VINCENT MEDICAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1612

ANNUAL REPORT 2020

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. GUO Pengcheng

Independent Non-executive Directors

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. MOK Kwok Cheung Rupert
Prof. YUNG Kai Leung

Nomination Committee

Mr. CHOI Man Shing *(Chairman)*
Mr. MOK Kwok Cheung Rupert
Prof. YUNG Kai Leung

Remuneration Committee

Mr. MOK Kwok Cheung Rupert *(Chairman)*
Mr. CHOI Man Shing
Prof. YUNG Kai Leung

Risk Management Committee

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

Environmental, Social and Governance Committee

Mr. FU Kwok Fu *(Chairman)*
Mr. LAI Hoi Ming
Ms. TSUI Lai Ki Vicki

COMPANY SECRETARY

Ms. TSUI Lai Ki Vicki

AUTHORISED REPRESENTATIVES

Mr. CHOI Man Shing
Mr. TO Ki Cheung

REGISTERED OFFICE

Cricket Square, Hutchins Drive,
P.O. Box 2681, Grand Cayman,
KY1-1111, Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITOR

RSM Hong Kong
Certified Public Accountants
Registered Public Interest Entity Auditor
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,
P.O. Box 2681, Grand Cayman,
KY1-1111, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, 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

In this Annual Report (except the sections of "Independent Auditor's Report" and the audited consolidated financial statements set out on pages 90 to 173), unless the context otherwise requires, the following expressions shall have the following meanings:

"AGM"	the annual general meeting of the Company to be held at 17th Floor, Leighton, 77 Leighton Road, Causeway Bay, Hong Kong on Tuesday, 18 May 2021 at 10:00 a.m. or any adjournment thereof
"Articles of Association"	the articles of association of the Company as amended from time to time
"Audit Committee"	the audit committee of the Company
"Avalon"	Avalon Photonics Holdings Limited, a limited liability company incorporated under the laws of the British Virgin Islands
"Board"	the board of the Directors
"Cayman Companies Law"	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"CE"	Conformité Européenne
"CEO"	Mr. To Ki Cheung, the chief executive officer of the Company
"CG Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
"Chairman"	Mr. Choi Man Shing, the chairman of the Company
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company"	Vincent Medical Holdings Limited (永勝醫療控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange
"Company Secretary"	Ms. Tsui Lai Ki Vicki, the company secretary of the Group
"connected person"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	Mr. Choi Man Shing, Ms. Liu Pui Ching (the spouse of Mr. Choi Man Shing) and VRI, being the controlling shareholders who jointly control their respective interests in the Company within the meaning of the Listing Rules
"Director(s)"	the director(s) of the Company
"Dividend Policy"	the dividend policy as adopted by the Company on 12 December 2018

Definitions

"DVRD"	東莞永健康復器具有限公司 (translated as "Dongguan Vincent Rehabilitation Devices Company Limited"), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
"ESG Committee"	the environmental, social and governance committee of the Company
"FDA"	the Food and Drug Administration of the US
"Fresca"	Fresca Medical, Inc., a limited liability company incorporated under the laws of Delaware, the US
"FVTOCI"	fair value through other comprehensive income
"Group"	the Company and its subsidiaries
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Third Parties"	a person who, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person of the Company
"Inovytec"	Inovytec Medical Solutions Ltd., a limited liability company incorporated under the laws of the State of Israel
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"NMPA"	the National Medical Products Administration of the PRC
"Nomination Committee"	the nomination committee of the Company
"O2FLO"	the inspired™ O2FLO high flow respiratory humidifier
"OBM"	original brand manufacturing
"OEM"	original equipment manufacturing
"PRC"	the People's Republic of China
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme as adopted by the Company on 17 June 2016
"R&D"	research and development

"Remuneration Committee"	the remuneration committee of the Company
"Retraction"	Retraction Limited, a limited liability company incorporated in Hong Kong
"Risk Management Committee"	the risk management committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Share Option Scheme"	the share option scheme as adopted by the Company on 24 June 2016
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US"	the United States of America, its territories and possessions, and state of the United States and the District of Columbia
"USD"	United States dollars, the lawful currency of the US
"VHB Humidifier"	the inspired™ VHB series humidifiers
"VMDG"	東莞永勝醫療製品有限公司 (translated as "Vincent Medical (Dongguan) Mfg. Co. Ltd."), a limited liability company established in the PRC and an indirect non-wholly owned subsidiary of the Company prior to the completion of the acquisition of 3.98% equity interest held by Bayer Medical Care Inc. on 30 October 2020 and an indirect wholly-owned subsidiary of the Company upon completion of the above acquisition
"VMHK"	VINCENT MEDICAL MANUFACTURING CO., LIMITED (永勝醫療製品有限公司), a limited liability company incorporated in Hong Kong and an indirect non-wholly owned subsidiary of the Company prior to the completion of the acquisition of 1,718,861 shares (representing approximately 19.90% of its issued shares) held by Bayer Medical Care Inc. on 30 October 2020 and an indirect wholly-owned subsidiary of the Company upon completion of the above acquisition
"VRDG"	永勝(東莞)電子有限公司 (translated as "Vincent Raya (Dongguan) Electronics Co., Ltd."), a limited liability company established in the PRC and wholly-owned by VRHK
"VRDL"	VINCENT RAYA DEVELOPMENT LIMITED (永勝宏基發展有限公司), a limited liability company incorporated in Hong Kong and wholly-owned by VRI

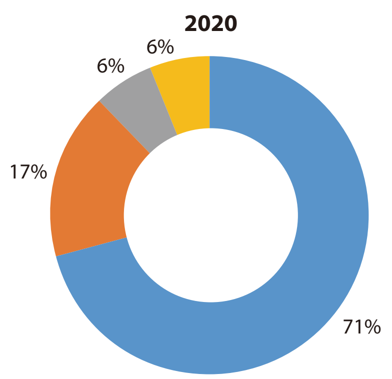
Definitions

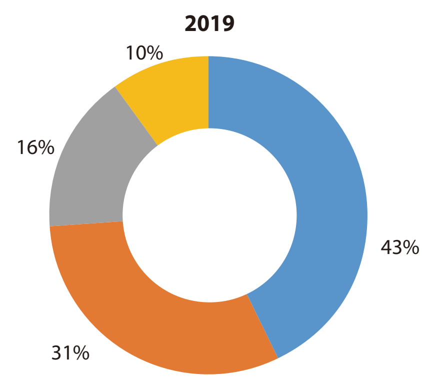
"VRHK"	VINCENT RAYA CO., LIMITED (永勝宏基集團有限公司), a limited liability company incorporated in Hong Kong and wholly-owned by VRI
"VRI"	VINCENT RAYA INTERNATIONAL LIMITED, a company incorporated in the British Virgin Islands and being held as to 57.89% by Mr. Choi Man Shing and 42.11% by Ms. Liu Pui Ching as at the date of this Annual Report, and one of the Controlling Shareholders
"VRMD"	東莞永勝宏基醫療器械有限公司 (translated as "Vincent Raya (Dong Guan) Medical Device Co., Ltd."), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
"100ecare"	廣州愛牽掛數字科技有限公司 (formerly known as "廣州柏頤信息科技有限公司" and translated as "Guangzhou 100ecare Technology Co. Ltd."), a limited liability company established in the PRC
"2020" or "Year"	for the year ended 31 December 2020
"%"	per cent.

	For the year ended 31 December		
	2020 HK$'000	2019 HK$'000	Change
Revenue	**1,155,383**	502,200	130.1%
Gross profit	**494,237**	162,007	205.1%
Profit for the year	**247,435**	12,857	18.2 times
Profit attributable to owners of the Company	**216,865**	11,525	17.8 times
Basic earnings per share (HK cents)	**33.84**	1.81	17.7 times
Dividend per share (HK cents)	**11.00**	1.10	9.0 times

REVENUE ANALYSIS

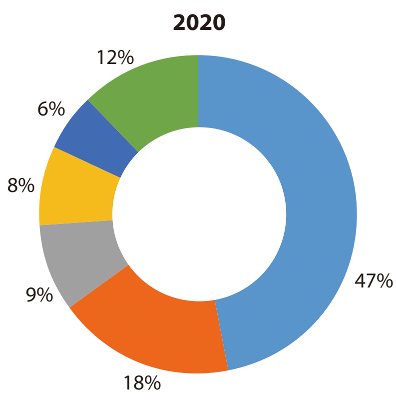
By Product Category

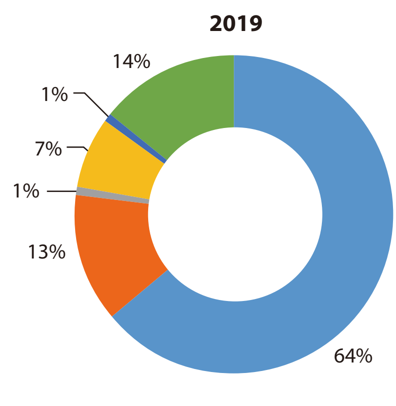




Respiratory Imaging disposables Orthopaedic and rehabilitation Others

By Geography





The US The PRC Middle East Europe India Others

2020 Milestones

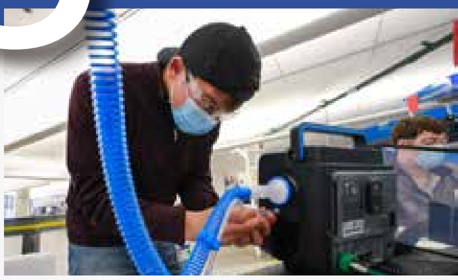
1 JANUARY

- Stepped up quickly to manage the challenges and capture the opportunities from COVID-19, while ensuring the safety and well-being of all employees

2 FEBRUARY

- inspired™ VHB humidifier series were used together with invasive ventilators in hospitals to treat COVID-19 patients
- Obtained NMPA approval for its inspired™ O2FLO High Flow Oxygen Therapy Device (VUN-001)

3 MARCH



- Partnered with General Motors and Ventec as the suppliers of consumables for the VOCSN ventilator in the US

4 APRIL

- Recognised as the Engineering Technology Research Center by the Department of Science and Technology of Guangdong Province

5 MAY

- Obtained FDA EUA for inspired™ O2FLO and Hypnus™ ST730 and its dedicated accessories

6 JUNE

- Obtained FDA EUA for inspired™ HME Filter, Bacterial/Viral Respirator Filter and Hypnus™ PAP 8 Series

10 OCTOBER

- Launched HME Filter and Bacterial and Viral Filter as a US FDA 510(k) Class II Medical Device
- Acquired the remaining stake of VMHK and VMDG from Bayer Group

11 NOVEMBER

- The opening of sales support office in Chengdu, Sichuan Province in the PRC
- Clinched the "Corporate Excellence Award" and "Master Entrepreneur Award" in the Asia Pacific Enterprise Awards 2020 Regional Edition organised by Enterprise Asia
- Received a subsidy of RMB6.0 million under the "Direct Subsidy for Securing Emergency Medical Resources 2020" program, which was strategically implemented by the State Council and backed by the Ministry of Finance

12 DECEMBER

- Established Vincent Medical Enrichment Scholarship for students at LKS Faculty of Medicine, the University of Hong Kong
- Growing patent portfolio – with approximately 140 patents and applications

2020 Milestones

STANDING TOGETHER TO
FIGHT AGAINST COVID-19

Vincent Medical Demonstrates Operational Excellence and Business Resilience

The COVID-19 pandemic is challenging communities and healthcare systems throughout the world. As a respiratory device manufacturer serving global medical companies, we are committed to ensuring a resilient operation in order to maintain a steady supply of our medical devices, and at the same time, implementing health and safety best practices in order to guarantee the well-being of our staff.

In late January 2020, the PRC government implemented lockdowns at various cities which concerns about half of the country's population. Despite such difficulty, Vincent Medical moved fast, and coordinated seamlessly with the local government in securing the early resumption of manufacturing activities at its Dongguan production facilities, which was perceived as an important contribution to the unwavering combat of COVID-19 outbreak in Hubei, in the capacity of an established, quality respiratory medical device manufacturer.

FIGHT AGAINST

To further understand and react to the potential issues and challenges during this unprecedented time, Vincent Medical's visionary management team, led by Chairman Mr. Vincent Choi, has set up a specific unit in identifying challenges and providing solutions, including issues such as the disruption of global supply chain, the return of workforce during lockdown, vendor status, communications with stakeholders, as well as countless others. As the COVID-19 quickly evolved into a pandemic, it was important to carefully manage on both production and distribution ends, so that we were able to deliver our products to those who were truly in need at the right time.

Thanks to the unequivocal support from everyone at Vincent Medical, the local government, our customers, as well as suppliers and partners, we were able to:

Expand production capacity

- ✓ Tripled its production capacity in 2 months, and scaled up disposables production by more than 3 times
- ✓ Doubled the workforce
- ✓ Established a new 2,400 sq.m. cleanroom which commenced operation by May 2020

Provide innovative solutions tackling COVID-19

- ✓ Leveraged HEPA filter technology and the patented IIC circuits to reduce risk of infection
- ✓ Added new Exhalation Valve Breathing Circuit System with HME filter to enable full, non-active humidification system support for ventilators
- ✓ Used bacteria filters as barrier to ensure containment of virus particles in ventilation systems



People from Vincent Medical always carry the mission of putting patients first, and we are proudly contributing to saving lives every day. Going forward, we will continue to deliver world-class quality, while advocating for the innovation of life-saving technologies and adopting safe and good manufacturing practices.

Chairman's Statement

Choi Man Shing
Chairman and Executive Director

"We shall continue to stay focused and guide the group to become a pioneer in the respiratory device market through our expanding product offering."

Dear Shareholders,

In 2020, we saw the ongoing COVID-19 pandemic affecting every part of the world. The subsequent needs to prevent, control, diagnose and treat COVID-19 patients had stimulated the global demand for medical resources especially on the respiratory area. This has in turn, expedited the transformative journey of Vincent Medical to become one of the key global medical technology providers in this area.

Despite the operational challenges, we adhered to our mission of putting patients first and has worked relentlessly to manage our entire supply chain as well as to expand our production capabilities and capacity, all at the same time, introducing new devices that can address the needs of customers and partners in fighting the pandemic. Thanks to the dedication and support from all my colleagues, I am delighted to report that we have delivered a set of record high financial performance during the Year. Total revenue increased by 130.1% to HK$1,155.4 million, surpassing the HK$1 billion mark for the first time in our history. Overall gross profit margin rose by 10.5 percentage points to 42.8%, driven by significant sales growth from the inspired™ respiratory devices and consumables. Profit attributable to owners of the Company surged by 17.8 times to HK$216.9 million, along with net profit margin enhancement of 18.8 percentage points to 21.4%. Basic earnings per share also up by 17.7 times to HK33.84 cents. I would like to take this opportunity to once again express my sincere gratitude towards all of my colleagues, for their hard work and for the progress we have made amidst the difficulties brought by the pandemic.

Balancing between the operating results of 2020 and the anticipated capital needs for future development, the Board is pleased to announce the payment of a final dividend of HK11.0 cents per share, or a dividend payout ratio of 33.0% accordance with the Dividend Policy.

We believe our business performance in 2020 is a testament to our solid business foundation, robust business model as well as agile operations. Although we expect that there will be a year-over-year decrease in sales of respiratory devices in 2021 given the dramatic increase in demand that we saw in 2020 and with limited budget from hospitals globally, we believe that on a longer term into the post COVID-19 era, there will be an increasing attention on high flow respiratory treatment, prevention of respiratory diseases and greater awareness of high flow technology beyond the Intensive Care Unit. Supported by our over 20 years of experience in the respiratory and humidification areas, along with our growing product portfolio, extensive distribution network and solid financial position, we believe we are well-positioned to capture future market opportunities.

Looking ahead, Vincent Medical will continue to embrace its "device + disposables" growth strategy to further expand its installed base, and expect to derive a growing portion of revenue from its dedicated disposables. We see a strong intention for hospitals to look for alternatives in device replacement that have wider range of applications, which could greatly reduce capital expenditure and boost equipment usage.

To penetrate to a large and growing addressable patient population that encompasses the spectrum of respiratory disease, we are looking to launch an additional range of O2FLO device thus increasing the family of high flow devices. These new devices can be applied to a broader range of healthcare situations (e.g., anesthesia and surgery) with enhanced clinical benefits for bariatric patients. We will also launch a series of dedicated disposables for the entire O2FLO family, including the smoothbore heater wire breathing circuits and new nasal prongs, in order to penetrate a wider device adoption with growing functionality. Meanwhile, we are now working diligently to prepare a comprehensive 510(k) filing for our O2FLO and VHB Humidifier.

Other than new devices, new consumables and new registration of existing devices, we will further increase market penetration through our close relationship with customers and global partners. COVID-19 has allowed us to evolve into a key supplier to major global respiratory companies, and leveraging such close relationships, we are now in discussion with existing partners to expand collaboration in both product range and geographical coverage. We believe the new business collaborations would allow us to tap into their respective expansive distribution network, thus laying a solid foundation for boosting our devices' installed base and hence consumables sales.

In addition to the overseas market, the Group is also poised to ride on the new opportunities brought by the Greater Bay Area development and the dual circulation economic strategy. Leveraging our strategically located headquarters in Hong Kong and production and R&D facilities in Dongguan, we are on the lookout for extending our footprint in the Greater Bay Area by identifying partnership opportunities with local medical players with a focus on connected healthcare services.

As a medical company, it is also important to be innovative with new products and ideas. As at 31 December, 2020, the Group owned approximately 140 patents and applications, along with the rights to an array of patented and patent-pending technologies in the respiratory and orthopaedic areas. Supported by such capability, we intend to tap into the rather underserved respiratory home care market through the provision of connected care and cloud-based support devices and solutions, as the market could be a major contributor in the future due to the growing needs of remote patient assessment and monitoring.

While we pay much attention on product and market development, the top priority for everyone at Vincent Medical has always been product quality. We are committed to further enhancing our quality management system in 2021, ensuring that our devices are able to meet the most stringent standards in countries where we participate. Additional resources will also be placed on the preparation for the new European Union regulation for the medical device industry (EU MDR), as well as for the NMPA registration of new products.

All in all, despite the uncertainty of the COVID-19 pandemic, the Group's commitment to creating values for all stakeholders remains. I believe 2020 was a major opportunity to fuel the ready foundation for growth which we have been preparing for. The Group has proven its ability to capture the opportunity and this is only the beginning and supported by the new product launch in 2021 and beyond, I am confident that we will achieve continuous long-term organic growth, and will become a global leader in respiratory care in the future.

Lastly, I would like to express my heartfelt gratitude to our Directors and colleagues, customers, suppliers, consultants and our Shareholders for your relentless and continuous support.

Choi Man Shing
Chairman and Executive Director

Hong Kong, 23 March 2021

Management Discussion and Analysis

Leveraging the Group's over 20 years of experience in respiratory humidification, as well as its agile manufacturing operations and patented technologies, it successfully took on COVID-19 as an opportunity, and has since transformed into one of the key global medical technology providers in the respiratory area. The Group is now proudly serving its products and solutions in over 80 countries and regions.

Respiratory products segment

	For the year ended 31 December		
	2020 HK$'000	2019 HK$'000	Change
O2FLO	**111,346**	1,101	+10,013.2%
O2FLO disposables	**93,478**	293	+31,803.8%
VHB Humidifier	**93,902**	6,988	+1,243.8%
VHB Humidifier disposables	**101,100**	33,919	+198.1%
Other respiratory products	**127,534**	72,245	+76.5%
OEM respiratory products	**291,657**	97,815	+198.2%
Total	**819,017**	212,361	+285.6%

Revenue from the respiratory products segment soared by 285.6% to HK$819.0 million (2019: HK$212.4 million) primarily driven by the rising global demand for respiratory devices, as well as the growth in disposables sales benefited from the increasing number of installed base of the inspired™ O2FLO, a standalone nasal high-flow therapy device with dedicated disposables, and the inspired™ VHB Humidifier in the existing and new markets. During the Year, the Group also received one-time order of respiratory disposables from major ventilator companies and governments for national stockpile, which was amounted to approximately HK$175.0 million.

Gross profit margin of the respiratory products segment increased from 33.5% to 47.9%, primarily attributable to the launch of the O2FLO and higher sales volume of disposables for ventilators.

O2FLO

The inspired™ O2FLO was launched in November 2018 in Japan and when it received its CE in November 2019, it was subsequently launched to other areas and able to capture an installed base of over 13,000 units in major markets including India, Saudi Arabia, South Africa, the PRC, Turkey and Kazakhstan.

High flow oxygen therapy has gained widespread awareness among healthcare practitioners as well as the general public, as it is now being used in treating COVID-19 patients. It has also been proven in multiple clinically studies that high flow oxygen therapy can have a wide spectrum of potential applications in treating diseases such as acute hypoxemic respiratory failure, acute hypercarbic respiratory failure, post-extubation, pre-intubation oxygenation, acute heart failure and even sleep apnea. For the use of O2FLO, it requires the adoption of dedicated single-use disposables such as humidification chambers, nasal cannula, breathing circuits and filters, in order to deliver the optimal airflow to patients. During the Year, revenue generated from the sales of O2FLO surged to HK$111.3 million (2019: HK$1.1 million), with the sales of O2FLO's dedicated disposables and accessories reaching HK$93.5 million (2019: HK$0.3 million).

VHB Humidifier

With the increased utilisation of invasive mechanical ventilator, the active humidification system, which is necessary for hospital-use mechanical ventilators, was also benefited from the trend. Supported by the related disposables including humidification chambers, breathing circuits and filters, the VHB Humidifier provides warm and humidified air to intubated patients, and is a standard of care in mechanical ventilation. For patients who are critically ill and require the support of ventilators, the VHB Humidifier also serves as the servo feedback system which is a critical part of the life supporting system.

During the Year, the Group has entered into long-term collaborations with a number of world's leading ventilator makers in supplying its VHB Humidifiers with tailor-made features. In 2020, revenue generated from the sales of VHB Humidifiers increased by 1,243.8% to HK$93.9 million (2019: HK$7.0 million), and sales from the related disposables also recorded a significant growth of 198.1% to HK$101.1 million (2019: HK$33.9 million).

Other respiratory products

The Group's other respiratory products include a wide range of respiratory disposables including breathing circuits (the inspired IIC™ circuit, single limb circuit, dual limb circuit and heater wire circuit), filters (HEPA (high-efficiency particulate air), HME (heat and moisture exchanger) and bacterial/viral respirator), humidification chambers and patient interface and the Hypnus™ positive airway pressure device. During the Year, the sales of other respiratory products increased by 76.5% to HK$127.5 million, attributable to the strong market demand for the Group's respiratory disposables and product registration obtained in new markets. The Hypnus™ positive airway pressure devices recorded a growth in sales to HK$29.8 million (2019: HK$11.4 million).

OEM respiratory products

For the Year, the sales of OEM respiratory products rose by 198.2% to HK$291.7 million (2019: HK$97.8 million). The sharp increase was directly linked to the increase in order intake of respiratory disposables as a result of COVID-19 outbreak.

Imaging disposable products segment

The Group manufactured and sold its imaging disposable products on an OEM basis only. Its products include a wide range of imaging CMPI (colour magnetic particle imaging) syringes and accessory products for CT (computed tomography) and MRI (magnetic resonance imaging). During the Year, the Group awarded with new OEM projects on the development and production of certain new CT injector consumables. Supported by the stable raw materials supply during the Year, revenue from imaging disposable products increased by 27.0% from HK$157.1 million to HK$199.5 million. Segment gross margin also strengthened from 30.1% to 31.6% due to the increase in production efficiency.

Orthopaedic and rehabilitation products segment

	For the year ended 31 December		
	2020 HK$'000	2019 HK$'000	Change
OBM orthopaedic and rehabilitation products	8,729	11,271	–22.6%
OEM orthopaedic and rehabilitation products	54,334	70,910	–23.4%
Total	63,063	82,181	–23.3%

During the Year, revenue from orthopaedic and rehabilitation products segment decreased by 23.3% from HK$82.2 million to HK$63.1 million, primarily due to the temporary shift of medical resources to the treatment of COVID-19. In addition, many non-urgent surgical procedures and the relevant marketing activities in the orthopaedic space were suspended in the first half of 2020, which had led to a softer demand for the relevant devices. Despite the above, the Group is pleased to report that the Hand of Hope robotic hand has been included in the National Health Insurance Service of South Korea since 2020 for rehabilitation treatment. This has driven the sales of the device to hospitals in South Korea.

Segment gross profit margin decreased to 34.2% from 37.1% mainly due to lower sales volume.

Other products

Other products include infusion regulators, moulds, surgical disposables, patient warming blankets and plastic disposable products. Revenue from other products increased by 46.1% from HK$50.5 million to HK$73.8 million, mainly attributable to higher sales of surgical disposables and patient warming blankets, as well as the increasing revenue from molding service.

Investments and collaboration

Inspired Medical Japan Co., Limited, a subsidiary of the Company in Japan, contributed positively to the Group's profit in its first full year of operation through building deeper relationships with the customers in Japan and created cross selling opportunities. The Group's regulatory efficiencies and access in Japan had also greatly improved with new products registered during the Year. The Group is now in a stronger position to increase revenue from Japan, particularly from the sales of inspired™ products, as well as to take advantage of a number of new opportunities for distributed products in the market.

The Ventway Sparrow® ventilator of Inovytec received positive market feedback and significant order intake in 2020, as it was chosen to combat COVID-19 in Italy, Spain, the United Kingdom, South-Africa, Russia and Israel. Weighing only 1 kg, the Ventway Sparrow® delivers high-performance ventilation to all patients under both invasive ventilation and noninvasive ventilation settings. Following the FDA's EUA (emergency use authorisation) received in March 2020, the machine obtained FDA 510(k) clearance in February 2021, this opens the way for Inovytec to introduce its unique device technology to the US market and is now available in the US through its distributors.

Fresca has secured all of the US regulatory and reimbursement approvals necessary to market its Somnera™ System in the US market, with the product making maiden revenue contribution during the Year. Used in the treatment of obstructive sleep apnea, the Somnera™ System is different from the traditional CPAP (continuous positive airway pressure) therapy, as it eliminates the need of a humidifier and uses light connector hose. It is one of the most portable sleep machines for home and travel use. As the new obstructive sleep apnea diagnosis activity in the US is gradually normalised, the Group expects to see sales growth of the Somnera™ System in 2021.

Despite the outbreak of COVID-19 in the PRC during the first half of 2020, 100ecare generated a total revenue of RMB15.7 million in 2020, representing a slight decrease of 5.1% when compared with that of 2019. In response to the needs of infection prevention and control, 100ecare developed the S6T, a temperature monitoring bracelet and the T007, a smart temperature and location tracking device, all operating within a cloud-based management platform. Both of the smart devices were included in the "National Smart Health Care Product Catalog", and the 100ecare service platform was also included in the "National Smart Health Care Services Catalog". In addition, 100ecare was recognised by the PRC government as one of the country's "Pilot Company in Smart Health Care Application". The Group expects 100ecare to resume revenue growth in 2021.

FINANCIAL REVIEW

REVENUE

Total revenue reached HK$1,155.4 million (2019: HK$502.2 million), representing an increase of 130.1% year-on-year. The growth reflects the strong market demand for the Group's respiratory devices and disposables, as a result of the COVID-19 pandemic, the launch of new products and successful expansion to new markets.

In terms of geographical market, the Group's revenue contribution became increasingly diversified, with the US and the PRC, the two largest markets of medical devices globally, each accounted for 46.6% (2019: 63.6%) and 17.5% (2019: 13.2%) of the Group's total revenue in 2020. Respiratory products sales in India, Saudi Arabia and Israel also enjoyed significant growth of 2,265.2%, 20,354.7% and 651.1%, respectively. Japan market remained robust and grew faster than previous years.

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit increased by 205.1% to HK$494.2 million (2019: HK$162.0 million), as a result of the growing revenue and expanding margins. Gross profit margin increased from 32.3% to 42.8% in 2020, as a result of an improving product mix with much stronger sales coming from inspired™ respiratory devices and disposables, along with greater economies of scale due to the expansion in production scale.

OTHER INCOME, OTHER GAINS AND LOSSES

Other income of HK$17.6 million (2019: HK$5.9 million) mainly comprises the subsidy from the "Direct Subsidy for Securing Emergency Medical Resources 2020" program as promulgated by the State Council of the PRC, as well as the COVID-19 Anti-epidemic Fund under the Employment Support Scheme of the Hong Kong Government.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by 70.4% to HK$54.7 million (2019: 32.1 million), with its percentage of revenue decreasing to 4.7% (2019: 6.4%), reflecting a more cost-effective operation.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 39.8% to HK$142.3 million (2019: HK$101.8 million), primarily attributable to (i) the increase in R&D expenses, (ii) higher personnel-related expenses due to the increasing number of staff, (iii) general increase in average salary, as well as (iv) incentives to reward better operational performance. Despite the increase in net amount, administrative expenses for the Year accounted for only 12.3% of revenue (2019: 20.3%).

SHARE OF LOSSES OF ASSOCIATES AND JOINT VENTURES

The Group shared losses of associates amounted to HK$3.1 million (2019: losses of HK$1.1 million) and losses of joint ventures amounted to HK$1.6 million (2019: losses of HK$1.4 million), reflected by the share of results of Fresca, Celsius Medical, S.L. ("**Celsius**"), Retraction, 100ecare and Avalon.

INCOME TAX EXPENSE

For 2020, the Group's income tax expense was HK$36.6 million (2019: HK$5.4 million). The effective tax rate was 12.9% for the Year, which was lower than the PRC statutory income tax rate of 25% and the Hong Kong statutory income tax rate of 16.5%. This is mainly due to the fact that one of the Group's PRC subsidiaries was qualified as High and New Technology Enterprise, and was entitled to a preferential tax rate of 15.0%.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company was up by 17.8 times to HK$216.9 million (2019: HK$11.5 million), attributable primarily to the strong growth in revenue, greater economies of scale in production and effective control of expenses during the Year.

PROPERTY, PLANT AND EQUIPMENT

The Group incurred capital expenditure of HK$54.7 million (2019: HK$31.1 million) during the Year, which mainly included the purchase of additional machineries, tooling and equipment, and the addition of approximately 2,400 sq.m. of clean room production area for respiratory disposables. As at 31 December 2020, property, plant and equipment was HK$111.1 million (2019: HK$68.7 million).

RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

As at 31 December 2020, right-of-use assets and lease liabilities amounted to HK$14.7 million (2019: HK$21.4 million) and HK$15.6 million (2019: HK$22.2 million), respectively. The decrease was primarily attributable to the depreciation of right-of-use assets and lease payments.

INVENTORIES

Inventories as at 31 December 2020 was HK$278.7 million (2019: HK$118.5 million). The increase was mainly attributable to the additional safety stock of raw materials for respiratory products.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

As at 31 December 2020, investments in associates amounted to HK$9.3 million (2019: HK$5.2 million), consisted of the Group's investments in Fresca, Celsius and Retraction. The increase was mainly due to the transfer of investment in Fresca from financial assets at FVTOCI to associate.

As at 31 December 2020, investments in joint ventures amounted to HK$11.2 million (2019: HK$17.0 million), consisted of the Group's investments in 100ecare and Avalon. The decrease was mainly due to the recognition of impairment loss of HK$5.3 million for investment in Avalon during the Year (2019: HK$2.2 million).

For details about the investments in Fresca and 100ecare, please refer to the paragraph headed "Significant Investments" below.

TRADE RECEIVABLES

Trade receivables as at 31 December 2020 was HK$161.5 million (2019: HK$112.7 million), which was in line with the higher sales during the Year.

HUMAN RESOURCES

As at 31 December 2020, the total number of full-time employees of the Group was 1,853 (2019: 1,149). The remuneration of employees was determined based on their job nature, their relevant experience, qualifications, result of operations of the Group and market condition. We offered senior management performance-based bonus and share options to reward and retain a high calibre management team. We also adopted commission and incentive plans to motivate and reward our sales and marketing staff.

During the Year, staff costs including Directors' emoluments (excluding capitalised salaries and wages of R&D staff) amounted to HK$244.2 million (2019: HK$151.8 million), representing 21.1% (2019: 30.2%) of the Group's revenue. The increase was mainly due to the increase in the number of employees, the upward salary adjustment and the increase in overtime pay, bonus and sales commission.

LIQUIDITY AND FINANCIAL RESOURCES AND BORROWINGS

Bank and cash balances as at 31 December 2020 was HK$169.1 million (2019: HK$70.0 million). This was a result of the net cash inflow from operating activities of HK$204.5 million, net cash outflow from investing activities of HK$62.3 million, net cash outflow from financing activities of HK$59.5 million, and a positive effect of foreign exchange rate changes of HK$16.4 million. Most of the bank and cash balances were denominated in HKD, USD and RMB.

As at 31 December 2020, total borrowings amounted to HK$69.1 million (2019: HK$30.6 million) with effective interest rates of about 1.48% to 4.60% per annum (2019: 4.53% to 4.80% per annum). The net gearing ratio, which was calculated on the basis of total borrowings divided by total equity attributable to owners of the Company, was 0.11 (2019: 0.09). As at 31 December 2020, the Group had unutilised bank facilities of HK$24.0 million.

CAPITAL EXPENDITURE AND COMMITMENTS

During the Year, total investment in property, plant and equipment was HK$54.7 million (2019: HK$31.1 million), in which 79.0% was used for purchasing additional production equipment and the remaining balance for procurement of other fixed assets.

As at 31 December 2020, the Group had contracted capital commitments of HK$19.3 million for procurement of property, plant and equipment and other intangible assets, which was mainly financed with internal resources.

CAPITAL STRUCTURE

As at 31 December 2020, the issued share capital of the Company was approximately HK$6.5 million (2019: approximately HK$6.4 million), comprising 650,598,000 Shares (2019: 637,650,000 Shares) of nominal value of HK$0.01 per Share. The increase was attributable to the Shares issued under the Pre-IPO Share Option Scheme and the Share Option Scheme.

SIGNIFICANT INVESTMENTS

As at 31 December 2020, the Company considered that the significant investments were as follows:

Equity investment at FVTOCI

Name of company	Principal business	Approximate percentage of shareholding	Total investment	Fair value of the equity investment		Assets ratio defined under the Listing Rules	
				2020	2019	**2020**	2019
Inovytec	An Israeli medical device company specialises in the development, production and marketing of devices for out-of-hospital critical care, respiratory, cardiac, central nervous system and trauma emergencies.	13.68%	US$3.0 million (equivalent to HK$23.4 million)	**US$3.3 million (equivalent to HK$25.3 million)**	US$1.9 million (equivalent to HK$15.1 million)	**2.7%**	2.6%

Investment in an associate

Name of company	Principal business	Approximate percentage of shareholding	Total investment	Carrying amount of the investment for 2020	Assets ratio defined under the Listing Rules	
					2020	2019
Fresca	A US California-based sleep solution and connected health company that is developing a system for the treatment of obstructive sleep apnea.	20.35%	US$4.0 million (equivalent to HK$31.2 million)	**US$0.85 million (equivalent to HK$6.6 million)** *(Note)*	**0.7%**	1.5%

Note: During the Year, the investment in Fresca was transferred from financial assets at FVTOCI to associate. Its fair value of the equity investment at 31 December 2019 was US$1.1 million (equivalent to HK$8.6 million).

Investment in a joint venture

Name of company	Principal business	Approximate percentage of shareholding	Total investment	Carrying amount of the investment		Assets ratio defined under the Listing Rules	
				2020	2019	**2020**	2019
100ecare	A PRC-based company specialises in design, development and sale of a series of wearable smart devices, and operate a cloud-based safety and healthcare platform targeting the elderly population in the PRC.	9.41%	RMB8.0 million (equivalent to HK$9.2 million)	**RMB8.4 million (equivalent to HK$10.0 million)**	RMB8.4 million (equivalent to HK$9.4 million)	**1.0%**	1.6%

For additional information regarding the performance during the Year and prospects of the above significant investments, please refer to the paragraph headed "Investments and Collaboration" above.

As at 31 December 2020, the carrying amount of investment in 100ecare was HK$10.0 million and asset ratio defined under the Listing Rules decreased to 1.0%, the Company no longer considers that the investment in 100ecare is significant in nature after 31 December 2020.

MATERIAL ACQUISITIONS AND DISPOSALS

During the Year, the Company entered into a memorandum of understanding dated 25 August 2020 and a share transfer agreement dated 30 October 2020 with Bayer Medical Care, Inc., whereby the Company (as the purchaser) conditionally agreed to acquire the 1,718,861 shares in VMHK, representing approximately 19.90% of its issued shares, and 3.98% equity interest in VMDG from Bayer Medical Care, Inc. (as the seller) at the consideration of HK$67,293,604 (the "**Consideration**"). Completion has taken place upon the payment of the Consideration on 30 October 2020. Accordingly, (i) VMHK and VMDG have become indirect wholly-owned subsidiaries of the Company; and (ii) Bayer Medical Care Inc. is no longer a connected person of the Company. For details, please refer to the Company's announcements dated 25 August and 30 October 2020.

Saved as disclosed above, the Group had no other material acquisitions or disposals of subsidiaries and associated companies.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2020, 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 business. Thus, any appreciation of RMB against USD may subject the Group to increased costs and lower profitability. The Directors have assessed the impact of such foreign currency risk and considered that it may materially affect the Group's profitability. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have other contingent liabilities.

EXECUTIVE DIRECTORS

Mr. Choi Man Shing (蔡文成), aged 68, is the Chairman and an Executive Director of the Company, the chairman of the Nomination Committee and a member of the Remuneration Committee. He currently serves as a director of many subsidiaries of the Company. Mr. Choi is the founder of the Group and primarily responsible for formulating long-term development and marketing strategies of the Group. He has over 42 years of management experience in the manufacturing industry in Hong Kong and the PRC.

Mr. To Ki Cheung (陶基祥), aged 54, is an Executive Director and CEO of the Company. He currently serves as a director of all subsidiaries of the Company. Mr. To joined the Group in February 2000 and is primarily responsible for overseeing the corporate management and formulating the business and product development strategies of the Group.

Mr. To was awarded a bachelor's degree in commerce from the Murdoch University, Australia in August 1990. He further obtained a master's degree in science in Chinese Business Studies from the Hong Kong Polytechnic University in November 2010. He was the vice chairman of Hong Kong Medical and Healthcare Device Industries Association for the term from 2015 to 2016. He is also an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the respirology equipment committee of the China Association of Medical Equipment* (中國醫學裝備協會).

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

Mr. Koh Ming Fai (許明輝), aged 47, is an Executive Director of the Company and the chairman of the Risk Management Committee. He currently serves as the vice president of operations of the Group and a director of various subsidiaries of the Company. Mr. Koh joined the Group in September 2000 and is primarily responsible for managing the operations of the Group, including quality assurance production, engineering and procurement of the Group.

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

Mr. Fu Kwok Fu (符國富), aged 50, is an Executive Director of the Company and the chairman of the ESG Committee. He currently serves as the vice president of engineering of the Group and a director of two of the subsidiaries of the Company, respectively. Mr. Fu joined the Group in June 1997 and is primarily responsible for overseeing the R&D and initiating product development through integrating technologies and techniques. He has over 23 years of experience in the medical device manufacturing industry.

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

Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. Guo Pengcheng (過鵬程), aged 59, is a Non-executive Director of the Company and joined the Group in February 2017. He graduated from the Shanghai University of Technology with a bachelor's degree in mechanical engineering in 1983. He has over 34 years of experience in business advisory work and cross-border investments. During the period from 1986 to 2004, Mr. Guo worked in various organisations where he was responsible for inbound and outbound business development and business expansion from the PRC. From 2009 to 2015, he was the operating partner of Orchid Asia Private Equity Fund where he was responsible for operational due diligence and post-investment management for listing applicants on the Stock Exchange. Mr. Guo currently acts as the senior investment consultant of Dong Yin Development (Holdings) Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Mok Kwok Cheung Rupert (莫國章), aged 62, is an Independent Non-executive Director of the Company and joined the Group in June 2016. Also, he is the chairman of the Remuneration Committee, as well as a member of each of the Audit Committee and the Nomination Committee. Mr. Mok obtained a bachelor's degree in electrical engineering from the University of Sydney, Australia in March 1982 and a master's degree in biomedical engineering from the University of New South Wales, Australia in October 1984. He is the secretary general of the executive board, the chairperson of the membership affair committee and a member of the product and technology committee of the Hong Kong Medical and Healthcare Device Industries Association. Mr. Mok has over 36 years of experience in administrative management, sales and marketing and R&D of medical devices in the Asia Pacific region.

Mr. Au Yu Chiu Steven (區裕釗), aged 62, is an Independent Non-executive Director of the Company and joined the Group in June 2016. Also, he is the chairman of the Audit Committee. Mr. Au graduated from the University of East Anglia, the United Kingdom, with a bachelor's degree in arts majoring in economics in July 1982. He further obtained a master's degree in business administration from the University of Western Ontario, Canada in October 2000. Mr. Au was admitted as a chartered accountant of the Institute of Chartered Accounts in England and Wales in November 1987. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants.

Mr. Au has more than 35 years of experience in accounting and finance. He worked as an accountant at an accounting firm in the United Kingdom from October 1982 to October 1987 and then at Arthur & Anderson & Co. from December 1987 to January 1989. During the period from August 1992 to April 2008, he was a director of a number of companies where he was responsible for overall corporate management, including China Everbright Securities (International) Limited and Anglo Chinese Securities Limited, both of which are finance and investment companies, and Kin Wah Hong Company Limited, a textiles trading company. Also, Mr. Au was an executive director of finance and administration of Matilda International Hospital from October 2002 to September 2019.

Mr. Au was appointed as an independent non-executive director of Expert Systems Holdings Limited (stock code: 8319, a company which shares are listed on GEM of the Stock Exchange) on 15 March 2016.

Prof. Yung Kai Leung (容啟亮), aged 71, is an Independent Non-executive Director of the Company and joined the Group in February 2017. Also, he is a member of the Audit Committee, the Nomination Committee and the Remuneration Committee, respectively. He graduated from the Brighton University, the United Kingdom with a bachelor's degree in electronic engineering in 1975. He further obtained a master's degree in automatic control systems from the Imperial College of Science, Technology and Medicine, London, the United Kingdom in 1976 and his doctorate in microprocessor applications in process control from the Plymouth University, the United Kingdom in 1985. He is a fellow member of the Hong Kong Institute of Engineers and a fellow of the Hong Kong Academy of Engineering Sciences. In 2015, Prof. Yung was awarded the Bronze Bauhinia Star for his contributions to scientific research.

Since 1986, Prof. Yung held various positions at The Hong Kong Polytechnic University. He has been a professor in the department of industrial and systems engineering at The Hong Kong Polytechnic University since 2001. He has been promoted to a chair professor of precision engineering with effect from 1 July 2017 and appointed as Sir Sze-yuen Chung endowed professor of precision engineering with effect from 1 March 2020.

SENIOR MANAGEMENT

Mr. Lai Hoi Ming (黎海明), aged 39, is the chief financial officer of the Group. He is also a member of each of the Risk Management Committee and the ESG Committee. Mr. Lai joined the Group in July 2018 and is primarily responsible for managing all finance, accounting and administration work. He obtained a bachelor degree in accountancy from the City University of Hong Kong in November 2005. He is currently an associate member of the Hong Kong Institute of Certified Public Accountants. Before joining the Group, Mr. Lai was the senior manager of RSM Hong Kong where he was responsible for the IPO and audit work of the Group. He has over 16 years of experience in finance and accounting.

Ms. Tsui Lai Ki Vicki (徐麗琪), aged 45, is the Company Secretary of the Group. She joined the Group in April 2016 and is responsible for the company secretarial functions and provides advice to the Board and the Board committees. Ms. Tsui has over 16 years of experience in the listed corporate secretarial services field. Prior to joining the Group, Ms. Tsui acted as the company secretary of a number of listed companies on the Stock Exchange, providing professional corporate secretarial services to the board of directors. Ms. Tsui is an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom. Ms. Tsui holds a bachelor degree in accountancy.

Mr. Wong Yuk Ming David (黃育明), aged 50, is the vice president of sales and marketing of the Group. He joined the Group in December 2016 and is primarily responsible for the strategic planning of the companies portfolio of medical devices and overall sales and marketing of the Group.

Mr. Wong has over 16 years of experience in developing, manufacturing and global distribution of medical devices, predominately in laparoscopic and endoscopic surgical instrumentation with a strong clinical network. Mr. Wong has successfully refocused the Company's brand identity, portfolio of respiratory products, sales channels and established the strategic path of co-operation with multinational corporations. This strategic planning has empowered a significant growth during COVID-19 with the right portfolio of products and fast tracked the OBM business.

Biographical Details of Directors and Senior Management

Mr. Wong graduated from the University of Bradford, the United Kingdom with a master's degree and a bachelor's degree in civil and structural engineering in July 1993. He gained his chartership in civil engineering in 1998 and gained his chartership in biomedical engineering in 2014. He is an advisor of the Innovation and Technology Support Programme Assessment Panel of the Innovation and Technology Fund, Innovation and Technology Commission. He served as the vice chairman of the biomedical division of the Hong Kong Institute of Engineers for the term from 2014 to 2015 and from 2017 to 2018. He also serves as a professional assessor and a member of the accreditation committee for the Hong Kong Institute of Engineers.

Ms. Tsui Wing Kwan (徐詠琨), aged 40, is the head of investor relations and corporate development of the Group. Ms. Tsui joined the Group in October 2016 and is responsible for matters relating to corporate development, investor relations and assists in strategic planning and execution of ad hoc projects for the Group. She is also the general manager of Rehab-Robotics Company Limited, an indirect wholly-owned subsidiary of the Company. She obtained a bachelor of social science degree in journalism and communications in December 2003 and a master of science degree in finance in December 2009 from the Chinese University of Hong Kong. Prior to joining the Group, Ms. Tsui worked in a number of Hong Kong and Singapore listed companies. She has more than 14 years of experience in financial communications, investor relations and corporate finance.

Mr. Wang Chaobin (王朝斌), aged 52, is the group quality assurance and regulatory affairs manager of the Group. He joined the Group in April 2020 and is primarily responsible for the overall quality and regulatory compliance of the Group. Mr. Wang obtained a bachelor's degree in mechanical engineering from the Lanzhou Jiaotong University* (蘭州交通大學), the PRC in June 1990 and a master in business administration from the Peking University* (北京大學), the PRC in June 2005. He obtained various advance certificates in the areas of quality management system regulations and corporate governance for medical devices.

Prior to joining the Group, Mr. Wang worked in a number of multi-national companies in the PRC as a senior professional in management of quality assurance and regulatory affairs functions. He has over 20 years of experience in quality and regulatory of medical device industry with best practice in quality system establishment in design, production and process control, problem solving and has the solid experience in the NMPA registration and CE certification.

Mr. Liang Kar Kaan (梁家侃), aged 54, is the operations manager of the Group. He joined the Group in August 2018 and is primarily responsible for managing and leading the production operations in Dongguan. He graduated from the Universiti Teknologi Malaysia with a bachelor's degree in mechanical engineering in September 1990. Before joining the Group, Mr. Liang was the operations manager of Infineon Technologies (Kulim) Sdn. Bhd., a production plant of Infineon Technologies AG (a world leader in semiconductor solutions) in Malaysia. He has over 24 years of experience in operations management.

Mr. Choi Cheung Tai Raymond (蔡章泰), aged 39, is the operations manager of the Group. He joined the Group in May 2020 and is primarily responsible for managing and leading the production operations in Songshan Lake. Mr. Choi obtained a bachelor of science in industrial engineering from the Pennsylvania State University, the USA in May 2005 and a master of business administration from the University of Manchester, the United Kingdom in May 2014. He is a corporate member of the Hong Kong Institution of Engineers and a registered professional engineer in Manufacturing, Industrial and System (MIS). He is also a registered lean sigma black belt of the Six Sigma Institute and a certified six sigma black belt* (六西格瑪黑帶(註冊)) of the China Association for Quality* (中國質量協會).

Mr. Choi has over 15 years of experience in industrial engineering and operations management across manufacturing industries – medical device, cosmetics and beauty product, industrial and semiconductor system, electrical appliance, precision machined component, printing and garment. His previous experience has been specialised in smart manufacturing, lean deployment and operations improvement. He is the son of Mr. Choi Man Shing, the Chairman and executive Director of the Company.

Mr. Zhang Changqing (張長青), aged 49, is the sales and marketing manager of the Group. He is also a member of the Risk Management Committee. Mr. Zhang is primarily responsible for overseeing sales and business development in the PRC. He has over 15 years of experience in trading of medical devices since he joined the Group as marketing manager in March 2004.

Mr. Xu Jiebing (徐結兵), aged 46, is the research and development manager of the Group. He joined the Group in December 1998 and is responsible for initiating research and development of products. He graduated from the mechanical engineering programme of the Hefei University of Technology* (合肥工業大學) in July 1995 and from the online course of business administration of the Xiamen University* (廈門大學) in January 2016. He attended various training courses relating to the regulation and standardisation of medical devices and protection of intellectual property rights between the period of October 2001 and July 2013. Mr. Xu is a member of the respirology equipment committee of the China Association of Medical Equipment* (中國醫學裝備協會).

* *For identification purpose only.*

Directors' Report

The Board is pleased to present to the Shareholders their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaging in manufacturing and sales of medical devices focusing on respiratory support, imaging contrast media power injector disposables and orthopaedic and rehabilitation products for the customers in the OEM segment and developing, manufacturing and sale of the Group's respiratory devices and disposables and orthopaedic and rehabilitation products under "Inspired Medical" and "inspired™" brands (also under "Hand of Hope" and "Hypnus™" brands) in the OBM segment.

The principal activities of the principal subsidiaries of the Company are set out in Note 43 to the consolidated financial statements of this Annual Report. The segment information of the operations of the Group for the Year is set out in Note 10 to the consolidated financial statements of this Annual Report.

BUSINESS AND FINANCIAL REVIEW

A fair review of the Group's business and financial, and the analysis of the Group's performance for the Year as well as the prospects of the Group's business, are provided in the sections "Chairman's Statement" on pages 12 and 13 and "Management Discussion and Analysis" on pages 14 to 22 of this Annual Report.

PRINCIPAL RISKS AND UNCERTAINTIES

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

(a) Outbreak of COVID-19 Pandemic

The global outbreak of COVID-19 pandemic has significantly affected people's daily lives. With limited knowledge about the COVID-19 virus, it is difficult to predict when the pandemic will be over. Facing the pandemic, the Group places the protection of our staff's health as our first and utmost priority, by following the regulations and guidelines of the Hong Kong and PRC governments and cooperating as much as we can do to formulate pandemic prevention measures.

(b) Political Stability

The trade war between the PRC and the US has created a lot of uncertainties and risks on the global economy, in particular the PRC and the US economies. This might have ripple effect to some of the Group's customers and create uncertainty to the Group's business in future. It might also drive up the price of the components of the Group's products, thereby increasing the costs of the Group. If the trade war continues to exacerbate and leads to an economic contraction, it might materially and adversely impact the Group's business.

(c) Customer Concentration

The Group generated 48.1% of revenue from the top five customers for the Year. Customer concentration exposes the Group to risks and factors affecting the performance of major customers and may subject us to fluctuations or decline in the Group's revenue. It may also result in difficulty for the Group to negotiate with such customers for satisfactory prices for the products and commercial terms. These risks result in a lack of predictability about the Group's sales, and any reduction in the order from and termination of business relationship with the major customers will have material adverse effect on the Group's business and results of operations.

(d) Product Development Risks

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

(e) Labour Costs and Shortage

In recent years, average labour costs in the PRC have increased due to the PRC government's policies to impose more stringent requirements on employers such as minimum wage and maximum working hours. Furthermore, there has been a growing shortage of skilled labour in the PRC, especially labour crunch caused by COVID-19. The utilisation of production facilities may be limited by the ability to recruit sufficiently skilled labour. Accordingly, any shortage of labour or significant increase in labour cost to the extent that the Group is unable to offset such increase by reducing other costs or passing it on to the Group's customers, the Group's business, financial condition and results of operations may be materially and adversely affected.

(f) Supply Chain

Currently, we purchase our raw materials only from the approved suppliers which meet our evaluation criteria and are listed on our approved supplier list. We had over 520 approved suppliers for raw materials from the PRC, the US, Hong Kong and other countries. The outbreak of COVID-19 pandemic may disrupt the logistics supply chain of raw materials and has significantly affected their operations. If the suppliers fail to supply raw materials in accordance with our delivery schedule, quality standards or product specifications, we may be forced to deliver our products on a delayed basis or cancel our product offering, either of which could harm our reputation and our relationships with distributors and consumers and expose us to the risks such as potential litigation and damage claims.

(g) Intellectual Property Infringement

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

(h) Change of Laws and Regulations

The medical device industry is highly regulated and each country or territory in which the Group sells its products is subject to its own robust legal and regulatory regime. Any change in the applicable laws, regulations, standards or import policies of overseas countries may prevent or restrict the Group from conducting certain aspects of its current business. There can be no guarantee that the Group will be able to retain its certificates and other licences required to sell its products. If such loss were to occur, it would restrict the Group's ability to service its customers or sell certain medical devices which could have an adverse impact on its business, prospects and financial condition.

(i) Product Quality

The Group operates manufacturing facilities. Poor product quality could affect customer or public safety. Incidents of this nature could lead to product recall costs, legal liability and reputational damage.

(j) Financial Risks

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

RELATIONSHIPS WITH KEY STAKEHOLDERS

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

Customers

The customers of the Group comprise generally the major international medical device companies, distributors and medical equipment manufacturers. The Group have been devoted to providing good customer service with the purpose of maintaining a stable and long-term business relationship.

Suppliers

Strong relationship with the Group's major suppliers constitutes one of the essential elements of the Group's success. To achieve positive business growth, the Group maintains close relationship with its major suppliers to ensure stability of supply. The Group also leverage on bulk purchase which enable the Group to purchase raw materials at competitive prices.

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

Employees

Employees are the most valuable asset of the Group. The Group strives to create a harmonious and safe working environment to all employees. The key objective of the Group's human resource management is to recognise and reward performing staff by providing competitive remuneration packages, granting share options and implementing an effective performance appraisal system with appropriate incentives.

Regulators

The Company's shares are listed on the main board of the Stock Exchange and the Group is regulated by the Securities and Futures Commission of Hong Kong and other relevant authorities. The Group makes it a top priority to stay up to date and ensure compliance with new rules and regulations.

Shareholders

The Company considers that effective communication with the Shareholders is essential. Apart from transparent and timely disclosure of corporate information in the websites of the Company and the Stock Exchange, the senior management maintains regular dialogue with institutional investors through one-on-one meetings and conference calls. The Company considers stable and sustainable returns to the Shareholders to be the goal and endeavours to maintain the Dividend Policy. The Group will focus on its core business for achieving sustainable profit growth and rewarding the Shareholders with dividend after taking into account the business development needs and financial condition of the Group.

DISCLOSURES ON RISK MANAGEMENT AND ENVIRONMENTAL POLICIES

Details of disclosures on risk management and environmental policies are set out in the "Corporate Governance Report" on pages 52 to 71 and the "Environmental, Social and Governance Report" on pages 72 to 89 of this Annual Report.

RESULTS AND DIVIDENDS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 95 to 96 of this Annual Report.

A final dividend in respect of the year ended 31 December 2020 of HK11.0 cents per Share has been proposed by the Board. The proposed final dividend amounted to a total of HK$71.6 million with dividend payout ratio of 33.0% has to be approved by the Shareholders in the AGM to be held on 18 May 2021. These proposed dividends are not reflected as dividend payable in the consolidated statement of financial position as at 31 December 2020, but will be reflected as an appropriation of retained profits for the year ending 31 December 2021.

DIVIDEND POLICY

The Company has adopted the Dividend Policy, pursuant to which the Company may declare and distribute dividends to the Shareholders, provided that the Group records a profit after tax and that the declaration and distribution of dividends does not affect the normal operations of the Group.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders. In proposing any dividend payout, the Board shall also take into account, inter alia, the Group's financial condition, results of operation, level of cash, statutory and regulatory restrictions in relation thereto, future prospects, and other factors that the Directors may consider relevant. The historical dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future. The payment of dividend is also subject to any restrictions under the laws of the Cayman Islands and the Articles of Association.

The Company intends to pay a total dividend in respect of each financial year of not less than 30% of the Group's consolidated profit attributable to the Shareholders for the years thereafter, subject to the criteria set out in the Dividend Policy.

The Board will monitor the implementation of the Dividend Policy. Also, the Board will review the Dividend Policy on a regular basis to ensure its effectiveness, and will discuss and approve any revisions that may be required.

RESERVES

Movements in the reserves of the Company and of the Group during the Year are set out in Note 30(b) to the consolidated financial statements and the consolidated statement of changes in equity on page 98 of this Annual Report.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's reserves available for distribution to the Shareholders amounted to HK$236.8 million comprising amount from share premium account and retained profits.

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

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Tuesday, 18 May 2021, the register of members of the Company will be closed from Thursday, 13 May 2021 to Tuesday, 18 May 2021, both days inclusive, during which period no transfer of the Shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 12 May 2021.

For determining the entitlement to the proposed final dividend (subject to the approval of the Shareholders at the AGM), the register of members of the Company will be closed from Wednesday, 26 May 2021 to Friday, 28 May 2021, both days inclusive, during which period no transfer of the Shares will be registered. In order to qualify for the proposed final dividend as stated, all transfers forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 25 May 2021.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets, equity and liabilities of the Group for the last five financial years is set out on page 174 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year are set out in Note 18 to the consolidated financial statements of this Annual Report.

SHARE CAPITAL

Details of the movements in the Share capital of the Company during the Year are set out in Note 29 to the consolidated financial statements of this Annual Report.

PRE-EMPTIVE RIGHTS

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

DONATIONS

Charitable donations were made by the Group during the Year amounted to HK$500,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the aggregate sales attributable to the Group's five largest customers was 48.1% (2019: 61.4%). The sales attributable to the Group's largest customer during the Year was 18.5% (2019: 32.5%).

The aggregate purchases attributable to the Group's five largest suppliers during the Year was 14.0% (2019: 21.0%). The purchases attributable to the Group's largest supplier during the Year was 3.8% (2019: 8.4%).

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

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

DIRECTORS

The Directors for the Year and up to the date of this Annual Report were as follows:

Executive Directors

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

Non-executive Director

Mr. Guo Pengcheng

Independent Non-executive Directors

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

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

Mr. Koh Ming Fai and Mr. Fu Kwok Fu, both executive Directors, and Mr. Guo Pengcheng, a non-executive Director, shall retire from office by rotation at the AGM and, being eligible, will offer themselves for re-election at the AGM.

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 23 to 27 of this Annual Report.

DIRECTORS' SERVICE AGREEMENTS

Each of the Directors has entered into a service agreement with the Company for an initial fixed term of three years. The service agreements may be terminated in accordance with the respective terms of the service agreements.

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

PERMITTED INDEMNITY PROVISION

Subject to the Companies Ordinance, every Director is entitled under the Articles of Association to be indemnified and secured harmless out of the assets of the Company from and against all costs, charges, expenses, losses and liabilities which he may sustain or incur in or about the execution or discharge of his duties.

The Company has arranged Directors' and officers' liability insurance for all Directors and senior management of the Company, who subject to the applicable laws, will be indemnified against the costs, charges, expenses, losses and liabilities for legal action incurred by such Director or officer in the execution of his/her duties or otherwise in relation thereto.

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

As at 31 December 2020, to the best knowledge of the Directors and chief executives of the Company, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be disclosed pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code were as follows:

Interests in Shares and underlying Shares

Name of Director	Capacity/Type of interest	Number of Shares (L) *(Note 1)*	Approximate percentage of shareholding *(Note 6)*
Mr. Choi Man Shing	Beneficial owner/Interest of controlled corporations	386,191,890 *(Note 2)*	59.36%
Mr. To Ki Cheung	Beneficial owner	20,224,110 *(Note 3)*	3.11%
Mr. Koh Ming Fai	Beneficial owner/Interest of spouse	7,144,000 *(Note 4)*	1.10%
Mr. Fu Kwok Fu	Beneficial owner	6,970,000 *(Note 5)*	1.07%

Notes:

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

(2) These interests represented:

(a) 4,002,000 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 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) 250,000 Shares held by VRHK. VRI holds the entire issued share capital of VRHK and therefore by virtue of the SFO, Mr. Choi is deemed to be interested in all the Shares in which VRHK is interested.

(3) These interests represented:

(a) 17,697,778 Shares held by Mr. To Ki Cheung, the CEO 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, details of which are set out in the section headed "Share Option Schemes" in this Directors' Report; 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, details of which are set out in the section headed "Share Option Schemes" in this Directors' Report.

(4) These interests represented:

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

(b) 174,000 Shares by the spouse of Mr. Koh Ming Fai. By virtue of the SFO, Mr. Koh is deemed to be interested in all the Shares in which his spouse is interested;

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

(d) 1,500,000 options granted to Mr. Koh Ming Fai, which are subject to certain vesting conditions pursuant to the Share Option Scheme, details of which are set out in the section headed "Share Option Schemes" in this Directors' Report.

(5) These interests represented:

(a) 5,691,166 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, details of which are set out in the section headed "Share Option Schemes" in this Directors' Report; and

(c) 750,000 options granted to Mr. Fu Kwok Fu, which are subject to certain vesting conditions pursuant to the Share Option Scheme, details of which are set out in the section headed "Share Option Schemes" in this Directors' Report.

(6) Approximate percentage calculated based on the 650,598,000 Shares in issue as at the date of this Annual Report.

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2020, 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 OF THE COMPANY

As at 31 December 2020, 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 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	Capacity/Type of interest	Number of Shares (L) *(Note 1)*	Approximate percentage of shareholding *(Note 4)*
Ms. Liu Pui Ching	Interest of spouse/Interest of controlled corporations	386,191,890 *(Note 2)*	59.36%
VRI	Beneficial owner/Interest of a controlled corporation	382,189,890 *(Note 3)*	58.74%

Notes:

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

(2) These interests represented:

(a) 4,002,000 Shares held by Mr. Choi. Mr. Choi is the spouse of Ms. Liu Pui Ching ("**Ms. Liu**"). By virtue of the SFO, Ms. Liu is deemed to be interested in all the Shares in which Mr. Choi is interested;

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

(c) 250,000 Shares held by VRHK. VRI holds the entire issued share capital of VRHK and therefore by virtue of the SFO, Ms. Liu is deemed to be interested in all the Shares in which VRHK is interested.

(3) These interests represented:

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

(b) 250,000 Shares held by VRHK. VRI holds the entire issued share capital of VRHK and therefore by the virtue of the SFO, VRI is deemed to be interested in all the Shares held by VRHK.

(4) Approximate percentage calculated based on the 650,598,000 Shares in issue as at the date of this Annual Report.

Save as disclosed above, as at 31 December 2020, the Directors were not aware of any other corporation or individual (other than the Directors or chief executives of the Company) who had an interest or a short position in the Shares or underlying Shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme adopted on 17 June 2016

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 Annual Report is around 5 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 year ended 31 December 2020, a total of 9,948,000 share options were exercised under the Pre-IPO Share Option Scheme and 460,000 share options were lapsed as a result of voluntary resignation of the relevant option holders. As at 31 December 2020, the maximum number of Shares which might be issued upon exercise of all outstanding options granted under the Pre-IPO Share Option Scheme was 5,656,000 Shares, representing approximately 0.87% of the Company's issued share capital as at 31 December 2020.

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

				Number of Shares underlying the share options granted			
Grantee	Date of grant	Vesting schedule	Exercise period	Outstanding as at 1 January 2020	Exercised during the Year	Lapsed during the Year	Outstanding as at 31 December 2020
Directors							
Mr. 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
Mr. 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
Mr. 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	**13,952,000**	**(9,420,000)**	**(460,000)**	**4,072,000**
Total				**16,064,000**	**(9,948,000)**	**(460,000)**	**5,656,000**

Share Option Scheme adopted on 24 June 2016

The Share Option Scheme was adopted by the Company on 24 June 2016. The purpose of the Share Option Scheme is to recognise and acknowledge the contributions of eligible participants of the Share Option Scheme including any executive, Director, employee, advisor, consultant, professional, agent, contractor, customer, provider of goods and/or services or business or joint-venture partner to the Group (the "**Eligible Participant(s)**") by granting options to them as incentives or rewards. HK$1.00 is payable by an Eligible Participant upon acceptance of an offer of option. The Share Option Scheme will expire on 23 June 2026 and the remaining life of the Share Option Scheme as at the date of this Annual Report is around 5 years.

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

(i) the nominal value of the Shares;

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

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

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

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

Save for the options which have been granted on 28 May 2018 and 25 March 2019, no further options were granted under the Share Option Scheme during the Year. For the year ended 31 December 2020, 3,000,000 share options were exercised under the Share Option Scheme and none of share options were lapsed. As at 31 December 2020, the maximum number of Shares which might be issued upon exercise of all outstanding options granted under the Share Option Scheme was 12,400,000 Shares, representing approximately 1.91% of the Company's issued share capital as at 31 December 2020.

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

Grantee	Date of grant	Vesting schedule	Exercise period	Number of Shares underlying the share options granted: Outstanding as at 1 January 2020	Exercised during the Year	Lapsed during the Year	Outstanding as at 31 December 2020
Directors							
Mr. 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
Mr. 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
Mr. 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	(750,000)	–	750,000
In aggregate				**5,000,000**	**(750,000)**	**–**	**4,250,000**
Consultant							
In aggregate	25 March 2019	25% of options will vest on each of 25 March 2020, 2021, 2022 and 2023 respectively	25% of options will be exercisable from each of 25 March 2020, 2021, 2022 and 2023 respectively to 23 June 2026	**300,000**	**–**	**–**	**–** *(Note)*
Senior management and other employees	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	**7,300,000**	**(2,000,000)**	**–**	**5,300,000**
	25 March 2019	25% of options will vest on each of 25 March 2020, 2021, 2022 and 2023 respectively	25% of options will be exercisable from each of 25 March 2020, 2021, 2022 and 2023 respectively to 23 June 2026	**2,800,000**	**(250,000)**	**–**	**2,850,000** *(Note)*
In aggregate				**10,100,000**	**(2,250,000)**	**–**	**8,150,000**
Total				**15,400,000**	**(3,000,000)**	**–**	**12,400,000**

Note:

The consultant joined the Group as a senior project engineer during the Year. Therefore, the outstanding balance of 300,000 share options under the category of "consultant" as at 31 December 2020 were included in the category of "senior management and other employees".

Further details of the share options are set out in Note 32 to the consolidated financial statements of this Annual Report.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save for the Directors' material interests in transactions, arrangements or contracts and the related party transactions as disclosed in Notes 15(b) and 42, respectively, to the consolidated financial statements of this Annual Report, no contracts of significance was entered into between the Company or any of its subsidiaries and any Controlling Shareholder or its subsidiaries subsisted during or at the end of the Year.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save for the Directors' material interests in transactions, arrangements or contracts and the related party transactions as disclosed in Notes 15(b) and 42, respectively, to the consolidated financial statements of this Annual Report, no other transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which any Director (or any entity connected with such Director) had a material interest, whether directly or indirectly, subsisted during or at the end of the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

REMUNERATION POLICY

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

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

In compliance with the CG Code, the Company has established the Remuneration Committee to formulate remuneration policies. Directors' remunerations are subject to the Shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties and responsibilities, the recommendations of the Remuneration Committee and the performance and results of the Group. Details of the remuneration of the Directors and the five highest paid individuals of the Group are set out in Notes 15(a) and 14(b) to the consolidated financial statements of this Annual Report, respectively.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the section "Corporate Governance Report" on pages 52 to 71 of this Annual Report.

MANAGEMENT CONTRACTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

DEED OF NON-COMPETITION

During the Year, the Controlling Shareholders have confirmed to the Company of their compliance with the non-competition undertakings provided to the Company under a deed of non-competition entered into between the Controlling Shareholders and the Company dated 24 June 2016.

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

INDEPENDENT AUDITOR

RSM Hong Kong will retire at the conclusion of the forthcoming AGM and be eligible to offer themselves for re-appointment. A resolution will be submitted to the AGM to be held on 18 May 2021 to seek the Shareholders' approval on the appointment of RSM Hong Kong as the Company's auditor until the conclusion of the next annual general meeting and to authorise the Board to fix their remuneration.

RELATED PARTY TRANSACTIONS

A summary of the significant related party transactions which were conducted in the ordinary course of business are set out in Note 42 to the consolidated financial statements of this Annual Report.

As mentioned in Note 42, the rental expenses paid to related companies, the metal supplies and processing service fee to a related company and the electronic assembly service fee to a related company were continuing connected transactions contemplated under the Lease Agreements, the Plastic and Metal Services Agreement and the Electronic Assembly Service Agreement mentioned in paragraphs (a), (c) and (d) of the paragraph headed "Continuing Connected Transactions" below respectively.

As mentioned in Note 42, the purchases of goods from a related company and the catering service fee and administrative service fee paid to a related company were continuing connected transactions which were exempt from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has complied with the applicable requirements under the Listing Rules for those related party transactions which constituted non-fully exempt and non-exempt continuing connected transactions under the Listing Rules. Other related party transactions either did not constitute connected transactions/continuing connected transactions, or constituted connected transactions/continuing connected transactions but were exempted from all disclosure and independent Shareholders' approval requirements under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

During the Year, the Group had entered into certain transactions with entities which have become connected persons upon the Company's listing of the Shares on the main board of the Stock Exchange on 13 July 2016. These transactions have continued in the ordinary course of business and have constituted non-fully exempt and non-exempt continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(a) Lease Agreements

The Group as tenants, have entered into the following lease agreements (the "**Lease Agreements**"):

	HK lease agreement	First PRC lease agreement	Second PRC lease agreement
Tenant	VMHK	VMDG	VRMD
Landlord	VRDL *(Note 1)*	VRDG *(Note 1)*	VRDG *(Note 1)*
Location of property	Flat B2, 7th Floor, Phase 2, Hang Fung Industrial Building, 2G Hok Yuen Street, Hung Hom, Kowloon, Hong Kong	Various sites of an industrial complex located at Qiaolong Shuiaotou Industrial Zone, Tangxia Town, Dongguan City, the PRC	4th Floor, 45-46 Qiaolong Shabu Industrial Zone, Tangxia Town, Dongguan City, the PRC
Size of property (GFA)	2,686.26 sq.ft.	26,112.24 sq.m.	1,500.00 sq.m.
Term	1 January 2019 to 31 December 2021	1 January 2019 to 31 December 2021	1 January 2019 to 31 December 2021
Rent payable	HK$42,000 per calendar month *(Note 2)*	RMB526,800 per calendar month *(Note 3)*	RMB28,500 per calendar month *(Note 3)*
Annual caps	HK$504,000	RMB6,321,600	RMB342,000
Use of property	Office	Production plant, warehouse, sterilisation room, offices, staff quarters and canteen	Warehouse

Notes:

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

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

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

During the Year, VMHK paid HK$504,000 to VRDL pursuant to the HK lease agreement, VMDG and VRMD paid RMB6,321,600 and RMB342,000 to VRDG pursuant to the first and second PRC lease agreements.

(b) Bayer Supplier Agreement

VMHK and VMDG (collectively the "**Suppliers**") have entered into the agreement dated 1 August 2013 as amended by the previous supplemental agreements dated 7 June 2016, 20 December 2017 and 20 December 2019 (collectively the "**Bayer Supply Agreement**") with Bayer Medical Care, Inc. or Bayer HealthCare LLC (with effect from 1 January 2019) and Imaxeon Pty Ltd. (the "**Bayer Companies**"), pursuant to which the Suppliers would manufacture and supply certain components, assemblies and related services to the Bayer Companies, for a further term until 31 July 2022:

Bayer Supply Agreement			
Parties *(Note 1)*	Suppliers *(Note 2)*:	(1)	VMHK
		(2)	VMDG
	Customers:	(1)	Bayer HealthCare LLC *(Note 3)*
		(2)	Imaxeon Pty Ltd.
Effective period	The term of the Bayer Supply Agreement was extended for 2 years and 7 months until 31 July 2022 and may be terminated in whole or in part at any time upon 60 days prior written notice by the Bayer Companies to the Suppliers.		
Principal terms	The Suppliers would manufacture, assemble, test, package and sterilise (where applicable) and sell to the Bayer Companies plastic injection moulded components and assemblies (the "**Products**"). Certain components necessary for the manufacture of the Products (the "**Components**") are provided to the Suppliers from the Bayer Companies. In consideration for the performance by the Suppliers under the Bayer Supply Agreement, the Bayer Companies agree to lease equipment relating to the manufacture and supply of the Products, such as a syringe assembly line, a packaging line, moulding tools and other equipment and tools needed for the manufacture and supply of the Products (the "**Equipment**"), to the Suppliers. The Suppliers will be responsible for the maintenance and service of the Equipment. The Bayer Companies will pay and settle the invoices for the Products supplied under the Bayer Supply Agreement within 45 days of each monthly statement.		
Pricing basis	The price of each of the Products are agreed on the basis of the Suppliers' cost plus a profit margin, which margin varied and will continue to vary according to the requirements and specifications of each of the Products (the "**Pricing Basis**").		

Bayer Supply Agreement	
	The price of each of the Products is negotiated between the Bayer Companies and the Group on an arm's length basis and determined based on the Pricing Basis, in the ordinary course of business, on normal commercial terms or on terms no less favourable to the Company than those provided to Independent Third Parties. When determining the price for each of the Products, the Directors take into account (i) the complexity and technicality of the relevant project; and (ii) the estimated cost to the Group of leasing the Equipment from an Independent Third Party or purchasing the Equipment from an Independent Third Party and amortising the cost of such Equipment over the Equipment's estimated useful life. Specifically, the price of each of the Products are prepared by the sales teams of the Group and subject to the review and pre-approval of an executive Director (who does not have any material interests in the transactions). The executive Director will compare the gross profit margin of sales to the Bayer Companies to those of sales to other Independent Third Party customers of the OEM business segment, given that the Bayer Companies are the Company's customers of the same business segment. In any event, the profit margin of the transaction under the Bayer Supply Agreement should be no less favourable than those applicable to the sales of other products by the Group to other Independent Third Party customers of the OEM business segment. The Bayer Companies and the Suppliers acknowledge and agree that the Suppliers are responsible for the sterilisation of the Products and that the purchase price includes any sterilisation costs associated with the Products. The Bayer Companies and the Suppliers acknowledge and agree that the Suppliers shall deliver to the Bayer Companies sterilised Products.
Annual caps	Annual caps for the Products supplied by the Suppliers to the Bayer Companies for the year ended/ending 31 December: 2020: HK$242,000,000 2021: HK$270,000,000 2022: HK$176,167,000 Annual caps for the purchase of the Components from the Bayer Companies for the year ended/ending 31 December: 2020: HK$5,300,000 2021: HK$5,500,000 2022: HK$3,383,000

Notes:

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

(2) VRHK was one of parties entered into the Bayer Supply Agreement on 1 August 2013 and subsequently removed as a party to the Bayer Supply Agreement effective from 7 June 2016 pursuant to the supplemental agreement dated 7 June 2016.

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

During the Year, the Company entered into a memorandum of understanding dated 25 August 2020 and a share transfer agreement dated 30 October 2020 with Bayer Medical Care, Inc., whereby the Company (as the purchaser) conditionally agreed to acquire the 1,718,861 shares in VMHK, representing approximately 19.90% of its issued shares, and 3.98% equity interest in VMDG from Bayer Medical Care, Inc. (as the seller) at the consideration of HK$67,293,604 (the "**Consideration**"). Completion has taken place upon the payment of the Consideration on 30 October 2020 (the "**Completion Date**"). Accordingly, (i) VMHK and VMDG have become indirect wholly-owned subsidiaries of the Company; and (ii) Bayer Medical Care Inc. is no longer a connected person of the Company. For details, please refer to the Company's announcements dated 25 August and 30 October 2020.

For the period from 1 January 2020 and up to the Completion Date, the Suppliers manufactured the Products and supplied to the Bayer Companies amounted to approximately HK$161.8 million pursuant to the Bayer Supply Agreement. The Suppliers also purchased the Components from the Bayer Companies amounted to approximately HK$0.7 million pursuant to the Bayer Supply Agreement.

(c) Plastic and Metal Services Agreement

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

Plastic and Metal Services Agreement	
Parties *(Note)*	VMDG as purchaser VRDG as supplier
Effective period	1 January 2019 to 31 December 2021
Scope of Services	VRDG agreed to supply certain plastic and metal components and provide painting, embossing, repairing and moulding services to VMDG.
Termination	Either party to the Plastic and Metal Services Agreement may terminate the agreement by giving the other party not less than three months' notice.
Pricing basis	The price of the plastic and metal components and painting and moulding services provided by VRDG under the Plastic and Metal Services Agreement was determined based on VRDG's actual cost plus 10% margin.
Annual cap	For the year ended/ending 31 December 2020: HK$8,800,000 2021: HK$9,600,000

Note:

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

During the Year, VMDG paid approximately HK$8.7 million to VRDG pursuant to the Plastic and Metal Services Agreement.

(d) Electronic Assembly Service Agreement

The Group have entered into the following electronic assembly service agreement with VRDG (the "**Electronic Assembly Service Agreement**"):

Electronic Assembly Service Agreement	
Parties *(Note)*	VMDG as purchaser VRDG as supplier
Effective period	20 April 2020 to 31 December 2021
Scope of Services	VRDG agreed to provide assembly service in relation to certain electronic medical devices (such as humidifier and high flow oxygen therapy device) to VMDG.
Termination	Either party to the Electronic Assembly Service Agreement may terminate the agreement by giving the other party not less than three months' notice.
Pricing basis	The price of the assembly service provided by VRDG under the Electronic Assembly Service Agreement was determined based on VRDG's actual cost (including but not limited to costs on staff, rent, electricity and water and other assembly costs) plus 10% margin.
Annual cap	For the year ended/ending 31 December 2020: HK$15,000,000 2021: HK$10,000,000

Note:

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

During the Year, VMDG paid approximately HK$14.3 million to VRDG pursuant to the Electronic Assembly Service Agreement.

Internal Control

In order to ensure the terms of the non-exempt continuing connected transactions are on normal commercial terms and fair and reasonable to the Company and the Shareholders and are no more favourable than those offered by the Group to the Independent Third Parties, the Company has formulated the following internal control policies and adopted the following internal control measures for the Year:

(i) the finance department of the Company has closely monitored the non-exempt continuing connected transactions to ensure that the transactions amount have not exceeded the annual cap, respectively;

(ii) the finance department of the Company has conducted regular random checks to review and assess whether the non-exempt continuing connected transactions are conducted on normal commercial terms, in accordance with the terms set out in the related agreements and whether the relevant contract terms are in the interest of the Company and the Shareholders as a whole;

(iii) Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the non-exempt continuing connected transactions and confirmed that they have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and

(iv) the Company's auditor, RSM Hong Kong, has conducted an annual review of the transactions entered into under the non-exempt continuing connected transactions to ensure that the transaction amount is within the annual cap, respectively and the transactions are in accordance with the terms set out in the related agreements. Also, pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. RSM Hong Kong has issued the unqualified letter (a copy of which has been provided by the Company to the Stock Exchange) containing its findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules.

COMPLIANCE WITH THE SANCTIONS UNDERTAKING

As disclosed in the prospectus issued by the Company dated 30 June 2016, the Company has, amongst others, undertaken to the Stock Exchange that it would not use the proceeds from 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, or any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any other government, individual or entity sanctioned country which are prohibited under international sanction laws and regulations or with any sanctioned person (the "**Sanctions Undertaking**"). To ensure compliance with the Sanctions Undertaking, the Company has adopted enhanced internal control and risk management measures in order to continuously monitor and evaluate the business and take measures to protect the interests of the Group and the Shareholder from economic sanctions risks.

During the Year, the Risk Management Committee maintained the internal control and risk management policies and procedures, amongst others, to keep updating the sanctions countries list with customers periodically and to investigate customer background so as to ensure the nature and location of the activities or business, as well as the identity of the counterparties and the products involved, if necessary, etc., would not violate the Sanctions Undertaking. In the opinion of the Directors, the Company has complied with the Sanctions Undertaking for the Year.

EVENTS AFTER THE REPORTING PERIOD

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

PUBLICATION OF ANNUAL REPORT

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

By Order of the Board

Choi Man Shing
Chairman and Executive Director

Hong Kong, 23 March 2021

1. CORPORATE GOVERNANCE PRACTICES

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

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

In the opinion of the Directors, the Company has complied with the code provisions set out in the CG Code throughout the Year.

2. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

Having made specific enquiries with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding their transactions throughout the Year and up to the date of this Annual Report.

3. BOARD OF DIRECTORS

3.1 Responsibilities of the Board

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

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

Five Board committees, namely, the Audit Committee, the Nomination Committee, the Remuneration Committee, the Risk Management Committee and the ESG Committee, have also been established to oversee particular aspects of the Group's affairs. Details of these five Board committees are set out from pages 60 to 64 below.

The Directors can seek independent professional advice for performing their duties at the expense of the Company.

The Directors at all times have full access to information of the Group and they can also access to information from the senior management of the Company independently. The Board is provided with monthly operating information which contains the up-to-date performance of the Group and information of the Company to enable the Board as a whole and each Director to discharge their duties.

Other than the non-executive Directors (including independent non-executive Directors), all executive Directors are appointed on a full-time basis and have sufficient time to deal with the affairs of the Company. All Directors are required to fulfil their responsibilities as Directors of the Company and their common law duties as directors.

3.2 Chairman and CEO

Mr. Choi Man Shing serves as the Chairman and Mr. To Ki Cheung serves as the CEO. The roles of the Chairman and CEO are segregated and assumed by two separate individuals who have no relationship with each other. It is aimed at striking a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman provides leadership and is responsible for effective functioning and leadership of the Board, while the CEO is delegated with the authorities to focus on the Company's business development and daily management and operations generally.

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

3.3 Board composition

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

As at the date of this Annual Report, the Board had a total of eight members, which comprised four executive Directors, one non-executive Director and three independent non-executive Directors. The composition of the Board and the Board Committees, and the individual attendance records of each Director at the Board meetings, Board committees' meetings and general meeting in 2020 are listed below:

	Number of meeting attended/held in 2020						
Name of Director	Board meetings	Audit Committee meetings	Nomination Committee meeting	Remuneration Committee meeting	Risk Management Committee meetings	ESG Committee meeting	General meeting
Executive Directors							
Mr. Choi Man Shing *(Chairman)*	6/6	N/A	1/1	1/1	N/A	N/A	1/1
Mr. To Ki Cheung *(CEO)*	6/6	N/A	N/A	N/A	N/A	N/A	1/1
Mr. Koh Ming Fai	6/6	N/A	N/A	N/A	2/2	N/A	1/1
Mr. Fu Kwok Fu	6/6	N/A	N/A	N/A	N/A	1/1	1/1
Non-executive Director							
Mr. Guo Pengcheng	6/6	N/A	N/A	N/A	N/A	N/A	0/1
Independent Non-executive Directors							
Mr. Mok Kwok Cheung Rupert	6/6	3/3	1/1	1/1	N/A	N/A	1/1
Mr. Au Yu Chiu Steven	6/6	3/3	N/A	N/A	N/A	N/A	1/1
Prof. Yung Kai Leung	6/6	3/3	1/1	1/1	N/A	N/A	1/1

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

Biographical details of each of the Directors are set out in the "Biographical Details of Directors and Senior Management" section on pages 23 to 25 of this Annual Report. The information is also available on the Company's website. In addition, a list containing the names of the Directors and their roles and functions is posted on the websites of the Stock Exchange and the Company. Directors have disclosed the number and nature of their offices held in public companies or organisations and other significant commitments in their biographical information. They are also reminded to notify the Company in a timely manner and confirm bi-annually to the Company any change of such information so that the Company will set out the change and the updated information regarding such Directors in the next published annual report and interim report of the Company (as the case maybe).

3.4 Indemnification of Directors and Officers

The Directors and officers are indemnified under a directors' and officers' liability insurance against any liability incurred by them in the discharge of their duties while holding the office as the Directors and officers of the Company. The Directors and officers shall not be indemnified where there is any negligence, fraud, breach of duty or breach of trust proven against them.

3.5 Board Diversity Policy

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

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

The following tables further illustrate the diversity of the Board members as at the date of this Annual Report:

	Age Group				Educational Background		
Name of Director	41-50	51-60	61-70	71-80	Accounting	Engineering	Other
Mr. Choi Man Shing			✓				✓
Mr. To Ki Cheung		✓			✓		
Mr. Koh Ming Fai	✓					✓	
Mr. Fu Kwok Fu	✓					✓	
Mr. Guo Pengcheng		✓				✓	
Mr. Mok Kwok Cheung Rupert			✓			✓	
Mr. Au Yu Chiu Steven			✓		✓		
Prof. Yung Kai Leung				✓		✓	

Name of Director	Professional Experience/Skills and Knowledge
Mr. Choi Man Shing	Manufacturing of medical devices
Mr. To Ki Cheung	Administrative management of medical device manufacturing
Mr. Koh Ming Fai	Manufacturing of medical devices
Mr. Fu Kwok Fu	Manufacturing of medical devices
Mr. Guo Pengcheng	Investment management
Mr. Mok Kwok Cheung Rupert	Administrative management, sales and marketing and R&D of medical devices
Mr. Au Yu Chiu Steven	Audit and Finance
Prof. Yung Kai Leung	Engineering

3.6 Directors Nomination Policy and Procedures

Directors nomination policy and procedures of the Company sets out the procedures, process and criteria for identifying and recommending candidates for election to the Board as follows:

(i) In undertaking its annual review of the Board, the Nomination Committee or the Board as the case may be will determine if a Director should be appointed to the Board either as an additional Director or to fill a vacancy.

(ii) The sufficient biographical details of a candidate (including but not limited to, qualifications and working experience) will be provided to the Nomination Committee for assessing his/her suitability which will be measured against the suitability criteria as set out in this policy which include but are not limited to:

- the extent to which the candidate meets the competencies for a Director outlined in this policy;
- the time commitment required to effectively discharge the duties to the Company balanced with the number of existing directorships and other commitments that may demand the attention of the candidate;
- any actual or perceived conflicts of interest; and
- diversity in the aspects, amongst others, of gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service in the Company as set out in the Board diversity policy of the Company.

(iii) A candidate selected by the Nomination Committee will be approached by the Chairman or the CEO to determine his/her interest in joining the Board.

(iv) A candidate will be given information about the role, responsibility, contribution and time commitment the appointment will involve and the remuneration, terms and conditions of the appointment.

(v) A candidate for appointment as a non-executive Director (including an independent non-executive Director) must indicate that they have sufficient time to devote to the tasks the appointment will involve.

(vi) If the nominated candidate accepts an appointment, the Nomination Committee and the Remuneration Committee will consider the appointment and remuneration package, and recommend to the Board for approval.

During the Year under review, no candidate was nominated for directorship.

3.7 Independent non-executive Directors

The Company has three independent non-executive Directors, who are persons of high caliber; with academic and professional qualifications in the fields of accounting and business management. By their active participation in the Board meetings and their services on various Board committees, the independent non-executive Directors have made important contributions to the effective direction and strategic decision-making of the Group. Also, they do not participate in the day-to-day management of the Company and do not involve themselves in business transactions or relationships with the Company, in order not to compromise their objectivity.

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

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

During the Year, the Chairman, being an executive Director, held two meetings with independent non-executive Directors without the presence of other Directors or executives of the Group to discuss issues that they wish to raise at the Board.

3.8 Directors' induction and continuous professional development

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

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

The Directors understand the need to continue to broaden and refresh their knowledge and skills for making contributions to the Company. During the Year, the Company has organised a directors' training with the topic of "How can the Board prepare for the latest HKEx ESG Reporting Guide" to all Directors.

All Directors have provided the Company with their respective records of the trainings attended by them during the Year. According to the training records maintained by the Company, the types of trainings received by each of the Directors during the Year are summarised as follows:

Name of Director	Type of trainings *(Note)*
Executive Directors	
Mr. Choi Man Shing	A, B
Mr. To Ki Cheung	A, B
Mr. Koh Ming Fai	A, B
Mr. Fu Kwok Fu	A, B
Non-executive Director	
Mr. Guo Pengcheng	B
Independent Non-executive Directors	
Mr. Mok Kwok Cheung Rupert	A, B
Mr. Au Yu Chiu Steven	A, B
Prof. Yung Kai Leung	A, B

Note:

A: *attending training sessions, including but not limited to, seminars, briefings, conferences, forums and workshops*

B: *reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities*

3.9 Board and Board committees' meetings

The Company holds at least four Board meetings per year, with special Board meetings being scheduled as required to determine the overall strategic directions and objectives of the Group and approve interim and annual results and other significant matters. The Articles of Association allow the Board meetings to be conducted by means of a telephone conference or other communication method through which all persons participating in the meeting can communicate with each other. Also, a resolution in writing signed by all the Directors for the time being entitled to receive notices of Board meetings shall, provided such Directors would constitute a quorum at any meeting of the Board convened to consider the resolution, be valid and effectual.

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

Minutes of each Board and Board committees' meeting record in sufficient details the matters considered and decisions made, including any concerns or views of the Directors or the relevant committee members or dissenting views expressed. Final drafts of minutes are circulated to all Directors or committee members for their perusal prior to confirmation of the minutes at the subsequent Board or Board committees' meeting. The Directors or committee members may request for clarification or raise comments before the minutes are tabled for confirmation. Upon receiving confirmation from the Directors or committee members, the minutes will be signed by the chairman of the meeting as a correct record of the proceedings of the meeting and kept by the Company Secretary, and are open for inspection at any reasonable time on reasonable notice given by any Director or committee member.

If a matter to be considered by the Board involves a conflict of interests of any substantial Shareholder or the Controlling Shareholder of the Company or Director and if the Board considers that the matter is material, it would be dealt with by a physical meeting rather than a written resolution of the Directors.

The Board ensures that there are sufficient independent non-executive Directors (who, and whose close associates, have no material interests in the transaction) participating in discussing and voting on the resolution. A Director having material interests would abstain from deliberating and voting on the resolution to avoid any conflict of interests.

4. BOARD COMMITTEES

The Board has established five Board committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee, the Risk Management Committee and the ESG Committee to oversee specific aspects of the Company's affairs and help it in the execution of its responsibilities. The Board committees are provided with sufficient resources to discharge their duties. The list of members of the five Board committees as at the date of this Annual Report are as follows:

	Composition of the Board Committees				
Name of Board committee member	Audit Committee	Nomination Committee	Remuneration Committee	Risk Management Committee	ESG Committee
Executive Directors					
Mr. Choi Man Shing *(Chairman)*	–	Chairman	Member	–	–
Mr. To Ki Cheung *(CEO)*	–	–	–	–	–
Mr. Koh Ming Fai	–	–	–	Chairman	–
Mr. Fu Kwok Fu	–	–	–	–	Chairman
Non-executive Director					
Mr. Guo Pengcheng	–	–	–	–	–
Independent non-executive Directors					
Mr. Mok Kwok Cheung Rupert	Member	Member	Chairman	–	–
Mr. Au Yu Chiu Steven	Chairman	–	–	–	–
Prof. Yung Kai Leung	Member	Member	Member	–	–
Employees					
Mr. Kwok Kam Ming *(Quality assurance manager)*	–	–	–	Member	–
Ms. Hu Fang *(Sales and marketing manager)*	–	–	–	Member	–
Mr. Zhang Changqing *(Sales and marketing manager)*	–	–	–	Member	–
Mr. Lai Hoi Ming *(Chief financial officer)*	–	–	–	Member	Member
Ms. Tsui Lai Ki Vicki *(Company Secretary)*	–	–	–	–	Member

Each Board committee has its written terms of reference which clearly outline its authority, duties and the requirement to report back on its decisions or recommendations to the Board. Independent non-executive Directors play an important role in the Audit Committee, the Nomination Committee and the Remuneration Committee, respectively, ensuring that independent and objective views are expressed.

4.1 Audit Committee

The Company established the Audit Committee with its written terms of reference in compliance with the Listing Rules. The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

The functions of the Audit Committee are included but not limited to:

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

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

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

(d) ensuring effective communication between the Directors and external auditor.

During the Year, the Audit Committee had performed the following works:

- reviewed the audited annual financial statements for the year ended 31 December 2019;
- reviewed the unaudited interim financial statements for the six months ended 30 June 2020;
- made recommendations to the Board for approval the above-mentioned financial statements respectively;
- reviewed and approved the audit closing memorandum presented by the external auditor;
- discussed with the management and the external auditor about the issues concerning the accounting policies and practices which may affect the Group, along with financial reporting matters;
- reviewed the risk management and internal control systems;
- recommended to the Board on the re-appointment of the external auditor; and
- determined the interim review and annual audit fees of the external auditor.

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

This Annual Report for the year ended 31 December 2020 has been reviewed by the Audit Committee.

4.2 Nomination Committee

The Company established the Nomination Committee with its written terms of reference in compliance with the Listing Rules. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

The functions of the Nomination Committee are included but not limited to, (i) identify, screen and recommend to the Board appropriate candidates to serve as the Directors; (ii) oversee the process for evaluating the performance of the Board; and (iii) develop, recommend to the Board and monitor nomination guidelines for the Company.

During the Year, the Nomination Committee had performed the following works:

- reviewed the existing structure, size, composition and diversity (including but not limited to gender, age, cultural, education background, ethnicity, professional experience, skills, knowledge and length of service in the Company) of the Board;
- reviewed the Board diversity policy and the nomination of directors policy and procedures of the Company;
- assessed the independence of the independent non-executive Directors; and
- recommended to the Board on the re-election of retiring Directors.

4.3 Remuneration Committee

The Company established the Remuneration Committee with its written terms of reference in compliance with the Listing Rules. The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

The functions of the Remuneration Committee are included but not limited to assist the Board in (i) determining the policy and structure of the remuneration packages of the Directors and the senior management; (ii) reviewing incentive schemes and Directors' service contracts; and (iii) fixing the remuneration packages for the Directors and the senior management.

During the Year, the Remuneration Committee had performed the following works:

- reviewed the remuneration policy and structure of the Group;
- discussed and recommended the remuneration packages of the Directors and senior management for the Board's approval; and
- authorised by the Board to approve the allotment and issue of Shares upon exercise of share options under the Pre-IPO Share Option Scheme and the Share Option Scheme.

The fees of the Directors and the emolument of the senior management are determined with reference to their respective duties and responsibilities, expertise and experience in the industry, the performance and profitability of the Group as well as remuneration benchmarks from other companies and prevailing market conditions. Whilst the Board retains its power to determine the remuneration of non-executive Directors, the responsibility for reviewing and determining the remuneration packages of individual executive Directors and senior management of the Company is delegated to the Remuneration Committee.

The remuneration paid to the members of senior management (excluding the Directors) by bands for the Year is set out below:

Emolument Band	Number of individuals
Nil to HK$1,000,000	2
HK$1,000,001 to HK$1,500,000	3
HK$1,500,001 to HK$2,000,000	2
Over HK$2,000,000	2

The details of the fees and other emoluments paid or payable to the Directors are set out in details in Note 15(a) to the consolidated financial statements set out in this Annual Report.

4.4 Risk Management Committee

The Company established the Risk Management Committee with its written terms of reference in compliance with the Listing Rules. The functions of the Risk Management Committee are included but not limited to, oversee the implementation of the Group's internal control and compliance policies and to manage the Group's exposure to risks.

During the Year, the Risk Management Committee held two meetings and the individual attendance records of each member of the Risk Management Committee are listed below:

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

During the Year, the Risk Management Committee had performed the following works:

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

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

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

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

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

4.5 ESG Committee

The Company established the ESG Committee on 25 August 2020 with its written terms of reference. The functions of the ESG Committee are included but not limited to, advise and assist the Board in managing matters relating to ESG of the Group, such as governance, policies, initiatives, performance and reporting.

During the Year, the ESG Committee held one meeting and the individual attendance records of each member of the ESG Committee are listed below:

Name of members	Meeting Attendance/ Eligible to Attend
Mr. Fu Kwok Fu *(Executive Director)*	1/1
Mr. Lai Hoi Ming *(Chief financial officer)*	1/1
Ms. Tsui Lai Ki Vicki *(Company Secretary)*	1/1

During the Year, the ESG Committee had performed the following works:

- identified ESG risks and opportunities and formulated the major visions and strategy, including but not limited to, green energy, supply control, anti-corruption and employee affairs;

- performed periodic monitoring the implementation of the above major ESG visions;

- set up a working group for exercising ESG plan and collecting data regularly to review the ESG performance of the Group; and

- analysed the data collected by the working group and formulated the ESG working report for the presentation to the Board in a quarterly basis.

5. CORPORATE GOVERNANCE FUNCTIONS

The Board recognises that the Directors should be collectively responsible for the corporate governance duties. Such duties are included but not limited to:

(i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(v) to review the Company's compliance with the CG Code and its disclosure requirements in this Annual Report.

During the Year and up to the date of this Annual Report, the Board has reviewed and performed the abovesaid corporate governance functions.

6. RISK MANAGEMENT AND INTERNAL CONTROL

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

6.1 Risk Management and Internal Control Structural Framework

The Company has set up an internal audit division within the Group and maintained an organisation structure with defined levels of responsibility in the Company's risk management and internal control system. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness. The Board has delegated its responsibilities of risk management and internal control to the Audit Committee and the Risk Management Committee as well as internal audit division. The Audit Committee oversees the financial reporting, risk management and internal control systems and provides advice for improvement. The Risk Management Committee as well as the internal audit division of the Group (i) oversee the management of each business department in the design, implementation and monitoring of the risk management and internal control systems; and (ii) determine and evaluate the associated financial, operation, reporting and compliance risks and their corresponding mitigation plans. The entire process and its outcome are documented and reviewed by the Risk Management Committee twice a year.

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

Board

- Evaluate and determine the nature and extent of the risks taken by the Group to achieve its strategic business objectives;

- review and maintain the risk management and internal control structural framework and their responsibilities; and

- through the Audit Committee and the Risk Management Committee, regularly review and monitor the effectiveness of the risk management and internal control systems and monitor the corporate governance practices and compliance procedures on an ongoing basis.

Audit Committee

- Review the systems of the Company on financial controls, internal control and risk management regularly;

- monitor the implementation of the action plans and the effectiveness and adequacy of the internal control and risk management systems; and

- report directly to the Board on its findings, decisions and/or recommendations.

Risk Management Committee

- Assist the Board and the Audit Committee to perform its responsibilities of risk management and internal control systems;

- review the effectiveness of the Group's risk management and internal control systems at least half a year, and such review should cover all material controls including financial, operational and compliance control;

- discuss the risk management and internal control systems with the internal audit division and management of each business development to ensure that management has performed its duty to have effective and efficient control systems so as to ensure the adequacy of resources, staff qualifications and experience, and training programmes; and

- report directly to the Board and the Audit Committee on its findings, decisions and/or recommendations.

Internal Audit Division

- Oversee the Group's risk management and internal control systems on an ongoing basis;

- oversee the operation of each business department and evaluate the associated financial, operation and compliance risks and their corresponding mitigation plans; and

- report directly to the Risk Management Committee on its findings, decisions and/or recommendations.

Management of each business development

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

6.2 Processes adopted to Identify, Evaluate and Manage Risks

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

Risk Identification

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

Risk Assessment

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

Risk Response

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

Risk Monitoring and Reporting

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

The Board, through the Audit Committee and the Risk Management Committee as well as internal audit division, conducted an annual review on the Group's risk management and internal control systems and considers that the systems are adequate and effective during the Year. The Board is satisfied that the Group has fully complied with the code provisions on risk management and internal controls as set out in the CG Code.

6.3 Disclosure of Inside Information

The Group acknowledges its responsibilities under the Listing Rules and the SFO and the overriding principle that inside information should be announced as soon as reasonably practical when it is the subject of a decision. The procedures and internal controls for handling and dissemination of inside information are as follows:

(i) The Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;

(ii) The Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website;

(iii) The Group has strictly prohibited the unauthorised use of confidential or inside information and reinforced the awareness to the obligations in preserving confidentiality of inside information within the Group;

(iv) sending blackout period and securities dealing restrictions notification to the Directors and relevant employees regularly; and

(v) The Group has implemented procedures for responding to external enquiries about the Group's affairs, so that only the executive Directors as well as the Company Secretary and the head of investor relations of the Company are authorised to communicate with parties outside the Group.

7. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

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

The remuneration paid or payable to RSM Hong Kong, being the external auditor of the Company, in respect of the audit services related to the audit for the year ended 31 December 2020 and the review of the interim results for the six months ended 30 June 2020 amounted to approximately HK$2.0 million.

The remuneration paid or payable to RSM Hong Kong and its related entities in respect of the services related to other permissible non-audit services amounted to approximately HK$0.4 million.

8. DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board is committed to providing a balanced, clear and comprehensible assessment of the financial performance and prospects of the Group in all the disclosures made to the stakeholders and the regulatory authorities. Timely release of interim and annual results announcements reflects the Board's commitment to provide transparent and up-to-date disclosures of the performance of the Group.

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group which give a true and fair view of the state of affairs of the Group. In preparing such consolidated financial statements, it is fundamental that appropriate accounting policies are selected and applied consistently. The statement of the external auditor of the Company about its reporting responsibilities on the consolidated financial statements is set out in the independent auditor's report on pages 90 to 94 of this Annual Report.

9. COMPANY SECRETARY

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

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

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

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

The appointment and removal of the Company Secretary is subject to the Board's approval in accordance with the Articles of Association. All members of the Board have accessed to the advice and service of the Company Secretary. Ms. Tsui joined the Group in April 2016 and was appointed as the Company Secretary of the Company in May 2017. She has day-to-day knowledge of the Group's affairs. During the Year under review, Ms. Tsui confirmed that she had taken no less than 15 hours of relevant professional training to update her skills and knowledge.

10. COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

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

The general meeting is an effective platform that allows effective communication between the Board members, the senior management and the Shareholders. The Company encourages participation of the Shareholders in annual general meetings and other general meetings. The Company sends notice to the Shareholders for annual general meetings at least 20 clear business days before the meeting and at least 10 clear business days for all other general meetings. Separate resolutions are proposed at general meetings for each substantial issue, including the re-election of individual Directors. The detailed procedures of conducting a poll are explained to the Shareholders at the general meeting, to ensure that the Shareholders are familiar with such procedures.

The Company's last general meeting was held on Wednesday, 20 May 2020 at 10:00 a.m. at 17th Floor, Leighton, 77 Leighton Road, Causeway Bay, Hong Kong (the "**2020 AGM**"). To safeguard the health and safety of Shareholders and to prevent the spreading of the COVID-19, the precautionary measures including compulsory body temperature screening, mandatory wearing of surgical face mask, mandatory submission of health declaration form and no serving of refreshments or drinks had been implemented at the 2020 AGM. Also, in light of the continuing risks posed by the COVID-19, and in the interests of protecting Shareholders, the Company strongly encouraged the Shareholders to exercise their right to vote on the relevant resolutions at the 2020 AGM by appointing the Chairman of the 2020 AGM as their proxy instead of attending in person. All the resolutions proposed at the 2020 AGM were approved by the Shareholders by poll. Details of the poll results are available under the "Investors" section of the website of the Company and the Stock Exchange, respectively.

The 2021 AGM will be held at 17th Floor, Leighton, 77 Leighton Road, Causeway Bay, Hong Kong on Tuesday, 18 May 2021 at 10:00 a.m..

11. ARTICLES OF ASSOCIATION

During the Year, the Company has not made any amendment to its Articles of Association. An up-to-date version of the Articles of Association is available on the website of the Company and the Stock Exchange, respectively.

12. SHAREHOLDERS' RIGHTS

12.1 Convening an Extraordinary General Meeting by the Shareholders

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

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

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

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

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

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

Environmental, Social and Governance Report

ABOUT THE REPORT

The Group adheres firmly to the core values of providing innovative, quality and reliable medical devices. The Group has longed for pursuing of sustainability, constantly incorporating environmental and societal initiatives in business. To acknowledge the significance of corporate environmental and social responsibilities of the Group, the Board launched its fifth Environmental, Social and Governance Report (the "**Report**") with pleasure to demonstrate sustainability performance of the Group. The Group reports its commitments and practices on the environmental, social and governance performance for the year ended 31 December 2020.

REPORTING SCOPE

The scope of the Report covers the manufacture of medical devices in all operating sites in Dongguan, Shenzhen, Guangzhou and Japan as well as the head office in Hong Kong. Those areas are financially significance and operationally importance to the Group and its stakeholders. By business nature, the production lines in Dongguan and Guangzhou are mainly for the medical devices includes respiratory products, imaging disposables products, and orthopaedic and rehabilitation products for the customers in the OEM segment and our own "Inspired Medical" and "inspired™" brands of respiratory products and orthopaedic and rehabilitation products (also under "Hand of Hope" and "Hypnus™" brands) in the OBM segment.

REPORTING PRINCIPLE

The Report is compliant with the requirements as set out in the "Environmental, Social and Governance Reporting Guide" (the "**Guide**") in Appendix 27 of the Listing Rules issued by the Stock Exchange in 2015. The four reporting principles listed in the Guide: materiality, quantitative, balance and consistency, are used as the basis for the preparation of the Report as below. In addition, the Report tries to meet the aspects, general disclosures and key performance indicators (KPIs) of the new Guide issued in 2020.

Materiality: In order to better understand and identify the most material ESG-related issues to the Group from the stakeholders' perspectives, the Group communicates with them on a regular basis. Meanwhile, the Group concerns ESG development outside and within the industry, fulfilling local standards as well as incorporating it into the strategic development plan of the Group.

Quantitative: Appendix 27 of the Listing Rules guides the Group to prepare measurable KPIs to review its performance. Quantitative information presented in the Report is accompanied by narrative, explanation and comparison analysis wherever applicable. The frequency of publication is once a year per reporting period.

Balance: The Group upholds this reporting principle to compile the Report, unbiasedly disclose the ESG performance in the reporting period with the support of pictures, charts and presentation formats whenever appropriate so as to avoid misleading and influence readers to make decisions or judgments.

Consistency: The Group adopts consistent methodologies and retrieves the ESG performance from the Group's internal record system. The Group is also with reference to Appendix 2: Reporting Guidance on Environmental KPIs as well as Appendix 3: Reporting Guidance on Social KPIs as set out in "How to prepare an ESG Report" issued by the Stock Exchange in March 2020 to collect, calculate and present so as to make meaningful comparisons over the years.

BOARD STATEMENT

In view of increasingly importance of ESG-related issues in our business, the Board believed that an effective governance structure of ESG matters is fundamental to qualify ESG performance and reporting and thus the ESG Committee was established on 25 August 2020 with its written terms of reference. The ESG Committee shall comprise such number of members as the Board may determine, provided at least one executive Director, chief financial officer and Company Secretary of the Group. The ESG Committee is to assist and advise the Board in managing ESG matters such as identifying ESG risks and opportunities, formulating ESG strategy and visions, overseeing ESG issues as well as its performance in the Group. The Board admits the overall responsibility for ESG reporting. A working group was also set up for exercising ESG plan and collecting data regularly to review the ESG performance of the Group. The working group will report to the ESG Committee from time to time. Based on the data provided by the working group, the ESG Committee will formulate the working group reports for presentation to the Board on a quarterly basis.

The most critical challenge in 2020 was the global outbreak of COVID-19 pandemic. The Board directs a clear message to all levels of staff to stabilise its supply chain and maintain business development. Hence, the Group has adopted a series of COVID-19 safety measures and fully respected the social distancing policy. The Group has also closely kept in touch with the suppliers to identify physical and transitional risks along with the supply chain. Alternative suppliers are standing by at all time to safeguard critical raw materials supply. Furthermore, the Group understands the needs of the community and therefore provides financially supports and sponsors medical devices to the infected people and hospitals to fight the COVID-19.

We are with great pleasure and pride in offering respiratory devices and disposables with approvals to alleviate COVID-19 symptoms. However, the strong demand for our respiratory devices and disposables under COVID-19 was resulted in greater resources consumptions and emissions in 2020. We managed the increment at a minimum level and complied with all environmental laws and regulations. During the reporting period, there was no environmental non-compliance resulting in fines or prosecution. For continuous improvement purposes, the Group will continue to seek ways to use resources in a more efficient and environmental friendly manner.

The overwhelming support from the market in 2020 will not stop us from striving for perfections, and we know that we should not be complacent about the future development. The uncertainty of the pandemic and rapidly changing constantly remind us being conservative and prudent in doing business. We will continue to uphold our visions to build an inclusive and sustainable society to help the sick.

STAKEHOLDERS ENGAGEMENT

The Group firmly believes that it is important to understand the stakeholders' needs and expectations. Better still, stakeholders' opinion can help the Group identifies as well as prioritises development strategies. Therefore, there are communication channels to engage with different stakeholders on a regular basis.

	Stakeholders	Communication Channels	
External	**Customers**	• Emails • Customer satisfaction survey • Customer service hotline	• Regular meeting
External	**Suppliers**	• Hotlines/emails • Onsite visit	• Annual performance review • Annual reports
External	**Shareholders**	• Disclosure of corporate information in the websites of the Company and the Stock Exchange	• Annual reports • Annual general meeting • Regular dialogue with institutional investors
External	**Regulators**	• Notices and circulars • Newsletters and Releases	
Internal	**Employees**	• Regular training • Regular meeting • Internal circulars (notices and intranet)	• Emails/opinions collection boxes • Appraisal • Annual reports

ENVIRONMENT

The Group is aware that the existing business is depleting the resources of the future generation, which poses environmental impacts in certain extents. The Group is classified as a low emission industry by the Dongguan Tangxia Environmental Protection Department (東莞塘廈環保分局) and has upheld the principle of sustainability in operation.

Emissions

The primary greenhouse gases ("**GHG**") emissions of the Group are generated from purchased electricity and fossil fuel consumed by company vehicles.

Indicator (Note 1)	Units	Total emissions 2020	2019	Change
Total GHG emission (Scopes 1, 2 and 3)	CO_2e tonnes	**14,471**	11,248	+28.7%
Scope 1 (Note 2)	CO_2e tonnes	**23**	35	–34.3%
Scope 2 (Note 3)	CO_2e tonnes	**14,442**	10,949	+31.9%
Scope 3 (Note 4)	CO_2e tonnes	**6**	264	–97.7%
Intensity of total GHG emission	CO_2e tonnes/m^2	**0.42**	0.33	+27.3%
Air pollutants (Note 5)				
Nitrogen Oxides (NO_x)	kg	**24.16**	19.31	+25.1%
Sulfur Oxides (SO_x)	kg	**0.15**	0.23	–34.8%
Particulate Matter (PM)	kg	**2.16**	1.60	+35.0%

Notes:

1. The GHG emissions are presented in terms of carbon dioxide equivalent which refer to the latest released emission factors by the National Development and Reform Commission (NDRC).

2. Scope 1 refers to the direct emissions from vehicles that are owned by the Group.

3. Scope 2 refers to the indirect emissions resulting from the generation of purchased electricity consumed within the Group.

4. Scope 3 refers to the indirect emissions from business travel by employees.

5. Air emissions are calculated with reference to Appendix 2: Reporting Guidance on Environmental KPIs, published by the Stock Exchange.

The total GHG emission in the reporting period was increased by 28.7% because of the increase of total amount of energy consumed by 31.9% resulted from the increase of total production volume in 2020 as compared to 2019. The significant decrease in Scope 3 was mainly due to the travel ban all over the world under pandemic.

Because of the business nature, the Group does not emit a significant amount of exhaust gas throughout the operation. The only possible source of exhaust gas emitted from the operating sites would be mobile vehicles. They emit a large amount of PM, NO_x, and SO_x. The Group strived to control the emissions, such as to conduct proper engine repair and maintenance on a regular basis. In the future, the Group is seeking initiatives to adopt cleaner alternatives to diesel vehicles where practicable, promote eco-driving habits as well as install devices that trap pollutants.

Use of Resources

Energy Consumption

It is unavoidable to consume energy in daily operation, yet the Group takes energy saving as a long-term objective and strives to reduce energy consumption. Because of that, the Group has implemented the following measures to lower energy consumption.

- Established an energy management centre to analyse and monitor energy usage regularly;
- Installed a solar-powered water heating system in office and dormitory;
- Replaced conventional lightings with LED lights or T5 fluorescent tube;
- Purchased two environmentally friendly electrical forklifts;
- Limited unnecessary use of company vehicles;
- Turned off lighting, personal computer and air-conditioners during non-office hours;
- Switched off idling engines;
- Used video conferencing or phone calls for meeting;
- Maintained indoor room temperature at 24 to 26 Degree Celsius at the office; and
- Placed energy-saving reminders at pantry, office and dormitory.

		Total emissions		
Indicator	**Units**	**2020**	**2019**	**Change**
Total energy consumption (including solar energy generated)	kWh	**17,264,022**	13,089,576	+31.9%
Intensity of total energy use (per building area)	kWh/m^2	**503**	381	+32.0%
Total electricity purchased	kWh	**17,260,422**	13,085,976	+31.9%
Total solar energy generated	kWh	**3,600**	3,600	–
Diesel oil consumption	Litres	**2,662**	1,092	+143.8%
Unleaded petrol consumption	Litres	**7,167**	14,232	–49.6%

The total number of production volume was increased resulting an increase in the total energy consumption. The demand for diesel oil consumed by company truck was also escalated by 143.8%. Meanwhile, the drop of unleaded petrol was mainly due to the decrease in usage of the staff shuttle bus under the pandemic.

Electricity
17,264,422 kWh
Compared to 2019:
+31.9%

Unleaded Petrol
7,167 Litres
Compared to 2019:
-49.6%

Diesel Oil
2,662 Litres
Compared to 2019:
+143.8%

Water Consumption

Due to the business nature, water consumption of the Group is mainly from office and household use. Production of medical devices do not substantially consume a large amount of water, but the Group is devoted to reducing the use of water. Reminders are placed at pantries and toilets to remind employees to save water. Moreover, the Group has adopted water flow controllers and water-efficient taps to lower water consumption.

		Total emissions		
Indicator	**Units**	**2020**	**2019**	**Change**
Total water consumption	m^3	**176,504**	116,036	+52.1%
Water consumption Intensity (per building area)	Litres/m^2	**5.14**	3.38	+52.1%

The total water consumption in the reporting period was increased by 52.1% which was mainly due to the increase of staff employed and hence high office and household use of water.

In addition to water consumption, wastewater handling is also a concern in the operation of the Group. The Group has installed a system to separate rainwater and sewage. The Group treats all wastewater adequately and manages the treatment plant in accordance with the local regulations. Also, the Group conducts regular monitoring and inspections to ensure that the wastewater discharge is within the discharge caps as set out by the local government. If applicable, the Group takes corrective and preventative actions in response to abnormal situations. In 2020, there were no problems in sourcing water and wastewater treatment.

Waste and Packaging Materials Management

The business of the Group entails the use of natural resources. The Group, therefore, actively encourages employees to reduce waste at source. For example, the Group has implemented an Office Automation (OA) System and the SAP system; set duplex-printing as default and communicated with employees via electronic means to minimise paper usage. The Company hired a registered hazard disposal service provider in the PRC during the reporting period so as to handle the disposed hazard wastes for the current and previous years properly and led to the significant increase of hazardous waste in 2020 by 883.3% as compared to 2019. The rise in non-hazardous waste in 2020 was mainly due to an additional number of employees which in turn led to the increase of domestic waste generated in office and household.

Indicator	Units	Total emissions		
		2020	**2019**	**Change**
Hazardous waste *(Note 1)*	Tonnes	**2.95**	0.30	+883.3%
Intensity of hazardous waste (per building area)	Tonnes/m^2	**0.00009**	Insignificant (<0.00001)	+883.3%
Clinical waste *(Note 2)*	kg	**61**	NA	NA
Non-hazardous waste *(Note 3)*	Tonnes	**235**	180	+30.6%
Intensity of non-hazardous (per building area)	Tonnes/m^2	**0.0069**	0.0053	+30.2%

Notes:

1. Hazardous waste includes chemicals waste such as acetone, silicone oil, mercury and etc.

2. Clinical wastes include the Limulus Amoebocyte Lysate (LAL) and their test kit.

3. Non-hazardous waste represents domestic waste generated in office and household.

Non-Hazardous Waste

235 Tonnes

Compared to 2019:

+30.6%

Hazardous Waste

2.95 Tonnes

Compared to 2019:

+883.3%

The Group also strictly follows the applicable guidelines and regulations to handle, manage and discharge hazardous waste. Hazardous waste such as wasted organic solvent (like thinner, waste oil, waste compact fluorescent lamps, exhausted cartridges and toners) are separately collected and recycled by the licensed contractors and followed the National Hazardous Waste List. Before contractors' collection, the Group must store waste properly in designated containers with covers and placed in dangerous goods store to avoid leakage and misuse. The competency of contractors shall not only possess the Hazardous Waste Operation Permit and the Road Transportation Operation Permit issued by the authorities but also shall demonstrate their abilities to handle hazardous waste and follow the laws and regulations to avoid secondary environmental pollution.

In relation to the packaging materials consumption, proper packaging is essential in keeping products in good quality without damage, the Group mainly employs paper boxes and plastics in the delivery and transportation process. Whenever possible, the Group reuses all the materials. The Group is planning to get rid of plastics packaging in phases because plastic has a detrimental effect on the environment. The alternative being adopted is the use of fabrics. In 2020, the strong demand for our products resulted in greater use of packaging materials, including paper, plastics and carton boxes for a total of 1,361 tonnes, which raised by 50.1% and the intensity of the total packaging material per production volume was 0.000018 tonnes/m^2.

Category of packaging materials	Unit	2020	2019	Change
Carton boxes	Tonnes	**1,129**	784	+44.0%
Plastic	Tonnes	**224**	116	+93.1%
Paper	Tonnes	**8**	7	+14.3%
Total	Tonnes	**1,361**	907	+50.1%
Intensity of total packaging materials (per production volume)	Tonnes/m^2	**0.000018**	0.000015	+20.0%

The Environment and Natural Resources

Environmental Education

The Group relies on the employees' support for environmental protection. Newcomers are aware of the Group's environmental policies towards water, energy and waste through training. The Group and employees work diligently to protect the environment by actions as well as foster the community to adopt environmental initiatives. Due to the pandemic, no face-to-face environmental trainings and activities were organised by the Group during the reporting period. The Group will consider providing online refresher training covering the topics of environment, health and safety as well as smoking cessation to employees so to refresh and reinforce the knowledge.

SOCIAL

Employees countless contributions are the key to the Group's continuous success in business, so the Group is eager to build and maintain a harmonious, fair and safe working environment to them and endlessly strive to enhance corporate social responsibility.

Employment

The Group formulated fair and equal employment and recruitment procedures according to the relevant labour law in different jurisdictions to hire and promote employees. The Group appreciates the cultural diversity in the workplace. Hence, recruitment is based on candidates' experiences, abilities and business needs, regardless of race, gender, age, marital status, pregnancy, family status, sexual orientation, religion and nationality. All talented employees can be promoted and obtained relevant training to meet business needs and personal career development. During the reporting period, there was no case of non-compliance regarding compensation and dismissal, recruitment and promotion, equal opportunities, diversity, as well as discrimination.

Benefits and Welfares

The Group covers "Five Social Insurances and One Housing Fund" for employees in the PRC. Also, the Group offers the Mandatory Provident Fund (MPF) scheme to employees in Hong Kong as required. All employees are entitled to various statutory holidays and paid leave such as marriage leave and maternity leave. To better understand the employees' opinion, the Group has formed a labour union whereby all employees are welcome to join. They can also share their ideas through monthly meeting with the Group's representatives, emails, hotlines, or WeChat.

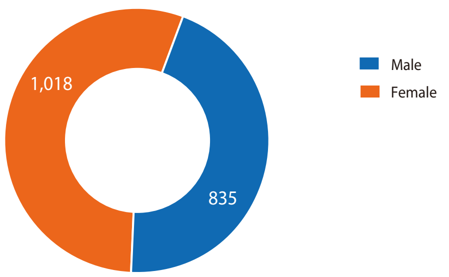
In addition, the Group also provides welfares to the employees. For instance, distributing gifts, food or beverages during the festivals like the Mid-Autumn Festival and Lunar New Year.

Furthermore, the Group has passed on all wages subsidies received under the first and second tranche of the Hong Kong Government's Employment Support Scheme (ESS) to its employees in Hong Kong in June 2020 and September 2020, respectively, without reducing their current salaries paid by the Group. The Group will continue to meet the all the relevant requirements as stipulated by the ESS.

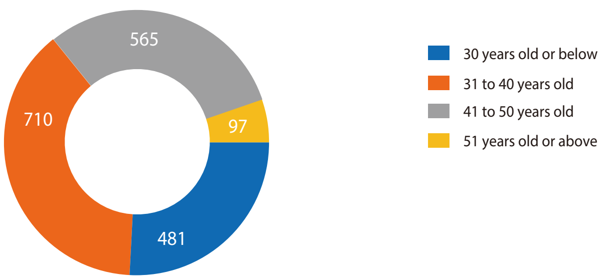
In addition to the benefit and welfares mentioned above, the Group benchmark employees' salary against industry norms and standards to maintain a competitive remuneration package to recruit talented employees. Maintaining mental well-being at work is equally important to keep up staff's morale and sense of belonging. We offer social activities, entertainment facilities and flexible working hours to help employees maintain a good balance between their work and personal life. The Group plants greenery in the operating site of the Group in Dongguan in an eco-friendly manner and provides recreational facilities. At 31 December 2020, the Group had a total of 1,853 employees, in which general staff (including supervisor) accounted for around 97% (1,799) and all are full-time staff. The remaining 54 employees were management so to ensure high quality of products and services.

For the distribution of employees as at 31 December 2020 based on gender, age, geographical region and employee category, please refer to the below charts:

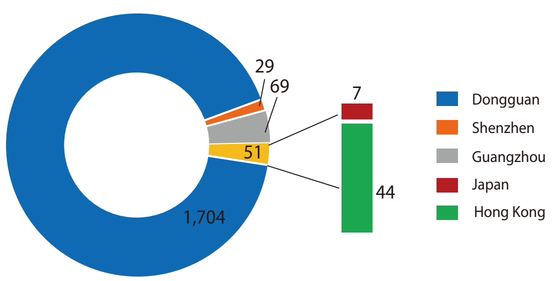
By gender



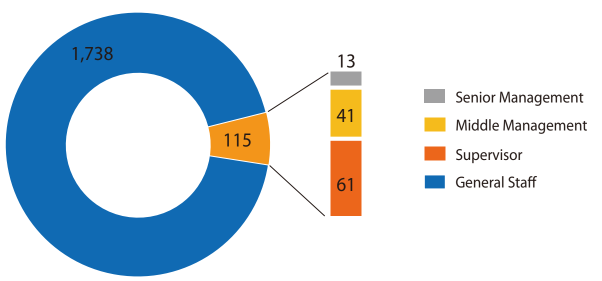
By age group



By geographical region

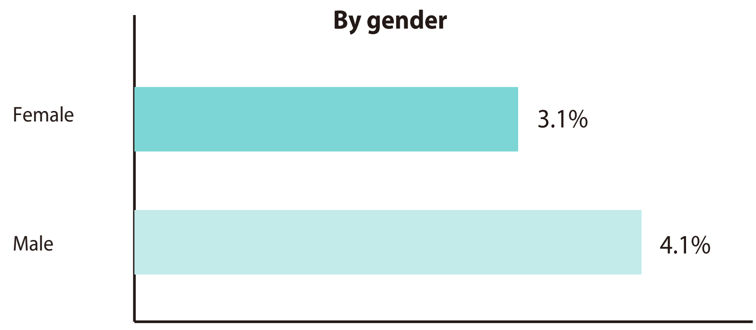


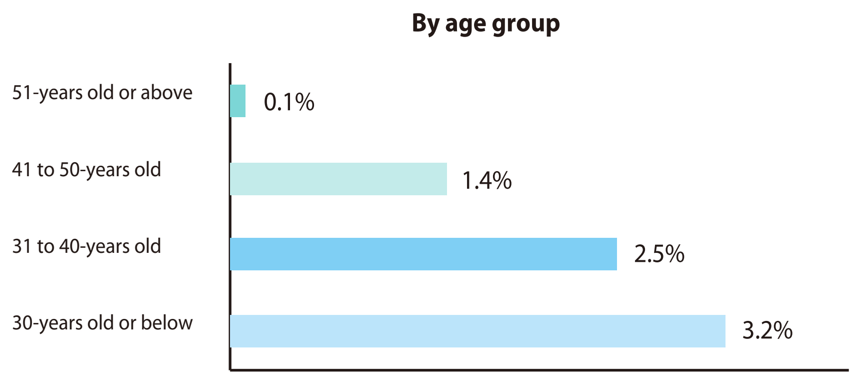
By employee category

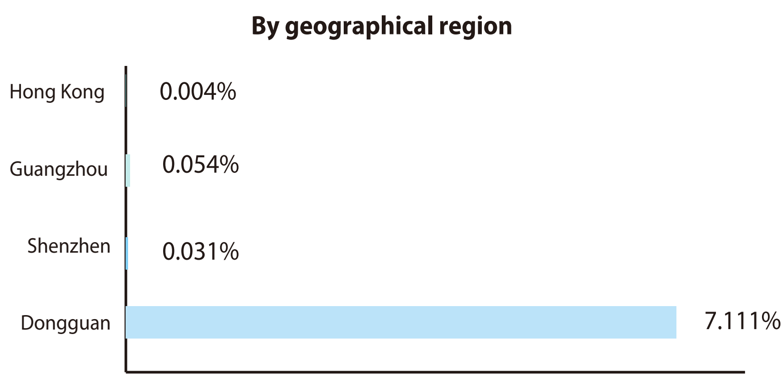


Because of the Group's conscientious efforts on improving the remunerable package, the employees' turnover rate was stable. In the reporting period, the average turnover rate was 7.2%. The Group interviewed each individual to understand their reasons for resigning and address their opinions whenever applicable.

For the average turnover rate as at 31 December 2020 based on gender, age, and geographical region, please refer to the below charts:



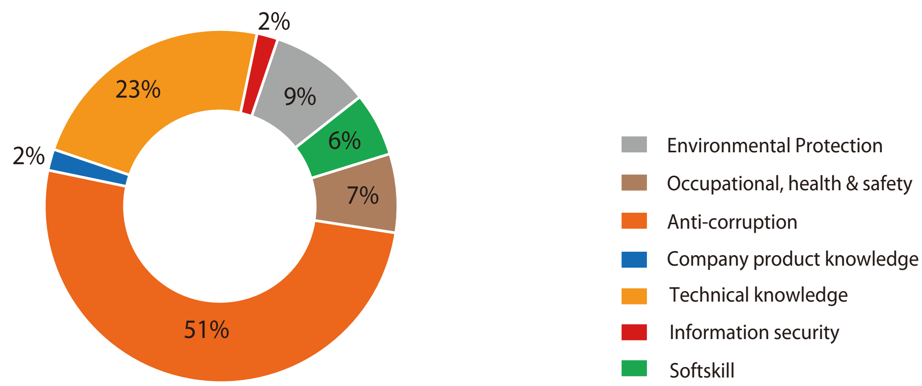




Training and Development

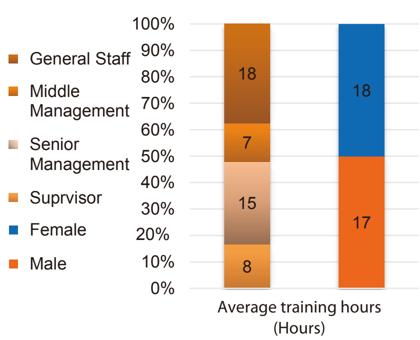
The Group actively encourages its employees to attend training to equip themselves for the change and challenge the Group is facing nowadays. Human resources department stipulates a training schedule to employees. Training topics not only cover technical know-how but also include laws and compliances, product safety and business ethics in the training plan. In the reporting period, there were 31,848 training hours offered to the majority of employees (96.4%), of which we provided 1,931 training hours on ESG-related topics as shown on below chart:

Total training hours by ESG-related training topics



There were 67 employees did not attend trainings due to the fact that the pandemic disfavouring the employees to attend. In order to increase convenience and flexibility, the Group will consider to provide more online trainings to employees. Each employee received an average of 18 training hours in the reporting period. For the number of trained employees, the number of training hours and average training hours based on employee category and gender are shown below:

Average training hours by employee category and gender



	Number of trained employees	Percentage of trained employees	Number of training hours	Average training hours
General Staff	1,695	94.9%	31,074	18
Supervisor	54	3.0%	436	8
Middle Management	27	1.5%	190	7
Senior Management	10	0.6%	148	15
Male	792	44.3%	14,068	17
Female	994	55.7%	17,780	18

The Group adopts an appraisal so to review employees' performance and discuss their needs and expectations to meet the business growth of the Group annually. Plus, the Group makes use of this opportunity to identify outstanding performers and offers them the best suit of a job to retain talents. Existing employees, are in priority in the list when filling job vacancies if applicable.

Occupational Health and Safety

Employees are an essential part of the Group. In view of the need to eliminate potential hazards and lessen the danger at the workplace, a safety committee, comprising safety managers from different business units, was established. The committee is responsible for establishing safety strategies and procedures as well as identifying any potential risks in the workplace. In 2020, anti-infection prevention measures were of the utmost concerns of the Group. Our human resources team has been closely monitored the situation and taken necessary actions to safeguard the well-being of our staff. To minimise cross-contaminations, the Group has also limited the personnel movement across areas and boarders by respecting social distancing policy. All unnecessary visits and travels were strongly prohibited and ribonucleic acid (RNA) test was required to employees who visited high risk areas in particular. Employees who participate in production must pass the temperature checks and obey mask-on policy. They had a duty to avoid gatherings and keep distancing themselves from others. Individual partitions were installed in canteens. Other administrative and managerial employees enjoyed work-from-home policy.

Regular cleaning and disinfection schedules were in place with increasing frequency. Additional cleaning and disinfection are arranged upon request. Suitable and adequate personal protective equipment (PPE), medical check-up, regular safety checks and inspections towards machines as well as fire drills were also taking effect in the event of pandemic. With all these supports, employees of the Group were proven to be physically fit for work. For those who failed the health checks, they will be suspended from their existing works or arranged to another less physical-intensive job duty. The Group also reminds employees to be aware of keeping good personal hygiene and keeping eyes of COVID-19 symptoms.

There were no work-related fatalities in the Group in the past three years. While the Group had injuries occurred in the operating sites during the reporting period of which a total of 229 days (2019: 44 days) were lost due to such events. In 2020, total injury events were 28 as compared to 14 total injury events in 2019. The significant increase in the total lost days was due to the total workforce expansion and also a longer period of sick leave took by the injured employees.

The Group provided prompt and appropriate assistance to the injured employees, and the Group also carried out an intensive investigation to examine the root cause of accidents. Placing warning signs at the prominent area and offering PPE onsite are ways to minimise the possibility of employees injury. More importantly, the Group understands education and training are effective ways of preventing accidents. Therefore, all newcomers must attend safety training such as emergency handling, cardiopulmonary resuscitation (CPR) training, and disease prevention trainings. These measures aimed to assure all employees are fully aware of the working procedures and the corresponding safety and health measures.

Labour Practices

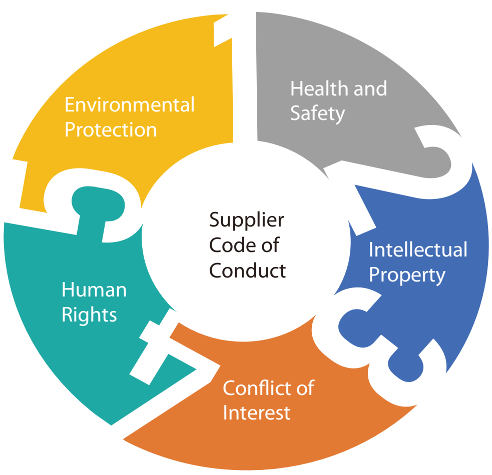
No children are allowed to work in the Group. Identity check is a must in the recruitment process. The Group will ensure that no child labour in the Group through annual child labour review and day-to-day management. Employment will be terminated immediately when there is child labour. If necessary, the Group will seek assistance from relevant institutions. The Group also wholeheartedly believes the importance of work-life balance result in low productivity and high risks of accidents. Consequently, the Group has always been meticulous about the production schedule to avoid overtime work and also reviews the workflow in the matter of overtime work needed.

Operating Practices

Supply Chain Management

Trust, cooperation, honesty and mutual respect are the cornerstone of the Group's operation. It believes the sincere and honest attitude can bring positive influence throughout the supply chain. Building a stable long-term relationship with the suppliers and contractors can be beneficial to the Group to achieve its goals. To make us in line with the same working principles and values, the Supplier Corporate Social Responsibility Code of Conduct, including five primary social responsibilities (refer to the chart on the right), is disseminated to the suppliers and contractors.

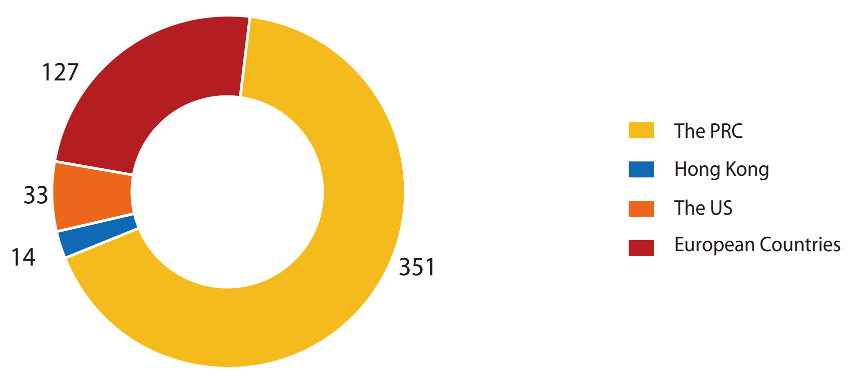
Five Elements of Suppliers Code of Conduct



The Group sets a detailed supply chain management procedure to guide employees concerning operating practices. The Group has stipulated policies such as Evaluation & Approval of Supplier Procedure, and Incoming Inspection to manage the supply chain. The Group sources materials and services globally. In the selection process, price is not the only selection criteria; quality and on-time delivery are also key performance indicators. For the services suppliers, the Group will also examine the suppliers' ability to handle abnormality. Priority will be given to the suppliers with quality management system certification. Prior to decision making, a supplier evaluation team with quality and engineering department will conduct an onsite audit to assess the potential suppliers' quality of standards, achievements on environmental protection and social responsibilities. Suppliers are required to submit quality management system certificates, certificating document for qualified products when necessary for verification. Qualified suppliers are registered in "Approved Vendor List" once approved by the department manager. The suppliers go through a yearly evaluation to make sure that their performance fulfils tender requirements. For those who failed, they will be removed from the vendor list.

In the event of pandemic, the Group strongly believes that the quality of all of our medical products have a significant impact on patients' safety and experience. The Group must fully comply with the quality control requirements even though the production volume has soared. At the meantime, the Group has continued to develop series of alternative resources for critical components, for example: GSL ink, drip chamber, data cable, chemical and non-woven fabric, etc. to safeguard the stability of supply chain. Moreover, the Group relies on local suppliers and diversifies suppliers from other countries such as Sweden, Netherlands and Israel for irreplaceable materials.

Distribution of Suppliers by geographical region (as at 31 December 2020)



Furthermore, the Group promotes environmentally preferable products and services when selecting suppliers. As a result, choosing environmentally conscious suppliers and contractors are of great importance to the Group. During the reporting period, the Group implemented a cost down plan so to minimise packaging material usage by cutting or redesigning the packaging. Also, the Group purchases packaging materials on-demand, minimising the total amount of materials consumed.

Product Responsibility

Quality Assurance

Defective products can cause irreversible and harmful consequences for patients. As a result, the Group takes particularly good care of product quality. The Group not only fully complied with the related laws and regulations, but also it successfully attained Certifications on Medical Device Quality Management System ISO 13485. The Group strives to review necessary processes for improvement, strengthen the risk management framework and quality control system. Ultimately, this enables the Group to adopt a proactive and structural approach to risk management from the conceptual stage to after-sales services.

Given the significance of quality assurance of the medical devices, the Group has to be meticulous in raw materials selection, manufacturing, and exporting. Quality System Procedure is adopted to guide employees properly performs quality assurance. All suppliers are required to provide testing reports and certificates to prove the quality and harmlessness of the products. The quality control department is responsible for verifying and validating different types of purchased materials in accordance with the "Incoming Inspection Procedure or Monitoring" and "Measuring for Product Procedure". Also, the quality control department conducts random checks in the whole production chain. All validating report are well-documented and filed.

Notably, some of the products must be manufactured under a high sanitary environment. The Group maintains a standard level of hygiene and strive to control any destabilising factors. As such, the Group is equipped with specialised production facilities. Employees must strictly follow the Production Environmental Control Procedure to ensure the cleanliness and environment control of the operating sites. They are classified as four classes according to the "Cleanroom Contamination Control". Temperature, humidity, pressure and ventilation of each cleanroom are under close monitoring. All cleanroom follows the NMPA and ISO 14644 standard requirement to operate. In the event of COVID-19, the Group expanded additional 2,400 sq.m. of cleanroom to triple the production capacity.

Also, the medical devices especially the heated humidifier and heated humidifier respiratory unit are granted an Emergency Use Authorisation from the FDA of the US. Hence, the increased production leads us to pay extra attention on product quality.

As the new European Union regulation for the medical device industry (EU MDR) will be put into force in 2021, the Group is committed to devote additional resources to enhance its quality management system so as to strengthen the registration capabilities and ensure to meet the most stringent quality standards of medical products.

Product Recall and Complaint Handling

Customer feedback is the engine of value creation for the business of the Group. The Group has stipulated a procedure to standardise customer complaint handling. In 2020, the Group manufactured more than 77.0 million of products. In one hand, the Group is pleased to note that there was no significant product recalls and reportable events on safety or malfunction of devices issues during the Year. In the reporting period, there were 500 complaints and 487 of the complaints were addressed properly. The Group will continue to work diligently to deal with the complaints.

On the other hand, however, the Group still received clients' enquiries about the quality of the products quite often throughout the Year. The Group believes that showing respect for customers' opinions and treating them are beneficial to business growth. Therefore, every enquiry will be addressed in a timely manner and recorded in detail in accordance with the prescribed procedures. An investigation will be carried out immediately and come up with improvements and suggestions for the captioned problem.

Intellectual Property Rights

The Group respects intellectual property rights. Product design and development have great value to the business. "Inspired Medical", "inspired™", "Hand of Hope" and "Hypnus™" are self-owned OBM business brands. Unauthorised use of a brand name can harm business and brand image. As a precaution, therefore, the Group applied trademarks for its designs and products. As at 31 December 2020, the Group cumulatively has 74 trademarks and owns approximately 140 patents and applications. With endeavour, the Group is willing to communicate with business partners about intellectual property rights protection and acknowledge laws and regulations can protect the Group's rights.

Data Privacy

In addition to intellectual property rights protection, the Group fully understands that personal data privacy is another critical issue concerned by either clients or suppliers. Precisely because they have trusted the Group with their data, the Group is obligated to take good care of it. A procedure is established in the Group to guide employees to handle personal data. Besides, the Group refuses to use any outdated and unauthorised software to avoid data leakage and enhance cybersecurity. Designated personnel are also assigned to take care of personal data and confidential information. Privacy awareness and refresher training are provided quarterly to the employees. IT department encrypted the data regularly and organised cybersecurity training to enhance the employees' awareness. Under no circumstances, the Group can disclose personal data and confidential information to the third parties or the public without clients' consent.

Anti-Corruption

Integrity can affect brand image and performance profoundly. Rigid laws as well as compliances bound the Group. The Group has to enforce the PRC, Hong Kong and Japan laws and regulations in the business operation as updated from time to time. Any form of bribery, extortion, fraud and money laundering are prohibited, and anti-corruption policies are applied to all employees with no exception.

The Audit Committee and the Risk Management Committee as well as the internal audit division are responsible in monitoring the overall performance. A couple of refresher training is scheduled, especially for those employees with high risk in corruption, to enhance their awareness on anti-corruption. In the reporting period, there are 984 anti-corruption training hours were provided to 930 employees (being approximately 50% of total number of employees). The Group will continue to organise anti-corruption trainings to all levels of staff in 2021. Employees can remain anonymous to report any suspicious cases to the Group and penalties are clearly defined. The Group will not condone any unlawful acts and corruption. In the reporting period, there was no suspected case of bribery, extortion, fraud and money laundering.


Employees participated in anti-corruption training in 2020

Community Investment

The Group recognises that its operation may cause inconvenience to the communities where the Group operates. Similar to last year, the Group, as a medical device manufacturer, acknowledges the important of good health, therefore, the Group specifies its focus areas of contribution on the underprivileged people and constantly encourages employees to take part in community service. Intending to that the Group forms a corporate volunteer team and in collaboration with local charities organising activities such as blood donation activity. Due to pandemic, the Group only offered approximately 88 hours in-kind supports to the needy in the reporting period.

Employees participated in blood donation activity in 2020

When COVID-19 outbreak began in early 2020, the Group recognises that it was a time of great need across many countries around the world and as a medical device manufacturer focusing on respiratory area, the Group is leaning in to offer support where it can. When the global supply chain was heavily impacted by the pandemic which had led to the shortages of respiratory medical supplies, targeted product donations play a vital role to support COVID-19 relief efforts. The Group has responded the needs from governments and hospitals during these uncharted times and donated approximately HK$3.2 million in respiratory disposables and devices to Huoshenshan hospital in Wuhan and National Health Service of the United Kingdom.

The Group believes that supporting today's aspiring young leaders is a great investment in the future. In the reporting period, the Group established the "Vincent Medical Enrichment Scholarship for Medical Student" in the LKS Faculty of Medicine, the University of Hong Kong. The scholarship will be awarded to the third year Bachelor of Medicine and Bachelor of Surgery (MBBS) students on the basis of financial need, academic merit and budget of the enrichment year activities and preference will be given to those students who undertake respirology-/pulmonology-related learning and/or research activities during their MBBS Enrichment Year Programme. The Group pledged an initial donation of HK$500,000 to the scholarship in 2020 and will offer a donation each year in the future.

TO THE SHAREHOLDERS OF VINCENT MEDICAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Vincent Medical Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 95 to 173, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of property, plant and equipment and other intangible assets and in relation to Rehab-Robotics Company Limited ("RRCL")	
Refer to Notes 18 and 21 to the consolidated financial statements, Note 4(z) of significant accounting policies and Notes 5(a) and 5(c) of key sources of estimation uncertainty. The Group has property, plant and equipment and other intangible assets with carrying amounts of approximately HK$1,273,000 (before impairment) and HK$7,754,000 (before impairment) respectively as at 31 December 2020 in relation to RRCL acquired in December 2015. RRCL incurred losses for the year ended 31 December 2020. This has increased the risk that the carrying amounts of property, plant and equipment and other intangible assets may be impaired. Management performed an impairment assessment of property, plant and equipment and other intangible assets in RRCL and concluded that an impairment loss on property, plant and equipment and other intangible assets of approximately HK$600,000 and HK$3,400,000 should be recognised respectively. This conclusion was based on a value in use model that required significant management judgement with respect to the discount rate and the assumptions underlying the forecast cash flows.	Our procedures in relation to management's impairment assessment included: – Assessing the integrity of the valuation model; – Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; – Reconciling input data to supporting evidence, including approved budgets and considering the accuracy of previous management budgets; and – Evaluating the appropriateness of the discount rate by benchmarking to external sources of market data with the assistance of our internal valuation experts.

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ms. Liu Fung Yi.

RSM Hong Kong
Certified Public Accountants

Hong Kong
23 March 2021

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Revenue	8	**1,155,383**	502,200
Cost of sales		**(661,146)**	(340,193)
Gross profit		**494,237**	162,007
Other income, other gains and losses	9	**(5,005)**	(4,447)
Selling and distribution expenses		**(54,727)**	(32,119)
Administrative expenses		**(142,273)**	(101,836)
Profit from operations		**292,232**	23,605
Finance costs	11	**(3,395)**	(2,857)
Share of losses of associates		**(3,145)**	(1,068)
Share of losses of joint ventures		**(1,608)**	(1,386)
Profit before tax		**284,084**	18,294
Income tax expense	12	**(36,649)**	(5,437)
Profit for the year	13	**247,435**	12,857
Attributable to:			
Owners of the Company		**216,865**	11,525
Non-controlling interests		**30,570**	1,332
		247,435	12,857
Earnings per share	17		
Basic		**HK33.84 cents**	HK1.81 cents
Diluted		**HK33.29 cents**	n/a

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
Profit for the year	**247,435**	12,857
Other comprehensive income:		
Item that will not be reclassified to profit or loss:		
Fair value changes of equity investments at fair value through other comprehensive income ("**FVTOCI**")	**3,235**	(21,105)
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**21,704**	(4,939)
Share of other comprehensive income of associates and joint ventures	**–**	40
	21,704	(4,899)
Other comprehensive income for the year, net of tax	**24,939**	(26,004)
Total comprehensive income for the year	**272,374**	(13,147)
Attributable to:		
Owners of the Company	**238,646**	(13,904)
Non-controlling interests	**33,728**	757
	272,374	(13,147)

Consolidated Statement of Financial Position

At 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	**111,088**	68,732
Right-of-use assets	19	**14,717**	21,408
Goodwill	20	**–**	–
Other intangible assets	21	**28,365**	31,123
Investments in associates	22	**9,296**	5,204
Investments in joint ventures	23	**11,181**	17,027
Equity investments at FVTOCI	24	**45,782**	43,199
Deferred tax assets	34	**2,014**	1,892
Total non-current assets		**222,443**	188,585
Current assets			
Inventories	25	**278,683**	118,544
Trade receivables	26	**161,542**	112,707
Contract assets	8	**20,169**	12,991
Prepayments, deposits and other receivables	27	**94,962**	67,541
Bank and cash balances	28	**169,068**	69,951
Total current assets		**724,424**	381,734
TOTAL ASSETS		**946,867**	570,319
EQUITY AND LIABILITIES			
Share capital	29	**6,506**	6,377
Reserves	31(a)	**605,051**	346,074
Equity attributable to owners of the Company		**611,557**	352,451
Non-controlling interests		**(6,378)**	61,696
Total equity		**605,179**	414,147
Non-current liabilities			
Lease liabilities	33	**1,190**	11,528
Deferred tax liabilities	34	**9,553**	5,830
Total non-current liabilities		**10,743**	17,358
Current liabilities			
Trade payables	35	**88,566**	43,277
Other payables and accruals	36	**136,061**	41,899
Lease liabilities	33	**14,430**	10,675
Borrowings	37	**69,071**	30,598
Current tax liabilities		**22,817**	12,365
Total current liabilities		**330,945**	138,814
TOTAL EQUITY AND LIABILITIES		**946,867**	570,319
Net current assets		**393,479**	242,920
Total assets less current liabilities		**615,922**	431,505

Approved by the Board of Directors on 23 March 2021 and are signed on its behalf by:

Mr. CHOI Man Shing **Mr. TO Ki Cheung**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium account HK$'000	Share-based payments reserve HK$'000	Merger reserve HK$'000	Foreign currency translation reserve HK$'000	FVTOCI reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2019	6,377	151,957	8,514	12,094	(6,741)	(6,323)	208,573	374,451	59,742	434,193
Total comprehensive income for the year	–	–	–	–	(4,324)	(21,105)	11,525	(13,904)	757	(13,147)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	1,197	1,197
Share-based payments	–	–	2,106	–	–	–	–	2,106	–	2,106
Dividend paid	–	(10,202)	–	–	–	–	–	(10,202)	–	(10,202)
Changes in equity for the year	–	(10,202)	2,106	–	(4,324)	(21,105)	11,525	(22,000)	1,954	(20,046)
At 31 December 2019	6,377	141,755	10,620	12,094	(11,065)	(27,428)	220,098	352,451	61,696	414,147
At 1 January 2020	**6,377**	**141,755**	**10,620**	**12,094**	**(11,065)**	**(27,428)**	**220,098**	**352,451**	**61,696**	**414,147**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**18,546**	**3,235**	**216,865**	**238,646**	**33,728**	**272,374**
Shares issued under share option scheme *(Note 29)*	**129**	**16,058**	**(5,829)**	**–**	**–**	**–**	**–**	**10,358**	**–**	**10,358**
Capital contribution from non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**139**	**139**
Purchases of non-controlling interests *(Notes 43(b)&(c))*	**–**	**–**	**–**	**–**	**–**	**–**	**15,083**	**15,083**	**(84,836)**	**(69,753)**
Net gain on deemed disposal of non-controlling interests *(Notes 43(a)&(d))*	**–**	**–**	**–**	**–**	**–**	**–**	**1,105**	**1,105**	**(1,105)**	**–**
Share-based payments	**–**	**–**	**928**	**–**	**–**	**–**	**–**	**928**	**–**	**928**
Dividend paid to non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(16,000)**	**(16,000)**
Dividend paid *(Note 16)*	**–**	**–**	**–**	**–**	**–**	**–**	**(7,014)**	**(7,014)**	**–**	**(7,014)**
Transfer *(Note 22)*	**–**	**–**	**–**	**–**	**–**	**22,791**	**(22,791)**	**–**	**–**	**–**
Changes in equity for the year	**129**	**16,058**	**(4,901)**	**–**	**18,546**	**26,026**	**203,248**	**259,106**	**(68,074)**	**191,032**
At 31 December 2020	**6,506**	**157,813**	**5,719**	**12,094**	**7,481**	**(1,402)**	**423,346**	**611,557**	**(6,378)**	**605,179**

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**284,084**	18,294
Adjustments for:		
Allowance/(reversal of allowance) for inventories	**9,198**	(419)
Amortisation	**6,416**	3,577
Depreciation of property, plant and equipment	**17,015**	14,477
Depreciation of right-of-use assets	**13,585**	10,499
Finance costs	**3,395**	2,857
Interest income	**(228)**	(374)
Impairment of goodwill	**–**	1,670
Impairment of investment in an associate	**1,806**	5,649
Impairment of investment in a joint venture	**5,254**	2,236
Impairment of other intangible assets	**3,400**	–
Impairment of property, plant and equipment	**600**	–
Impairment of trade receivables	**82**	93
Provision for warranties	**17,343**	–
Share of losses of associates	**3,145**	1,068
Share of losses of joint ventures	**1,608**	1,386
Share-based payments	**928**	2,106
Write off of inventories	**–**	2,864
Write off of other intangible assets	**1,591**	–
Write off of property, plant and equipment	**1,135**	54
Operating profit before working capital changes	**370,357**	66,037
Increase in inventories	**(169,594)**	(25,444)
Increase in trade receivables	**(48,917)**	(2,847)
(Increase)/decrease in contract assets	**(7,178)**	4,186
Increase in prepayments, deposits and other receivables	**(35,525)**	(20,162)
Increase in trade payables	**45,289**	2,463
Increase in other payables and accruals	**76,041**	9,866
Cash generated from operations	**230,473**	34,099
Income tax paid	**(23,110)**	(662)
Interest paid	**(1,576)**	(471)
Interest on lease liabilities	**(1,243)**	(1,751)
Net cash generated from operating activities	**204,544**	31,215

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**228**	104
Purchases of property, plant and equipment		**(54,727)**	(31,097)
Additions to other intangible assets		**(7,852)**	(2,801)
Net cash used in investing activities		**(62,351)**	(33,794)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares		**10,358**	–
Borrowings raised	38(b)	**55,356**	16,047
Repayment of borrowings	38(b)	**(19,088)**	(2,634)
Principal elements of lease payment	38(c)	**(13,487)**	(9,817)
Purchases from non-controlling interests	43(b)&(c)	**(69,753)**	–
Capital contribution from non-controlling shareholders		**139**	1,197
Dividend paid to owners of the Company		**(7,014)**	(10,202)
Dividend paid to non-controlling shareholders		**(16,000)**	–
Net cash used in financing activities		**(59,489)**	(5,409)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**82,704**	(7,988)
Effect of foreign exchange rate changes		**16,413**	(3,202)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**69,951**	81,141
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**169,068**	69,951
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**169,068**	69,951

1. GENERAL INFORMATION

Vincent Medical Holdings Limited (the "**Company**") was incorporated as an exempted company in the Cayman Islands under the Companies Law of the Cayman Islands on 19 November 2015. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The address of its principal place of business is Flat B2, 7/F., Phase 2, Hang Fung Industrial Building, 2G Hok Yuen Street, Hung Hom, Kowloon, Hong Kong. The Company's shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 43 to the consolidated financial statements.

In the opinion of the directors of the Company, Vincent Raya International Limited, a company incorporated in the British Virgin Islands (the "**BVI**"), is the ultimate parent of the Company. Mr. Choi Man Shing ("**Mr. Choi**") and Ms. Liu Pui Ching ("**Ms. Liu**") are the ultimate controlling parties of the Company.

2. BASIS OF PREPARATION

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

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

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

(a) Application of new and revised HKFRSs

The Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

(a) Application of new and revised HKFRSs (continued)

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments had no impact on the consolidated financial statements.

Amendments to HKFRS 3 Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020. The application of the amendments had no impact on the consolidated financial statements.

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

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2020. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37 Onerous contracts – cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRSs 2018 – 2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of liabilities as current or non-current	1 January 2023

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

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

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value).

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

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

(a) Consolidation

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

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

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

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

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

(b) Business combination and goodwill

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Business combination and goodwill (continued)

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

(c) Associates

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

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

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Associates (continued)

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

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

(d) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

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

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill, which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Joint arrangements (continued)

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

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

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

(e) Foreign currency translation

(i) Functional and presentation currency

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Foreign currency translation (continued)

(iii) Translation on consolidation

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

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

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

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

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

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

(f) Property, plant and equipment

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

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

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

Furniture and fixtures	20% – 33%
Plant and machinery	10% – 20%
Leasehold improvements	20% – 33%
Moulds	20% – 33%
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (continued)

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

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

(g) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group as a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily IT equipment. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leases (continued)

The Group as a lessee (continued)

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The Group as a lessee

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

(h) Other intangible assets

Use right

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

Patents and trademarks

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

License right

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Other intangible assets (continued)

Internally-generated intangible assets – research and development expenditure

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

– The technical feasibility of completing the intangible asset so that it will be available for use or sale;

– Management intends to complete the intangible asset and use or sell it;

– There is ability to use or sell the intangible asset;

– It can be demonstrated how the intangible asset will generate probable future economic benefits;

– Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

– The expenditure attributable to the intangible asset during its development can be reliably measured.

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

(i) Inventories

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("**ECL**") in accordance with the policy set out in Note 4(aa) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

(k) Recognition and derecognition of financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for ECL.

(o) Financial liabilities and equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Borrowings

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

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

(q) Trade and other payables

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

(r) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(s) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

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.

Revenue from 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.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

(iii) Termination benefits

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

(u) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

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

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

(v) Borrowing costs

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Borrowing costs (continued)

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

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

(w) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(x) Provision for warranties

Provision for warranties is recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The Group recognises the estimated liability to repair or replace products still under warranty at the end of the reporting period. This provision is calculated based on historical experience of the level of repairs and replacements.

(y) Taxation

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Taxation (continued)

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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

(z) Impairment of non-financial assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(aa) Impairment of financial assets and contracts assets

The Group assesses on a forward looking basis the ECL associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 6(b) details how the Group determines whether there has been a significant increase in credit risk.

ECL 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.

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 ECL or lifetime ECL, 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 ECL.

(ab) Provisions and contingent liabilities

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

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

(ac) Events after the reporting period

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

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

(a) Significant influence with less than 20% equity interest

Although the Group holds less than 20% of the voting power of Celsius Medical, S.L. ("**Celsius**"), the directors considered that the Group has significant influence over Celsius because the Group is entitled to appoint one director out of the five directors of Celsius.

(b) Joint control assessment

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

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

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

Avalon Photonics Holdings Limited ("Avalon")

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

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

Key sources of estimation uncertainty

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (continued)

(a) Impairment and depreciation of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

Further, the cash flows projections, growth rate and discount rate are subject to greater uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions in the Group's operation.

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

The carrying amount of property, plant and equipment as at 31 December 2020 was approximately HK$111,088,000 (2019: HK$68,732,000).

The carrying amount of right-of-use assets as at 31 December 2020 was approximately HK$14,717,000 (2019: HK$21,408,000).

(b) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, income tax of approximately HK$36,649,000 (2019: HK$5,437,000) was charged to profit or loss based on the estimated profit.

(c) Impairment of other intangible assets

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (continued)

(c) Impairment of other intangible assets (continued)

Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's operations.

The carrying amount of other intangible assets as at 31 December 2020 was approximately HK$28,365,000 (2019: HK$31,123,000) after an impairment loss of approximately HK$3,400,000 (2019: HK$Nil) was recognised during the year. Details of the impairment loss calculation are provided in Note 21 to the consolidated financial statements.

(d) Impairment of trade receivables and contract assets

The management of the Group estimates the amount of impairment loss for ECL on trade receivables and contract assets based on the credit risk of trade receivables and contract assets. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2020, the carrying amount of trade receivables and contract assets was approximately HK$181,711,000 (2019: HK$125,698,000) (net of allowance for doubtful debts of approximately HK$194,000 (2019: HK$285,000)).

(e) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. During the year, allowance for slow-moving inventories of approximately HK$9,198,000 was made (2019: HK$419,000 was reversed).

(f) Fair value measurement of investments in unlisted equity securities

In the absence of quoted market prices in an active market, the Group appointed independent professional valuer to assess the fair value of the unlisted equity securities. In determining the fair value, the valuer has utilised a method of valuation which involves certain estimates made by the Group.

Whilst the Group considers theses valuations are the best estimates, the ongoing COVID-19 pandemic has resulted in greater market volatility and may cause further disruptions to the investees' business, which have led to higher degree of uncertainties in respect of the valuations in the current year.

As at 31 December 2020, the carrying amount of these equity investments was approximately HK$45,782,000 (2019: HK$43,199,000).

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (continued)

(g) Impairment of investments in associates and joint ventures

Determining whether investments in associates and joint ventures are impaired requires an estimation of the recoverable amount of the investments in associates and joint ventures, when indicators of potential impairment are identified.

As at 31 December 2020, the carrying amounts of the investments in associates and joint ventures were approximately HK$9,296,000 (2019: HK$5,204,000) (net of accumulated impairment losses of approximately HK$7,455,000 (2019: HK$5,649,000)) and HK$11,181,000 (2019: HK$17,027,000) (net of accumulated impairment losses of approximately HK$7,490,000 (2019: HK$2,236,000)), respectively.

(h) Provision for warranties

The Group gives 12-24 months warranties on certain electronic devices and undertakes to repair or replace items that fail to perform satisfactorily. A provision is recognised at the end of the reporting period for expected warranty claims based on past experience of the level of repairs and returns. As at 31 December 2020, provision for warranties of approximately HK$17,545,000 (2019: HK$Nil) was made.

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currency of respective Group entities such as United States dollars ("**USD**") and Renminbi ("**RMB**"). The directors have assessed the impact of foreign currency risk and considered that it is insignificant to the Group. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk in relation to its trade and other receivables, contract assets and cash and bank balances.

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

As at 31 December 2020, there were 3 (2019: 2) customers which individually contributed over 10% of the Group's trade receivables and contract assets. The aggregate amounts of trade receivables and contract assets from these customers amounted to 63% (2019: 59%) of the Group's total trade receivables and contract assets as at 31 December 2020.

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

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations
- actual or expected significant changes in the operating results of the counterparty
- significant expected changes in the performance and behaviour of the counterparty, including changes in the payment status of counterparties in the group and changes in the operating results of the counterparty

A default on a financial asset is when the counterparty fails to make contractual payments when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery.

(i) Trade receivables and contract assets

The Group applies the simplified approach to providing for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. The expected loss rate of current trade receivables and contract assets are assessed to be nearly 0%. As at 31 December 2020 and 2019, the loss allowance provision for these balances was not material.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) Trade receivables and contract assets (continued)

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2020 HK$'000	2019 HK$'000
At 1 January	**285**	192
Impairment losses recognised for the year	**82**	93
Amounts written off during the year	**(173)**	–
At 31 December	**194**	285

(ii) Other receivables

The Group has assessed that the ECL for other receivables are not material under the 12-month expected losses method. No loss allowance provision was recognised during the year (2019: HK$Nil).

(c) Liquidity risk

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

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follow:

	On demand or within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
At 31 December 2020				
Trade payables	**88,566**	**–**	**–**	**88,566**
Other payables and accruals	**94,143**	**–**	**–**	**94,143**
Borrowings	**69,071**	**–**	**–**	**69,071**
Lease liabilities	**14,931**	**1,202**	**–**	**16,133**
At 31 December 2019				
Trade payables	43,277	–	–	43,277
Other payables and accruals	31,359	–	–	31,359
Borrowings	30,598	–	–	30,598
Lease liabilities	11,747	10,875	1,067	23,689

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

For bank loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the above maturity analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lender was to invoke its unconditional rights to call the loans with immediate effect.

Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

The maturity analysis of the bank loans with a repayment on demand clause based on agreed scheduled repayment set out in the loan agreements is as follows:

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2020	**37,672**	**3,564**	**6,308**	**–**	**47,544**
At 31 December 2019	3,239	3,239	6,524	–	13,002

(d) Interest rate risk

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

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Categories of financial instruments at 31 December 2020

	2020 HK$'000	2019 HK$'000
Financial assets:		
Financial assets measured at amortised cost	**334,616**	188,250
Financial assets measured at FVTOCI – equity instruments	**45,782**	43,199
Financial liabilities:		
Financial liabilities at amortised cost	**251,780**	105,234

(f) Fair values

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

7. FAIR VALUE MEASUREMENT

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 input 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 a 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.

7. FAIR VALUE MEASUREMENT (CONTINUED)

Disclosures of level in fair value hierarchy at 31 December 2020:

Description	Fair value measurement using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2020 HK$'000
Recurring fair value measurement:				
Financial assets at FVTOCI				
– Unlisted equity securities	**–**	**–**	**45,782**	**45,782**

Description	Fair value measurement using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2019 HK$'000
Recurring fair value measurement:				
Financial assets at FVTOCI				
– Unlisted equity securities	–	–	43,199	43,199

Reconciliation of assets measured at fair value based on Level 3:

	2020 HK$'000	2019 HK$'000
At 1 January	**43,199**	64,304
Reclassification from equity investments at FVTOCI to investments in associates	**(652)**	–
Total gains or losses recognised in other comprehensive income	**3,235**	(21,105)
At 31 December	**45,782**	43,199

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.

7. FAIR VALUE MEASUREMENT (CONTINUED)

Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2020:

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including Level 3 fair value measurements. The chief financial officer reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer 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 of inputs	Fair value 2020 HK$'000	Fair value 2019 HK$'000
Unlisted equity securities classified as financial assets at FVTOCI	Discounted cash flows	Weighted average cost of capital	50% (2019: 34% – 50%)	Decrease	**45,782**	43,199
		Discount for lack of marketability	20% – 25% (2019: 20% – 25%)	Decrease		
		Long-term growth rate	2% (2019: 2%)	Increase		
Unlisted equity securities classified as financial assets at FVTOCI	Cost approach	n/a	n/a	n/a	**–**	–

During the two years, there were no changes in the valuation techniques used.

8. REVENUE

The Group's revenue is derived from contracts with customers.

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

	OEM		OBM		Total	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
By product category						
Respiratory products	**291,657**	97,815	**527,360**	114,546	**819,017**	212,361
Imaging disposable products	**199,498**	157,149	**–**	–	**199,498**	157,149
Orthopaedic and rehabilitation products	**54,334**	70,910	**8,729**	11,271	**63,063**	82,181
Other products	**73,805**	50,509	**–**	–	**73,805**	50,509
	619,294	376,383	**536,089**	125,817	**1,155,383**	502,200
By geographical market						
The United States	**516,537**	313,563	**22,234**	5,800	**538,771**	319,363
The People's Republic of China (the "**PRC**")	**–**	–	**202,432**	66,356	**202,432**	66,356
India	**–**	–	**71,335**	3,016	**71,335**	3,016
Saudi Arabia	**–**	–	**58,705**	287	**58,705**	287
Israel	**34,977**	3,001	**8,173**	2,744	**43,150**	5,745
Turkey	**–**	–	**34,518**	2,890	**34,518**	2,890
Japan	**10,055**	13,890	**18,143**	6,408	**28,198**	20,298
The Netherlands	**25,713**	15,387	**624**	–	**26,337**	15,387
Great Britain	**–**	–	**24,739**	4,798	**24,739**	4,798
Australia	**13,352**	18,186	**2,068**	1,852	**15,420**	20,038
South Africa	**–**	–	**12,756**	546	**12,756**	546
Others	**18,660**	12,356	**80,362**	31,120	**99,022**	43,476
	619,294	376,383	**536,089**	125,817	**1,155,383**	502,200
By timing of recognition						
Products transferred at a point in time	**419,796**	219,234	**536,089**	125,817	**955,885**	345,051
Products transferred over time	**199,498**	157,149	**–**	–	**199,498**	157,149
	619,294	376,383	**536,089**	125,817	**1,155,383**	502,200

8. REVENUE (CONTINUED)

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

	2020 HK$'000	2019 HK$'000
Receivables, which included in "trade receivables"	**161,542**	112,707
Contract assets	**20,169**	12,991

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.

There were no significant changes in the contract assets balances during the reporting period.

9. OTHER INCOME, OTHER GAINS AND LOSSES

	2020 HK$'000	2019 HK$'000
Other income		
Government subsidies *(Note)*	**11,691**	2,954
Interest income – bank deposits	**117**	104
Interest income – trade and other receivables	**111**	270
Sundry income	**5,682**	2,603
	17,601	5,931
Other gains and losses		
Exchange losses, net	**(8,738)**	(676)
Impairment of goodwill	**–**	(1,670)
Impairment of investment in an associate	**(1,806)**	(5,649)
Impairment of investment in a joint venture	**(5,254)**	(2,236)
Impairment of other intangible assets	**(3,400)**	–
Impairment of property, plant and equipment	**(600)**	–
Impairment of trade receivables	**(82)**	(93)
Write off of other intangible assets	**(1,591)**	–
Write off of property, plant and equipment	**(1,135)**	(54)
	(22,606)	(10,378)
Total	**(5,005)**	(4,447)

Note: During the year, the Group recognised government grants of approximately HK$2.2 million in respect of the COVID-19 Anti-epidemic Fund under the Employment Support Scheme of the Hong Kong government. Other government subsidies mainly related to the subsidies received from the local government authority for the achievements accomplished by the Group.

10. SEGMENT INFORMATION

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

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

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

- OBM represents "original brand manufacturing", comprises research, development, manufacturing, marketing and sales of medical devices under "Inspired Medical", "inspired^{TM}", "Hand of Hope" and "Hypnus^{TM}" brands.

The accounting policies of the operating segments are the same as those described in Note 4 to the consolidated financial statements. Segment profits or losses do not include interest income, interest expenses, share-based payments, share of losses of associates, share of losses of joint ventures, impairment of investment in an associate, impairment of investment in a joint venture, corporate income and corporate expenses.

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

10. SEGMENT INFORMATION (CONTINUED)

Information about reportable segment profit or loss:

	OEM HK$'000	OBM HK$'000	Total HK$'000
Year ended 31 December 2020			
Revenue from external customers	**619,294**	**536,089**	**1,155,383**
Segment profit	**164,467**	**131,567**	**296,034**
Depreciation and amortisation	**14,126**	**22,890**	**37,016**
Impairment of other intangible assets	**–**	**3,400**	**3,400**
Impairment of property, plant and equipment	**–**	**600**	**600**
Impairment of trade receivables	**–**	**82**	**82**
Provision for warranties	**–**	**37,355**	**37,355**
Write off of other intangible assets	**–**	**1,591**	**1,591**
Write off of property, plant and equipment	**270**	**865**	**1,135**
Year ended 31 December 2019			
Revenue from external customers	376,383	125,817	502,200
Segment profit/(loss)	58,566	(24,131)	34,435
Depreciation and amortisation	14,725	13,828	28,553
Impairment of goodwill	–	1,670	1,670
Impairment of trade receivables	52	41	93

10. SEGMENT INFORMATION (CONTINUED)

Reconciliation of reportable segment revenue and profit or loss:

	2020 HK$'000	2019 HK$'000
Revenue		
Total revenue of reportable segments	**1,155,383**	502,200
Profit or loss		
Total profit or loss of reportable segments	**296,034**	34,435
Interest income	**228**	374
Interest expenses	**(3,395)**	(2,857)
Share-based payments	**(928)**	(2,106)
Share of losses of associates	**(3,145)**	(1,068)
Share of losses of joint ventures	**(1,608)**	(1,386)
Impairment of investment in an associate	**(1,806)**	(5,649)
Impairment of investment in a joint venture	**(5,254)**	(2,236)
Corporate income	**14,348**	2,603
Corporate expenses	**(10,390)**	(3,816)
Consolidated profit before tax	**284,084**	18,294

Geographical information:

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

	Revenue	
	2020 HK$'000	2019 HK$'000
The United States	**538,771**	319,363
The PRC	**202,432**	66,356
India	**71,335**	3,016
Saudi Arabia	**58,705**	287
Israel	**43,150**	5,745
Turkey	**34,518**	2,890
Japan	**28,198**	20,298
The Netherlands	**26,337**	15,387
Great Britain	**24,739**	4,798
Australia	**15,420**	20,038
South Africa	**12,756**	546
Others	**99,022**	43,476
	1,155,383	502,200

10. SEGMENT INFORMATION (CONTINUED)

Geographical information (continued):

	Non-current assets	
	2020	2019
	HK$'000	HK$'000
Hong Kong	**20,169**	27,644
The PRC	**144,330**	109,370
Spain	**1,484**	3,556
Japan	**2,114**	2,924
The United States	**6,550**	–
	174,647	143,494

Revenue from major customers:

	2020	2019
	HK$'000	HK$'000
OEM segment		
Customer A	**213,673**	163,403
Customer B *(Note)*	**n/a**	79,287

Note:

Revenue from customer B represented less than 10% of the Group's revenue for the year ended 31 December 2020.

11. FINANCE COSTS

	2020	2019
	HK$'000	HK$'000
Interest expenses on lease liabilities *(Note 19)*	**1,243**	1,751
Interest on borrowings	**2,152**	1,106
	3,395	2,857

12. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**18,133**	2,715
Over-provision in prior years	**–**	(30)
	18,133	2,685
Current tax – the PRC		
Provision for the year	**15,262**	1,787
Under-provision in prior years	**–**	138
	15,262	1,925
Deferred tax *(Note 34)*	**3,254**	827
Income tax expense	**36,649**	5,437

Under the two-tiered profits tax rates regime, profits tax rate for the first HK$2.0 million of assessable profits of qualifying group entity established in Hong Kong will be lowered to 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a rate of 16.5%.

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

12. INCOME TAX EXPENSE (CONTINUED)

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

	2020 HK$'000	2019 HK$'000
Profit before tax	**284,084**	18,294
Tax at Hong Kong Profits Tax rate of 16.5% (2019: 16.5%)	**46,874**	3,019
Tax effect of share of losses of associates	**518**	176
Tax effect of share of losses of joint ventures	**265**	228
Tax effect of income that is not taxable	**(51,983)**	(25,715)
Tax effect of expenses that are not deductible	**40,679**	26,816
Tax effect of temporary difference not recognised	**4,359**	426
Tax effect of tax loss not recognised	**2,166**	5,572
Tax effect of utilisation of tax losses not previously recognised	**(164)**	(69)
Tax effect of change of tax rate	**(165)**	(628)
Effect of different tax rates of subsidiaries	**6**	(839)
Tax concession	**(5,699)**	(3,449)
Others	**(182)**	(208)
(Over)/under-provision in prior years	**(125)**	108
Income tax expense	**36,649**	5,437

13. PROFIT FOR THE YEAR

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

	2020 HK$'000	2019 HK$'000
Allowance/(reversal of allowance) for inventories (included in cost of inventories sold)	**9,198**	(419)
Amortisation	**6,416**	3,577
Auditor's remuneration	**1,957**	1,595
Cost of inventories sold	**661,146**	340,193
Depreciation of property, plant and equipment	**17,015**	14,477
Depreciation of right-of-use assets	**13,585**	10,499
Equity-settled share-based payments	**928**	2,106
Impairment of goodwill (included in other gains and losses)	**–**	1,670
Impairment of investment in an associate (included in other gains and losses)	**1,806**	5,649
Impairment of investment in a joint venture (included in other gains and losses)	**5,254**	2,236
Impairment of other intangible assets (included in other gains and losses)	**3,400**	–
Impairment of property, plant and equipment (included in other gains and losses)	**600**	–
Impairment of trade receivables (included in other gains and losses)	**82**	93
Provision for warranties (included in cost of inventories sold) *(Note 36(i))*	**37,355**	–
Research and development expenditure	**36,577**	29,742
Write off of inventories (included in cost of inventories sold)	**–**	2,864
Write off of other intangible assets (included in other gains and losses)	**1,591**	–
Write off of property, plant and equipment (included in other gains and losses)	**1,135**	54

Cost of inventories sold include staff costs of approximately HK$174,772,000 (2019: HK$84,295,000), depreciation of property, plant and equipment of approximately HK$11,693,000 (2019: HK$9,833,000), depreciation of right-of-use assets of approximately HK$7,604,000 (2019: HK$4,573,000), and amortisation of approximately HK$2,270,000 (2019: HK$767,000), which are included in the amounts disclosed separately.

Research and development expenditure include staff costs of approximately HK$13,451,000 (2019: HK$13,771,000), and depreciation of approximately HK$906,000 (2019: HK$554,000), which are included in the amounts disclosed separately.

14. EMPLOYEE BENEFITS EXPENSE

	2020 HK$'000	2019 HK$'000
Salaries, bonuses and allowances	**231,017**	133,583
Retirement benefits scheme contributions	**1,772**	7,862
Other benefits	**10,545**	8,350
Equity-settled share-based payments	**897**	2,051
	244,231	151,846

(a) Pensions – defined contribution plans

Contributions of approximately HK$23,000 (2019: HK$157,000) were payable to the fund at the year-end. The amount of forfeited contributions utilised for the year ended 31 December 2020 was HK$Nil (2019: HK$208,000).

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2019: three) directors whose emoluments are reflected in the analysis presented in Note 15(a) to the consolidated financial statements.

The emoluments of the remaining two (2019: two) individuals during the year was as follows:

	2020 HK$'000	2019 HK$'000
Salaries and allowances	**11,494**	2,060
Bonuses	**–**	321
Retirement benefits scheme contributions	**53**	95
Equity-settled share-based payments	**74**	198
	11,621	2,674

The emoluments fell within the following band:

	2020	2019
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**–**	–
Over HK$2,000,000	**2**	–

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

15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set as below.

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	*(Note (i))* Estimated money value of other benefits HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Housing allowance HK$'000		Total HK$'000
Name of director									
Mr. Choi	**–**	**1,204**	**1,164**	**–**	**106**	**–**	**–**	**–**	**2,474**
Mr. To Ki Cheung	**–**	**1,384**	**1,234**	**94**	**66**	**–**	**–**	**–**	**2,778**
Mr. Koh Ming Fai	**–**	**1,237**	**1,173**	**73**	**54**	**–**	**–**	**–**	**2,537**
Mr. Fu Kwok Fu	**–**	**1,162**	**1,155**	**73**	**50**	**–**	**–**	**–**	**2,440**
Mr. Mok Kwok Cheung Rupert	**213**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**213**
Mr. Au Yu Chiu Steven	**213**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**213**
Mr. Guo Pengcheng	**213**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**213**
Prof. Yung Kai Leung	**213**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**213**
Total for 2020	**852**	**4,987**	**4,726**	**240**	**276**	**–**	**–**	**–**	**11,081**
Name of director									
Mr. Choi	–	1,147	137	–	106	–	–	–	1,390
Mr. To Ki Cheung	–	1,363	159	191	63	–	–	–	1,776
Mr. Koh Ming Fai	–	1,112	129	151	51	–	–	–	1,443
Mr. Fu Kwok Fu	–	985	109	151	46	–	–	–	1,291
Mr. Chan Ling Ming *(Note (ii))*	89	–	–	–	–	–	–	–	89
Mr. Mok Kwok Cheung Rupert	201	–	–	–	–	–	–	–	201
Mr. Au Yu Chiu Steven	201	–	–	–	–	–	–	–	201
Mr. Guo Pengcheng	201	–	–	–	–	–	–	–	201
Prof. Yung Kai Leung	201	–	–	–	–	–	–	–	201
Total for 2019	893	4,607	534	493	266	–	–	–	6,793

Notes:

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

(ii) Resigned on 13 June 2019.

Neither the chief executive nor any of the directors waived any emoluments during the year (2019: Nil).

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

15. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

During the year, the Group entered into the following transactions:

Name of parties contracted with	Nature of transactions	Amount HK$'000	Interested directors
Vincent Raya Co., Limited	Purchases of goods	2,442	Mr. Choi has beneficial interest in the contracting party
	Administrative service fee	252	
Vincent Raya (Dongguan) Electronics Co., Limited 永勝（東莞）電子有限公司	Catering service fee	1,467	Mr. Choi has beneficial interest in the contracting party
	Rental expenses	10,100	
	Electronic assembly service fee	14,301	
	Metal supplies and processing service fee	8,685	
Vincent Raya Development Limited	Rental expenses	504	Mr. Choi has beneficial interest in the contracting party

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

16. DIVIDEND

	2020 HK$'000	2019 HK$'000
2019 final dividend of HK1.10 cents (2019: 2018 final dividend of HK1.60 cents) per ordinary share	**7,014**	10,202

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2020 of HK11.00 cents per share has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting to be held on 18 May 2021.

17. EARNINGS PER SHARE

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

	2020 HK$'000	2019 HK$'000
Earnings		
Profit attributable to owners of the Company	**216,865**	11,525

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**640,857**	637,650
Effect of dilutive potential ordinary shares arising from share options issued by the Company *(Note)*	**10,574**	n/a
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**651,431**	n/a

Note:

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 December 2019.

18. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Moulds HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2019	14,403	55,362	32,332	29,594	2,790	6,139	140,620
Additions	1,926	11,681	607	6,184	227	10,472	31,097
Write off	(57)	(350)	(34)	–	–	–	(441)
Transfer from/(to) inventories	(10)	74	–	–	–	–	64
Transfer	190	4,087	10,909	205	–	(15,391)	–
Exchange differences	(292)	(1,412)	(874)	(723)	(54)	(60)	(3,415)
At 31 December 2019 and 1 January 2020	**16,160**	**69,442**	**42,940**	**35,260**	**2,963**	**1,160**	**167,925**
Additions	**3,017**	**37,096**	**901**	**6,154**	**307**	**7,252**	**54,727**
Write off	**(92)**	**(5,784)**	**(110)**	**–**	**–**	**–**	**(5,986)**
Transfer	**–**	**–**	**6,723**	**617**	**–**	**(7,340)**	**–**
Exchange differences	**1,043**	**6,165**	**3,128**	**2,558**	**169**	**69**	**13,132**
At 31 December 2020	**20,128**	**106,919**	**53,582**	**44,589**	**3,439**	**1,141**	**229,798**
Accumulated depreciation and impairment							
At 1 January 2019	10,364	35,418	24,345	15,517	1,382	–	87,026
Charge for the year	1,728	6,025	4,040	2,368	426	–	14,587
Write off	(52)	(318)	(17)	–	–	–	(387)
Transfer to inventories	(5)	–	–	–	–	–	(5)
Exchange differences	(202)	(855)	(586)	(357)	(28)	–	(2,028)
At 31 December 2019 and 1 January 2020	**11,833**	**40,270**	**27,782**	**17,528**	**1,780**	**–**	**99,193**
Charge for the year	**2,134**	**6,579**	**5,364**	**2,549**	**389**	**–**	**17,015**
Write off	**(85)**	**(4,659)**	**(107)**	**–**	**–**	**–**	**(4,851)**
Impairment losses	**15**	**263**	**94**	**228**	**–**	**–**	**600**
Exchange differences	**723**	**2,668**	**2,049**	**1,207**	**106**	**–**	**6,753**
At 31 December 2020	**14,620**	**45,121**	**35,182**	**21,512**	**2,275**	**–**	**118,710**
Carrying amount							
At 31 December 2020	**5,508**	**61,798**	**18,400**	**23,077**	**1,164**	**1,141**	**111,088**
At 31 December 2019	4,327	29,172	15,158	17,732	1,183	1,160	68,732

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year, the Group assessed the recoverable amount of the development of "Hand of Hope" robotic hand training devices business and as a result recognised impairment losses of approximately HK$600,000 in respect of property, plant and equipment attributable to this CGU. Details of the impairment assessment are disclosed in Note 21.

19. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
At 1 January 2019	30,353
Additions	2,337
Depreciation	(10,633)
Exchange differences	(649)
At 31 December 2019 and 1 January 2020	21,408
Additions	6,134
Remeasurement	(111)
Depreciation	(13,585)
Exchange differences	871
At 31 December 2020	**14,717**

Lease liabilities of approximately HK$15,620,000 (2019: HK$22,203,000) are recognised with related right-of-use assets of approximately HK$14,717,000 (2019: HK$21,408,000) as at 31 December 2020.

	2020 HK$'000	2019 HK$'000
Depreciation expenses on right-of-use assets	13,585	10,499
Interest expense on lease liabilities (included in finance costs)	1,243	1,751
Expenses relating to short-term lease (included in cost of inventories sold, selling and distribution expenses and administrative expenses)	1,237	2,668
Expenses relating to leases of low value assets (included in selling and distribution expenses and administrative expenses)	218	163

19. RIGHT-OF-USE ASSETS (CONTINUED)

Details of total cash outflow for leases are set out in Note 38(c).

For both years, the Group leases various offices and factory premises for its operations. Lease contracts are entered into for fixed term of 1 year to 4 years (2019: 1 year to 4 years), but may have extension and termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

20. GOODWILL

	2020 HK$'000	2019 HK$'000
Cost		
At 1 January and 31 December	**10,561**	10,561
Accumulated impairment loss		
At 1 January	**10,561**	8,891
Impairment loss recognised in the year	**–**	1,670
At 31 December	**10,561**	10,561
Carrying amount		
At 31 December	**–**	–

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination.

Goodwill allocated to the CGUs of the development of "Hand of Hope" robotic hand training devices and manufacturing and trading of "Hypnus™" branded continuous positive airway pressure ("**CPAP**") equipment has been fully impaired in the year ended 31 December 2019.

21. OTHER INTANGIBLE ASSETS

	Use right HK$'000	Patents and trademarks HK$'000	License right HK$'000	Product development costs HK$'000	Total HK$'000
Cost					
At 1 January 2019	14,953	10,221	4,136	8,591	37,901
Additions	–	1,067	–	2,466	3,533
Exchange differences	–	(222)	–	(158)	(380)
At 31 December 2019 and 1 January 2020	**14,953**	**11,066**	**4,136**	**10,899**	**41,054**
Additions	**–**	**–**	**7,852**	**–**	**7,852**
Write off	**–**	**–**	**–**	**(2,857)**	**(2,857)**
Exchange differences	**–**	**662**	**–**	**451**	**1,113**
At 31 December 2020	**14,953**	**11,728**	**11,988**	**8,493**	**47,162**
Accumulated amortisation and impairment					
At 1 January 2019	4,838	936	–	140	5,914
Amortisation for the year	1,610	985	–	1,470	4,065
Exchange differences	–	(36)	–	(12)	(48)
At 31 December 2019 and 1 January 2020	**6,448**	**1,885**	**–**	**1,598**	**9,931**
Amortisation for the year	**1,610**	**1,114**	**1,440**	**2,252**	**6,416**
Write off	**–**	**–**	**–**	**(1,266)**	**(1,266)**
Impairment losses	**3,024**	**–**	**–**	**376**	**3,400**
Exchange differences	**–**	**181**	**–**	**135**	**316**
At 31 December 2020	**11,082**	**3,180**	**1,440**	**3,095**	**18,797**
Carrying amount					
At 31 December 2020	**3,871**	**8,548**	**10,548**	**5,398**	**28,365**
At 31 December 2019	8,505	9,181	4,136	9,301	31,123

Due to the delay in customer orders for "Hand of Hope" and the delay in development of new version of "Hand of Hope", the Group carried out reviews of the recoverable amount of the development of "Hand of Hope" robotic hand training devices business. The review led to the recognition of an impairment loss of approximately HK$3,400,000 for other intangible assets attributable to this CGU.

21. OTHER INTANGIBLE ASSETS (CONTINUED)

The recoverable amount of HK$11,644,000 for the relevant assets has been determined on the basis of their value in use using discounted cash flow method by an independent external valuation expert. The pre-tax discount rate used was 26.17%.

Use right

The use right represents the right to use the technology for the purpose of manufacturing, marketing and distribution of products for "Hand of Hope" robotic hand training devices. The remaining amortisation period of the use right is 4.38 years (2019: 5.38 years).

Patents and trademarks

The patents are mainly used for the manufacturing and trading of "Hypnus™" branded CPAP equipment. The average remaining amortisation period of the patents is 7.18 years (2019: 8.18 years).

The trademarks are mainly used for trading of medical devices in Japan. The average remaining amortisation period of the trademarks is 4.17 years (2019: 5 years).

License right

On 8 September 2017 and 26 February 2019, the Group entered into license agreements with an associate respectively, pursuant to which, the Group has granted a right of 10 years (exclusive rights for the first 5 years) to produce and sell the licensed goods in the licensed territories as specified in the license agreements after obtaining the relevant products registration. Amortisation of license right commences after completion of registration.

Product development costs

The product development costs are generated internally for the development of certain OBM products. Amortisation begins when the relevant products are available for sales. The estimated average useful lives of the product development costs are 5 years (2019: 5 years).

22. INVESTMENTS IN ASSOCIATES

	2020 HK$'000	2019 HK$'000
Unlisted investments:		
Share of net assets	**4,364**	3,551
Goodwill	**12,387**	7,302
	16,751	10,853
Impairment losses	**(7,455)**	(5,649)
	9,296	5,204

22. INVESTMENTS IN ASSOCIATES (CONTINUED)

Details of the Group's associates as at 31 December 2020 are as follows:

Name	Place of incorporation and operation	Particulars of issued and paid up capital	Percentage of ownership interest/ voting power/profit sharing	Principal activities
Retraction Limited ("**Retraction**")	Hong Kong	100 ordinary shares and 80 preference shares	40% (2019: 40%)	Design, development and commercialisation of retractors for minimally invasive surgery
Celsius	Spain	9,000 ordinary shares and 1,000 preference shares	10% (2019: 10%)	Design, development and commercialisation of air and fluid warning systems
Fresca Medical, Inc. ("**Fresca**") *(Note)*	The United States	1,613,799 common stocks and 42,561,318 preferred stocks	20.35%	Design, development and commercialisation of a system for the treatment of obstructive sleep apnea

Note:

During the year, the Group entered into the Series D and D-1 Preferred Stocks purchase agreement with Fresca and other investors, pursuant to which, the Group has agreed to subscribe 8,328,983 Series D Preferred Stocks at a consideration of approximately US$1.0 million (equivalent to approximately HK$7,753,000). After the purchase of Series D Preferred Stocks, the Group owns 20.35% of the enlarged issued share capital of Fresca. Also, the Group is entitled to appoint one of the three directors of Fresca. Therefore, the Group considers to have significant influence over Fresca and the Group classified Fresca as an associate afterwards (As at 31 December 2019: equity investment at FVTOCI). The accumulated fair value loss attributable to the investment in Fresca of approximately HK$22,791,000 under FVTOCI reserve was transferred to retained profits.

22. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

Name	Retraction		Celsius		Fresca	
	2020	2019	**2020**	2019	**2020**	2019
Principal place of business/country of incorporation	**Hong Kong**	Hong Kong	**Spain**	Spain	**The United States**	The United States
% of ownership interests/ voting rights held by the Group	**40%/40%**	40%/40%	**10%/10%**	10%/10%	**20.35%/ 20.35%**	n/a
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 31 December:						
Non-current assets	**3,808**	4,858	**20,362**	22,303	**22,586**	n/a
Current assets	**1,131**	1,871	**10,396**	5,415	**2,086**	n/a
Non-current liabilities	**(1,396)**	(743)	**(11,081)**	(3,402)	**(9,571)**	n/a
Current liabilities	**(389)**	(1,865)	**(4,831)**	(5,286)	**(7,148)**	n/a
Net assets	**3,154**	4,121	**14,846**	19,030	**7,953**	n/a
Group's share of net assets	**1,262**	1,648	**1,484**	1,903	**1,618**	n/a
Goodwill	**–**	–	**–**	1,653	**4,932**	n/a
Group's share of carrying amount of interests	**1,262**	1,648	**1,484**	3,556	**6,550**	n/a
Year ended 31 December:						
Revenue	**1,804**	3,063	**7,355**	9,642	**–**	n/a
Loss for the year	**(966)**	(1,586)	**(5,526)**	(4,341)	**(10,735)**	n/a
Other comprehensive income	**–**	–	**–**	10	**–**	n/a
Total comprehensive income	**(966)**	(1,586)	**(5,526)**	(4,331)	**(10,735)**	n/a
Dividends received from associates	**–**	–	**–**	–	**–**	n/a

During the year, after review of the sales progress of Celsius and the fact that the number of units sold is less than the expected level due to the delay in customer orders, the Group carried out reviews of the recoverable amount of Celsius. The review led to the recognition of an impairment loss of approximately HK$1,806,000. The recoverable amount of approximately HK$1,484,000 for Celsius has been determined on the fair value model by an independent external valuation expert using cost approach.

23. INVESTMENTS IN JOINT VENTURES

	2020 HK$'000	2019 HK$'000
Unlisted investments:		
Share of net assets	**6,902**	7,935
Goodwill	**11,769**	11,328
	18,671	19,263
Impairment losses	**(7,490)**	(2,236)
	11,181	17,027

Details of the Group's joint ventures as at 31 December 2020 are as follows:

Name	Place of incorporation and operation	Particulars of issued and paid up capital	Percentage of ownership interest/voting power/profit sharing	Principal activities
100ecare *(Note (i))*	The PRC	Registered capital of RMB11,649,331	9.41% (2019: 10%)	Design, development, sales and operation of wearable devices
Avalon	The BVI	50,000 ordinary shares of US$1 each	20% (2019: 20%)	Investment holding
Avalon Photonics (HK) Limited ("**Avalon HK**") *(Note (ii))*	Hong Kong	10,000 ordinary shares	20% (2019: 20%)	Design, development and distribution of kanga-care products
Avalon Medical Devices (Chongqing) Co., Limited ("**Avalon PRC**") *(Note (ii))*	The PRC	Registered capital of RMB10,000,000	20% (2019: 20%)	Manufacturing of kanga-care products

Notes:

(i) During the year, the registered share capital of 100ecare increased from RMB10,022,898 to RMB11,649,331. The Group's percentage of ownership interest was diluted from 10% to 9.41%.

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

23. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

Name	100ecare		Avalon and its subsidiaries	
	2020	2019	**2020**	2019
Principal place of business/country of incorporation	**The PRC**	The PRC	**BVI**	BVI
% of ownership interests/voting rights held by the Group	**9.41%/ 9.41%**	10%/10%	**20%/20%**	20%/20%
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 31 December:				
Non-current assets	**9,048**	12,514	**2,078**	19,896
Current assets	**21,642**	13,301	**9,589**	11,214
Non-current liabilities	**–**	–	**(4,732)**	(3,838)
Current liabilities	**(2,171)**	(429)	**(935)**	(301)
Net assets	**28,519**	25,386	**6,000**	26,971
Group's share of net assets	**2,684**	2,539	**1,200**	5,396
Goodwill	**7,297**	6,856	**–**	2,236
Group's share of carrying amount of interests	**9,981**	9,395	**1,200**	7,632
Cash and cash equivalents included in current assets	**9,688**	6,418	**3,186**	5,025
Current financial liabilities (excluding trade and other payables and provisions) included in current liabilities	**–**	–	**–**	–
Non-current financial liabilities (excluding trade and other payables and provisions) included in non-current liabilities	**–**	–	**–**	–
Year ended 31 December:				
Revenue	**17,676**	18,780	**831**	60
Depreciation and amortisation	**(1,186)**	(1,211)	**(2,556)**	(2,467)
Interest income	**267**	201	**5**	11
Income tax expense	**–**	–	**–**	–
(Loss)/profit for the year	**(4,410)**	1,408	**(5,891)**	(7,631)
Other comprehensive income	**–**	–	**–**	196
Total comprehensive income	**(4,410)**	1,408	**(5,891)**	(7,435)
Dividends received from joint ventures	**–**	–	**–**	–

23. INVESTMENTS IN JOINT VENTURES (CONTINUED)

As at 31 December 2020, the bank and cash balances of the Group's joint ventures in the PRC denominated in RMB amounted to approximately HK$10,588,000 (2019: HK$6,989,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

During the year, after review of the sales progress of Avalon and its subsidiaries ("**Avalon Group**") and the fact that the number of units sold is less than the expected level as the products take time to penetrate into the market, the Group carried out reviews of the recoverable amount of Avalon Group. The review led to the recognition of an impairment loss of approximately HK$5,254,000. The recoverable amount of approximately HK$1,200,000 for Avalon Group has been determined on the basis of their value in use using discounted cash flows method by an independent external valuation expert. The pre-tax discount rate used was 32.92%.

24. EQUITY INVESTMENTS AT FVTOCI

	2020 HK$'000	2019 HK$'000
Unlisted equity securities	**45,782**	43,199
Analysed as:		
Non-current assets	**45,782**	43,199

The unlisted equity securities were measured at fair value using the method of valuation by an independent external valuation expert.

Equity investments at FVTOCI are denominated in USD.

25. INVENTORIES

	2020 HK$'000	2019 HK$'000
Raw materials	**153,192**	73,796
Work in progress	**65,178**	26,708
Finished goods	**60,313**	18,040
	278,683	118,544

26. TRADE RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	**161,736**	112,992
Less: allowance for doubtful debts	**(194)**	(285)
	161,542	112,707

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

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

	2020 HK$'000	2019 HK$'000
0 to 30 days	**64,959**	26,905
31 to 60 days	**46,363**	24,548
61 to 90 days	**20,828**	28,712
Over 90 days	**29,392**	32,542
	161,542	112,707

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

	2020 HK$'000	2019 HK$'000
HKD	**458**	386
RMB	**24,654**	15,046
USD	**134,262**	97,275
Others	**2,168**	–
	161,542	112,707

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Deposit for an investment	**–**	7,837
Deposits for license and distribution rights	**14,153**	13,427
Deposits for purchases of property, plant and equipment	**12,007**	10,939
Deposits for purchases of goods	**35,524**	15,239
Prepaid expenses	**1,695**	6,120
Rental and other deposits	**3,346**	2,091
Value-added tax and other receivables	**28,237**	11,888
	94,962	67,541

28. BANK AND CASH BALANCES

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

	2020 HK$'000	2019 HK$'000
HKD	**11,534**	14,266
RMB	**38,599**	13,069
USD	**116,262**	40,123
Others	**2,673**	2,493
	169,068	69,951

As at 31 December 2020, the bank and cash balances of the Group denominated in RMB and kept in the PRC amounted to approximately HK$33,696,000 (2019: HK$11,106,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

29. SHARE CAPITAL

	2020 HK$'000	2019 HK$'000
Authorised		
10,000,000,000 ordinary shares of HK$0.01 each	**100,000**	100,000
Issued and fully paid		
650,598,000 (2019: 637,650,000) ordinary shares of HK$0.01 each	**6,506**	6,377

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

	Number of shares	Nominal value of shares issued HK$'000
At 1 January 2019, 31 December 2019 and 1 January 2020	637,650,000	6,377
Shares issued under share option scheme *(Note 32)*	12,948,000	129
At 31 December 2020	**650,598,000**	**6,506**

Note: In July to December 2020, 12,948,000 shares were issued under share option scheme at a subscription price of HK$0.80 per share for a total cash consideration of approximately HK$10,358,000, and share-based payments reserve of HK$5,829,000 was transferred to share premium account.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

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

The Group regards total equity other than non-controlling interests as capital, for management purpose. The amount of capital as at 31 December 2020 amounted to approximately HK$611,557,000 (2019: HK$352,451,000), in which the Group considers as optimal have considered the projected capital expenditures and the projected investment opportunities.

The only externally imposed capital requirement for the Group is in order to maintain its listing on the Stock Exchange (the "**Listing**"), it has to have a public float of at least 25% of the shares. Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained sufficient public float as required by the Listing Rules. As at 31 December 2020, over 25% (2019: over 25%) of the shares were in public hands.

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

(a) Statement of financial position of the Company

	Note	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**152,793**	152,793
Current assets			
Due from subsidiaries		**135,237**	33,601
Prepayments, deposits and other receivables		**2,760**	238
Bank and cash balances		**571**	1,124
Total current assets		**138,568**	34,963
TOTAL ASSETS		**291,361**	187,756
EQUITY AND LIABILITIES			
Share capital	29	**6,506**	6,377
Reserves	30(b)	**242,498**	138,628
Total equity		**249,004**	145,005
Current liabilities			
Due to subsidiaries		**41,680**	41,746
Other payables and accruals		**677**	1,005
Total current liabilities		**42,357**	42,751
TOTAL EQUITY AND LIABILITIES		**291,361**	187,756

Approved by the Board of Directors on 23 March 2021 and are signed on its behalf by:

Mr. CHOI Man Shing **Mr. TO Ki Cheung**

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

(b) Reserve movement of the Company

	Share premium account HK$'000	Share-based payments reserve HK$'000	Merger reserve HK$'000	(Accumulated losses)/ retained profits HK$'000	Total HK$'000
At 1 January 2019	151,957	8,514	–*	(36,520)	123,951
Profit for the year	–	–	–	22,773	22,773
Dividend paid	(10,202)	–	–	–	(10,202)
Share-based payments	–	2,106	–	–	2,106
At 31 December 2019 and 1 January 2020	**141,755**	**10,620**	**–***	**(13,747)**	**138,628**
Profit for the year	**–**	**–**	**–**	**99,727**	**99,727**
Dividend paid	**–**	**–**	**–**	**(7,014)**	**(7,014)**
Shares issued under share option scheme *(Note 29)*	**16,058**	**(5,829)**	**–**	**–**	**10,229**
Share-based payments	**–**	**928**	**–**	**–**	**928**
At 31 December 2020	**157,813**	**5,719**	**–***	**78,966**	**242,498**

* Represent the amount less than HK$1,000

31. RESERVES

(a) Group

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

(b) Nature and purpose of reserves

(i) Share premium account

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

31. RESERVES (CONTINUED)

(b) Nature and purpose of reserves (continued)

(ii) Share-based payments reserve

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

(iii) Merger reserve

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

The merger reserve of the Group represents the difference between the nominal value of shares of Vincent Healthcare Products Limited ("**VHPL**") and Vincent Medical Manufacturing Co., Limited ("**VMHK**") acquired pursuant to the reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

(iv) Foreign currency translation reserve

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

(v) FVTOCI reserve

FVTOCI reserve comprises the cumulative net change in the fair value of financial assets at FVTOCI held at the end of the reporting period and is dealt with in accordance with the accounting policy in Note 4(l) to the consolidated financial statements.

32. SHARE OPTIONS

Pre-IPO share option scheme adopted on 17 June 2016

A pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") was approved and adopted on 17 June 2016. The purpose of the Pre-IPO Share Option Scheme is to recognise and acknowledge the contributions made by certain executives, directors, employees and/or consultants of the Group to the growth of the Group by granting options to them as rewards and further incentives. The Pre-IPO Share Option Scheme will expire on 16 June 2026.

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

Tranche	Vesting Date	Percentage of an option vested
First	First anniversary of the date of Listing (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

32. 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 year are as follows:

	2020		2019	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**16,064,000**	**0.80**	16,788,000	0.80
Exercised during the year	**(9,948,000)**	**0.80**	–	n/a
Lapsed during the year	**(460,000)**	**0.80**	(724,000)	0.80
Outstanding at the end of the year	**5,656,000**	**0.80**	16,064,000	0.80
Exercisable at the end of the year	**5,656,000**	**0.80**	12,048,000	0.80

The weighted average share price at the date of exercise for share options exercised during the year was HK$2.15. The options outstanding at the end of the year have a weighted average remaining useful life of 5.46 years (2019: 6.46 years) and the exercise price is HK$0.80 (2019: HK$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.

32. SHARE OPTIONS (CONTINUED)

Share option scheme adopted on 24 June 2016 (continued)

On 25 March 2019, the Group further granted 4,600,000 share options with exercise price of HK$0.80 per share to certain employees and consultant. 25% of the options will vest on each of 25 March 2020, 2021, 2022 and 2023 respectively and will be exercisable from each of 25 March 2020, 2021, 2022 and 2023 respectively to 23 June 2026.

If the options remain unexercised after 23 June 2026, 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 year are as follows:

	2020		2019	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**15,400,000**	**0.80**	12,500,000	0.80
Granted during the year	**–**	**n/a**	4,600,000	0.80
Exercised during the year	**(3,000,000)**	**0.80**	–	n/a
Lapsed during the year	**–**	**n/a**	(1,700,000)	0.80
Outstanding at the end of the year	**12,400,000**	**0.80**	15,400,000	0.80
Exercisable at the end of the year	**3,925,000**	**0.80**	3,075,000	0.80

The weighted average share price at the date of exercise for share options exercised during the year was HK$1.92. The options outstanding at the end of the year have a weighted average remaining useful life of 5.48 years (2019: 6.48 years) and the exercise price is HK$0.80 (2019: HK$0.80).

33. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Within one year	**14,931**	11,747	**14,430**	10,675
More than one year, but not exceeding two years	**1,202**	10,875	**1,190**	10,580
More than two years, but not more than five years	**–**	1,067	**–**	948
	16,133	23,689	**15,620**	22,203
Less: Future finance charges	**(513)**	(1,486)	**n/a**	n/a
Present value of lease obligations	**15,620**	22,203	**15,620**	22,203
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(14,430)**	(10,675)
Amount due for settlement after 12 months			**1,190**	11,528

The weighted average incremental borrowing rate applied to lease liabilities is 6.30% (2019: 6.14%).

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

	2020 HK$'000	2019 HK$'000
HKD	**1,183**	1,169
RMB	**13,116**	19,018
Others	**1,321**	2,016
	15,620	22,203

34. DEFERRED TAX

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

Deferred tax liabilities

	Fair value on intangible assets HK$'000	Temporary difference on intangible assets HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1 January 2019	1,531	1,997	1,554	5,082
Charge/(credit) to profit or loss for the year	(241)	284	784	827
Exchange differences	–	(36)	(43)	(79)
At 31 December 2019 and 1 January 2020	**1,290**	**2,245**	**2,295**	**5,830**
Charge/(credit) to profit or loss for the year *(Note 12)*	**(241)**	**(864)**	**4,359**	**3,254**
Exchange differences	**–**	**79**	**390**	**469**
At 31 December 2020	**1,049**	**1,460**	**7,044**	**9,553**

Deferred tax assets

	Tax losses HK$'000
At 1 January 2019	1,935
Exchange differences	(43)
At 31 December 2019 and 1 January 2020	**1,892**
Exchange differences	**122**
At 31 December 2020	**2,014**

34. DEFERRED TAX (CONTINUED)

The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	2020 HK$'000	2019 HK$'000
Deferred tax assets	**2,014**	1,892
Deferred tax liabilities	**(9,553)**	(5,830)
	(7,539)	(3,938)

As at 31 December 2020, the Group has unused tax losses of approximately HK$104,716,000 (2019: HK$89,298,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$8,057,000 (2019: HK$7,570,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$96,033,000 (2019: HK$81,728,000) due to the unpredictability of future profit streams. The unused tax losses of the Group have not yet been agreed by respective tax authorities. The expiry date of unrecognised tax losses are summarised as follows:

	2020 HK$'000	2019 HK$'000
On 31 December 2021	**4,483**	4,212
On 31 December 2022	**4,854**	4,560
On 31 December 2023	**13,761**	12,928
On 31 December 2024	**21,977**	20,648
On 31 December 2025	**4,408**	–
On 31 December 2029	**228**	821
Carried forward indefinitely	**46,322**	38,559
	96,033	81,728

As at 31 December 2020, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries and a joint venture for which deferred tax liabilities have not been recognised is approximately HK$15,835,000 (2019: HK$9,525,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

35. TRADE PAYABLES

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

	2020 HK$'000	2019 HK$'000
0 to 30 days	**46,786**	24,508
31 to 61 days	**22,977**	7,795
Over 60 days	**18,803**	10,974
	88,566	43,277

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

	2020 HK$'000	2019 HK$'000
HKD	**4,300**	5,640
RMB	**61,657**	27,115
USD	**20,581**	10,022
Others	**2,028**	500
	88,566	43,277

36. OTHER PAYABLES AND ACCRUALS

	2020 HK$'000	2019 HK$'000
Accrued staff costs	**58,011**	19,446
Other accrued expenses	**12,446**	6,324
Other payables	**9,885**	8,690
Provision for warranties *(Note (i))*	**17,545**	–
Contract liabilities *(Note (ii))*	**38,174**	7,439
	136,061	41,899

36. OTHER PAYABLES AND ACCRUALS (CONTINUED)

Notes:

(i) The movements in provision for warranties during the year are as follows:

	2020 HK$'000	2019 HK$'000
At 1 January	**–**	–
Provision for the year	**37,355**	–
Provision utilised	**(20,012)**	–
Exchange differences	**202**	–
At 31 December	**17,545**	–

Provision for warranties represents the Group's best estimate to repair or replace electronic devices still under warranty period, based on historical experience of the level of repairs and replacements.

(ii) Contract liabilities relating to contracts with customers are advance payments made by customers. These arise as a result of increase in advance payments made by customers.

There were no significant changes in the contract liabilities balances during the reporting period.

Movements in contract liabilities:

	2020 HK$'000	2019 HK$'000
Balance at 1 January	**7,439**	3,896
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the year	**(7,439)**	(3,896)
Increase in contract liabilities as a result of advance payments made by customers	**38,174**	7,439
Balance at 31 December	**38,174**	7,439

37. BORROWINGS

	2020 HK$'000	2019 HK$'000
Bank loans, secured	**52,032**	23,453
Bank loans, unsecured	**9,434**	–
Other loan, unsecured	**7,605**	7,145
	69,071	30,598

The borrowings are repayable as follows:

	2020 HK$'000	2019 HK$'000
Within one year	**59,521**	21,071
More than one year, but not exceeding two years	**3,322**	2,763
More than two years, but not more than five years	**6,228**	6,764
	69,071	30,598
Portion of bank loan that is due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	**(9,550)**	(9,527)
	59,521	21,071
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(59,521)**	(21,071)
Amount due for settlement after 12 months	**–**	–

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

	2020 HK$'000	2019 HK$'000
HKD	**30,381**	12,290
RMB	**38,690**	18,308
	69,071	30,598

37. BORROWINGS (CONTINUED)

The interest rates of the Group's borrowings at 31 December were as follows:

	2020	2019
Bank loans	**1.48% to 4.60%**	4.53% to 4.80%
Other loan	**8%**	8%

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

Bank loans of approximately HK$14,381,000 (2019: HK$12,290,000) are secured by corporate guarantee provided by the Company.

Bank loan of approximately HK$16,000,000 (2019: HK$Nil) is secured by corporate guarantees provided by the Company and two Hong Kong subsidiaries of the Company.

Bank loans of approximately HK$17,823,000 (2019: HK$11,163,000) are secured by corporate guarantees provided by two PRC subsidiaries of the Company.

Bank loans of approximately HK$3,828,000 (2019: HK$Nil) are secured by corporate guarantees provided by a key management personnel of a PRC subsidiary of the Company.

At 31 December 2020, the Group had HK$24,000,000 (2019: HK$25,000,000) of available undrawn borrowing facilities.

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) Additions to right-of-use assets during the year of approximately HK$6,134,000 (2019: HK$2,337,000) were financed by lease liabilities.

(ii) The consideration of US$1.0 million (equivalent to approximately HK$7,753,000) for subscription of Series D Preferred Stocks of Fresca was transferred from deposits for an investment.

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

(b) Reconciliation of liabilities arising from financing activities

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

	1 January 2020 HK$'000	Remeasurement HK$'000	Additions HK$'000	Cash flows HK$'000	Interest expenses HK$'000	Exchange differences HK$'000	31 December 2020 HK$'000
Bank loans	23,453	–	–	36,268	–	1,745	61,466
Other loan	7,145	–	–	–	–	460	7,605
Lease liabilities	22,203	(147)	6,134	(14,730)	1,243	917	15,620
	52,801	(147)	6,134	21,538	1,243	3,122	84,691

	1 January 2019 HK$'000	Impact on initial application of HKFRS 16 HK$'000	Additions HK$'000	Cash flows HK$'000	Interest expenses HK$'000	Exchange differences HK$'000	31 December 2019 HK$'000
Bank loans	9,255	–	–	14,082	–	116	23,453
Other loan	7,989	–	–	(669)	–	(175)	7,145
Lease liabilities	–	30,353	2,337	(11,568)	1,751	(670)	22,203
	17,244	30,353	2,337	1,845	1,751	(729)	52,801

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

(c) Total cash outflow for leases

Amounts included in the cash flow statements for leases comprise the following:

	2020 HK$'000	2019 HK$'000
Within operating cash flows	**2,698**	4,582
Within financing cash flows	**13,487**	9,817
	16,185	14,399

These amounts relate to the following:

	2020 HK$'000	2019 HK$'000
Lease rental paid	**16,185**	14,399

39. CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any significant contingent liabilities (2019: Nil).

40. CAPITAL COMMITMENTS

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

	2020 HK$'000	2019 HK$'000
Property, plant and equipment	**17,987**	7,018
Intangible assets	**1,356**	6,107
	19,343	13,125

41. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group regularly entered into short-term leases for office premises. As at 31 December 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 19.

As at 31 December 2020, the outstanding lease commitments relating to these office premises is approximately HK$622,000 (2019: HK$233,000).

42. RELATED PARTY TRANSACTIONS

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

	2020 HK$'000	2019 HK$'000
Year ended 31 December:		
Sales of goods to an associate	**3,133**	509
Purchases of goods from an associate	**323**	1,168
Purchases of goods from a joint venture	**577**	–
Purchases of goods from a related company *(Note)*	**2,442**	624
Catering service fee paid to a related company *(Note)*	**1,467**	1,020
Consultancy fee paid to an associate	**–**	828
Rental expenses paid to related companies *(Note)*	**10,604**	10,114
Electronic assembly service fee paid to a related company *(Note)*	**14,301**	–
Administrative service fee paid to a related company *(Note)*	**252**	–
Metal supplies and processing service fee paid to a related company *(Note)*	**8,685**	6,410
At 31 December:		
Trade receivables from an associate	**250**	495
Prepayments and deposits paid to an associate	**–**	2,081
Other payables to related companies *(Note)*	**3,115**	2,913
Other receivables from a related company *(Note)*	**84**	84

Note: Mr. Choi has beneficial interests in these related companies.

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

	2020 HK$'000	2019 HK$'000
Short-term benefits	**28,120**	13,863
Retirement benefits scheme contributions	**525**	553
Share-based payments	**632**	1,178
	29,277	15,594

43. PRINCIPAL SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2020 are as follows:

Name	Place of incorporation/ registration, operation and kind of legal entity	Issued share capital/ registered capital	Percentage of ownership interest/voting power/profit sharing	Principal activities
Directly held:				
Vincent Medical Manufacturing Holdings Limited	The BVI, limited liability company	US$1	100%	Investment holding
Vincent Medical Care Holdings Limited	The BVI, limited liability company	US$1	100%	Investment holding
Indirectly held:				
Dongguan Vincent Rehabilitation Devices Company Limited ^ 東莞永健康復器具有限公司	The PRC, wholly-foreign owned enterprise with limited liability	HK$8,000,000	100%	Manufacturing of medical devices
Inspired Medical Japan Co., Ltd. ("**IMJ**")	Japan, limited liability company	JPY55,000,000	66.5% *(Note (a))*	Trading of medical devices
Rehab-Robotics Company Limited ("**RRCL**")	Hong Kong, limited liability company	HK$31,900,000	100% *(Note (b))*	Development of "Hand of Hope" robotic hand training devices
Shenzhen Vincent Raya Medical Device Company Limited ^ 深圳永勝宏基醫療器械有限公司	The PRC, wholly-foreign owned enterprise with limited liability	RMB10,000,000	100%	Research and development of medical devices and investment holding
VHPL	Hong Kong, limited liability company	HK$100,000	100%	Trading of medical devices and investment holding
Vincent Inspired Medical Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
Vincent Medical Care Company Limited ("**VMC**")	Hong Kong, limited liability company	HK$1	100% *(Note (c))*	Trading of medical devices and investment holding
VMHK	Hong Kong, limited liability company	HK$14,889,321	100% *(Note (c))*	Trading of medical devices and investment holding
VMDG	The PRC, wholly-foreign owned enterprise with limited liability	HK$15,000,000	100% *(Note (c))*	Manufacturing of medical devices
Vincent Medical Avalon Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
Vincent Medical Celsius Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
Vincent Medical Fresca Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding

43. PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration, operation and kind of legal entity	Issued share capital/ registered capital	Percentage of ownership interest/voting power/profit sharing	Principal activities
Vincent Medical Innovation Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
Vincent Medical Inovytec Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
Vincent Medical Respinova Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
Vincent Medical Retraction Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
Vincent Medical Technology (Guangdong) Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
Vincent Rehab Devices Company Limited	Hong Kong, limited liability company	HK$10	100%	Trading of medical devices and investment holding
Vincent Medical (Dongguan) Technology Company Limited ^ 東莞永昇醫療科技有限公司	The PRC, wholly-foreign owned enterprise with limited liability	RMB10,000,000	100%	Research and development, and manufacturing of medical devices
Vincent Raya (Dong Guan) Medical Device Co., Ltd. ^ 東莞永勝宏基醫療器械有限公司	The PRC, wholly-foreign owned enterprise with limited liability	HK$2,100,000	100%	Trading of medical devices
Hypnus Healthcare Technology Limited ("**HK Hypnus**")	Hong Kong, limited liability company	HK$11,000	54.5% *(Note (d))*	Investment holding
Guangzhou Hypnus Healthcare Technology Co., Limited ("**GZ Hypnus**")	The PRC, wholly-foreign owned enterprise with limited liability	HK$28,220,850	54.5% *(Note (d)&(e))*	Manufacturing and trading of CPAP equipment.

^ For identification purposes only

Notes:

(a) In July 2020, the Group transferred 38 shares of IMJ to a key management personnel of IMJ at nil consideration. Accordingly, the Group's percentage of ownership interest decreased from 70% to 66.5%, and loss on deemed disposal of non-controlling interests of approximately HK$127,000 was directly recognised in equity.

(b) In June 2020, the Group acquired 32.18% non-controlling interests of RRCL with carrying amount of approximately HK$2,240,000 immediately before the acquisition, at a cash consideration of approximately HK$2,459,000. Accordingly, the Group's percentage of ownership interest increased from 67.82% to 100%, and adjustment on the deficit carrying amount of non-controlling interests of approximately HK$219,000 was directly recognised in equity.

43. PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes (continued):

(c) In October 2020, the Group acquired 19.9% non-controlling interests of VMHK with carrying amount of approximately HK$82,596,000 immediately before the acquisition, at a cash consideration of approximately HK$67,294,000. Accordingly, the Group's percentage of ownership interest increased from 80.1% to 100%, and adjustment on the carrying amount of non-controlling interests of approximately HK$15,302,000 was directly recognised in equity. VMC and VMDG are directly held by VMHK, the Group's percentage of ownership interest in these two subsidiaries also increased from 80.1% to 100%.

(d) In August 2020, HK Hypnus issued 1,000 new shares to another shareholder of HK Hypnus at a consideration of HK$1,000. Accordingly, the Group's percentage of ownership interest was diluted from 60% to 54.5%, and gain on deemed disposal of non-controlling interests of approximately HK$1,232,000 was directly recognised in equity. GZ Hypnus is directly held by HK Hypnus, the Group's percentage of ownership interest in GZ Hypnus was also diluted from 60% to 54.5%.

(e) In July 2020, the Group and the non-controlling shareholder of HK Hypnus agreed to convert the shareholder's loans to GZ Hypnus of approximately HK$8,220,850 into registered capital of GZ Hypnus. The registered of GZ Hypnus increased from HK$20,000,000 to HK$28,220,850.

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

Five-Year Financial Summary

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

	Year ended 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**1,155,383**	502,200	488,030	446,302	467,347
Profit before tax	**284,084**	18,294	38,131	19,617	47,696
Income tax expense	**(36,649)**	(5,437)	(3,928)	(8,163)	(10,614)
Profit for the year	**247,435**	12,857	34,203	11,454	37,082
Attributable to:					
Owners of the Company	**216,865**	11,525	30,943	13,155	29,242
Non-controlling interests	**30,570**	1,332	3,260	(1,701)	7,840
	247,435	12,857	34,203	11,454	37,082

	At 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and Liabilities					
Non-current assets	**222,443**	188,585	186,347	154,181	80,810
Current assets	**724,424**	381,734	350,930	370,978	414,388
Non-current liabilities	**(10,743)**	(17,358)	(5,082)	(2,395)	(3,865)
Current liabilities	**(330,945)**	(138,814)	(98,002)	(107,813)	(89,857)
Net assets	**605,179**	414,147	434,193	414,951	401,476
Attributable to:					
Owners of the Company	**611,557**	352,451	374,451	365,185	351,072
Non-controlling interests	**(6,378)**	61,696	59,742	49,766	50,404
	605,179	414,147	434,193	414,951	401,476