of HK\$0.01 each	100,000	100,000
Issued and fully paid: 637,650,000 (At 31 December 2017: 638,000,000) ordinary shares at HK\$0.01 each	6,377	6,380

A summary of the movements in the issued share capital of the Company is as follows:

	Number of shares issued	Nominal value of shares issued HK\$'000
At 1 January 2017, 31 December 2017 and 1 January 2018	638,000,000	6,380
Repurchase of shares	(350,000)	(3)
At 30 June 2018	637,650,000	6,377

On 3 January 2018, the Company repurchased 350,000 ordinary shares at approximately HK\$228,000 and these shares were cancelled on 16 January 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

16. 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 13 July 2016 (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.

Details of each tranche of options are as follows:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

16. SHARE OPTIONS (CONTINUED)

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

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

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

	Number of share options	Weighted average exercise price HK\$
Outstanding at the beginning of the period	17,908,000	0.80
Lapsed during the period	<u>(592,000)</u>	0.80
Outstanding at the end of the period	<u>17,316,000</u>	0.80
Exercisable at the end of the period	<u>4,329,000</u>	0.80

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, as 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.

On 28 May 2018, the Group granted 14,300,000 share options with exercise price of HK\$0.80 per share to certain directors and employees. 25% of the options will vest on each of 28 May 2019, 2020, 2021 and 2022 respectively and will be exercisable from each of 28 May 2019, 2020, 2021 and 2022 respectively to 23 June 2026.

The estimated fair value of the options at the date of grant was approximately HK\$2,654,000.

The fair value was calculated using the binomial option pricing model. The inputs into the model were as follows:

Weighted average share price	HK\$0.63
Weighted average exercise price	HK\$0.80
Expected volatility	37.35%
Risk free rate	2.79%
Expected dividend yield	2.35%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

16. SHARE OPTIONS (CONTINUED)

Share option scheme adopted on 24 June 2016 (continued)

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

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

	Number of share options	Weighted average exercise price HK\$
Outstanding at the beginning of the period	–	
Granted during the period	14,300,000	0.80
Lapsed during the period	(100,000)	0.80
	<u>14,200,000</u>	<u>0.80</u>
Outstanding at the end of the period	–	
Exercisable at the end of the period	–	

17. RELATED PARTY TRANSACTIONS

The Group had the following transactions and balances with its related parties during the period:

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Purchases of goods from a related company	199	112
Catering service fee paid to a related company	538	506
Rental expenses paid to a related company	4,069	3,100
Metal supplies and processing service fee to a related company	<u>2,606</u>	<u>2,108</u>

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
	Other payables to a related company	787
Other receivables from a related company	<u>76</u>	<u>76</u>

Note:

Mr. Choi Man Shing, an executive director of the Company has beneficial interest in these related companies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

18. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2018 (At 31 December 2017: Nil).

19. CAPITAL COMMITMENTS

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

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Property, plant and equipment	10,240	18,135
Capital contribution to investments	7,848	–
	18,088	18,135

20. NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. The Group has not early adopted any new or amended standards that has been issued but is not yet effective.

21. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 23 August 2018.