

【For Immediate Release】

23 March 2018



Vincent Medical Holdings Limited

永勝醫療控股有限公司

Stock Code : 1612. HK

Vincent Medical Announces its 2017 Annual Results Achieved another year of double digit growth in OBM business, reaffirming its strategy to foster the “Inspired Medical” business

Financial Highlights

<i>HKD million</i>			
For the year ended 31 December	2017	2016	Change
Revenue	446.3	467.3	-4.5%
Gross profit	150.3	145.8	+3.1%
Gross profit margin	33.7%	31.2%	+2.5 p.p.
Impairment of assets	17.9	--	--
Profit attributable to owners of the Company	13.2	29.2	-54.8%
Basic earnings per share (HK cents)	2.06	5.27	-60.9%
Final dividend (HK cents)	1.50	1.50	--

(Hong Kong, 23 March 2018) – **Vincent Medical Holdings Limited** (“Vincent Medical” or together with its subsidiaries, the “Group”, stock code: 1612) has announced its annual results for the year ended 31 December 2017 (the “Year”).

During the Year, despite a 20.5% year-on year (“yoy”) increase in revenue for its original brand manufacturing (“OBM”) business, the Group’s total revenue recorded a slight decrease of 4.5% yoy to HK\$446.3 million (2016: HK\$467.3 million), as a result of a 8.7% decrease in revenue from its original equipment manufacturing (“OEM”) business, as one of its customers has undergone shareholding change and operational restructuring. Gross profit increased by 3.1% yoy to HK\$150.3 million (2016:



HK\$145.8 million), while gross profit margin improved to 33.7% (2016: 31.2%) attributable to lowered material costs. Profit attributable to owners of the Company decreased by 54.8% yoy from HK\$29.2 million in 2016 to HK\$13.2 million in 2017, due mainly to one-off impairment of assets during the Year in relation to a subsidiary and an associate.

As at 31 December 2017, the Group's bank and cash balances amounted to HK\$113.0 million (2016: HK\$222.2 million). To reward shareholders for their continuous support, the Board recommended the payment of a final dividend of HK1.50 cents per share, representing a healthy dividend payout of 30.8% (based on profit attributable to shareholders of HK\$13.2 million, adding back HK\$17.9 million of one-off impairment losses).

OEM Business – secured relationship with major customer in the imaging disposable products segment

During the Year, OEM business remained as the major business segment and accounted for 82.0% of revenue. The segment recorded a decrease in revenue of 8.7% yoy from HK\$400.7million to HK\$366.0 million, mainly due to the lower sales volume of its imaging disposable products and the reduced orders on respiratory products from one of its OEM customers in the US, which has undergone shareholding change and operational restructuring in the last two years.

Yet, the Group continued to secure and strengthen its relationship with one of its key OEM customers in imaging disposable products – Bayer HealthCare LLC. On 20 December 2017, the Group has entered into an agreement with Bayer HealthCare LLC, regarding the renewal and extension of the supply agreement. Specifically, Bayer HealthCare LLC and Imaxeon Pty Ltd. will continue to acquire imaging disposable products and related components and sub-assemblies from the Group for the next two years.

OBM Business – actively building the “Inspired Medical brand” and further penetrating into both international and the PRC markets

During the Year, the Group's OBM business achieved another year of double-digit growth as revenue increased by 20.5% yoy to HK\$80.3 million. Geographically, OBM sales generated from the PRC market grew by 12.2% yoy to HK\$44.2 million, whereas OBM sales generated from overseas markets (including Hong Kong) also saw a significant jump of 32.2% to HK\$36.1 million. Such growth was primarily attributable to new product release and enhanced sales and marketing effort.



As for the OBM orthopaedic and rehabilitation products segment, sales of adjustable functional braces recorded a satisfactory growth. However, it was partially offset by the significant sales drop in the “Hand of Hope” robotic hand training devices, primarily due to the need of product optimization and the redesign of certain parts and firmware. A new version of the “Hand of Hope” with functional enhancement and new features that targets a wider group of patients is expected to be launched in mid-2018.

Expanding sales & marketing network

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

Meanwhile, the Group continued to participate in various important trade shows and exhibitions including the MEDICA, Arab Health, CMEF and some other industry conferences in the US, the United Arab Emirates, the Czech Republic, South Korea, the PRC and Hong Kong. Through these events, the Group has successfully reached out to new customers, researchers, clinicians, general practitioners and allied health professionals. The Group was able to develop a more geographically diversified business with sales to new markets including Latin America recorded during the Year.

Outlook

The Group expects the global medical device industry will continue to experience significant growth in the future. As the PRC government had further strengthened its efforts on the healthcare industry in 2017 through the release of “13th Five-Year Plan for Medical and Healthcare System Reform” and the “Healthy China 2030 Planning Outline”, the Group expects to see a faster consolidation of local medical device manufacturers and more collaboration with overseas medical technological companies. With the implementation of the two-invoice system and the tendering and bidding mechanism for medical device, the Group anticipates future sales in the PRC market will be driven by volume growth with a general reduction in price of generic medical devices and consumables.



Mr. Vincent Choi, Chairman of Vincent Medical, commented, “2017 was a year of investment for the Group. By investing in companies including Inovytec Medical Solutions Limited, Fresca Medical, Inc. and Avalon Photonics Holdings Limited, the Group is granted with the exclusive right to manufacture and distribute different products, which will broaden our existing product portfolio, as well as creating a strong product pipeline and sales momentum for our Inspired Medical brand in the years to come. In addition to investments, the Group has also made a step forward in product R&D and registration efficiency, through the setup in Dongguan Songshan Lake Science and Technology Industrial Park in December 2017, with relocation taking place in 2018, further laying a solid foundation for future business growth.”

Mr. Choi continued, “In 2018, the Group’s prime focus will be on three priority areas: (1) To restore growth in revenue - driven by the roll out of new products and market expansion; (2) To keep a keen eye on our investments and strive to create win-win outcomes for us and our partners; and (3) To drive cost efficiency throughout the entire value chain. We are confident that through the implementation of the aforementioned strategies, Vincent Medical will be able to increase its market penetration and at the same time, enhance its business profitability.”

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About Vincent Medical Holdings Limited (Stock code: 1612)

Established in 1997, Vincent Medical Holdings Limited is a Hong Kong-headquartered medical device manufacturing group. The Group develops, manufactures and sells a wide range of medical devices, focusing on respiratory products, imaging contrast media power injector disposable products, and orthopaedic and rehabilitation products, which satisfy internationally-recognised quality assurance standards, to its customers in the PRC and overseas markets. The Group has established its OEM business since its inception and its OBM business in 2003 with its “Inspired Medical” (「英仕醫療」) brand. The Group has developed a domestic and overseas distributorship network for its OBM business, which currently has about 400 distributors and other customers in the PRC, and over 60 overseas distributors and other customers in various countries such as Australia, Japan, Korea, Indonesia, India, Chile, Brazil and Saudi Arabia.

This press release is issued by DLK Advisory Limited on behalf of **Vincent Medical Holdings Limited**.

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