



【For Immediate Release】

22 March 2019



Vincent Medical Holdings Limited

永勝醫療控股有限公司

Stock Code : 1612. HK

Announces 2018 Annual Results

Revenue Grew by 9.3% YoY to HK\$488.0 Million

OBM Revenue Surged by 22.3% YoY Along with a Strong Core Product Line

Net Profit Increased by 134.1% YoY to HK\$30.9 Million

Financial Highlights

<i>HKD million</i>			
For the year ended 31 December	2018	2017	Change
Revenue	488.0	446.3	+9.3%
Gross profit	155.6	150.3	+3.5%
Profit for the year attributable to Owners of the Company	30.9	13.2	+134.1%
Basic earnings per share (HK cents)	4.85	2.06	+135.4%
Final dividend (HK cents)	1.60	1.50	+6.7%

(Hong Kong, 22 March 2019) – **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 2018 (the “Year”).

Driven by improved sales in both original equipment manufacturing (“OEM”) and original brand manufacturing (“OBM”) segments, the Group’s total revenue increased by 9.3% to HK\$488.0 million for 2018 (2017: HK\$446.3 million). However, the aggregate effect of rising of labour costs, increasing price of raw materials for production and the appreciation of RMB against USD during the Year has



more than offset the positive contribution to the Group's gross profit margin through the enhancement of production efficiency. Thus, gross profit rose by 3.5% to HK\$155.6 million for 2018 (2017: HK\$150.3 million). Gross profit margin for 2018 decreased by 1.8 p.p. from 33.7% to 31.9%. Despite the drag on gross profit margin, profit attributable to owners of the Company for 2018 increased by 134.1% to HK\$30.9 million (2017: HK\$13.2 million). The increase was mainly due to an overall increase in revenue and gross profit from both OEM and OBM segments, and a year-on-year decrease in impairment of goodwill and investment in an associate. Basic earnings per share was HK\$4.85 cents (2017: HK\$2.06 cents) for the Year. To reward shareholders for their continuous support, the Board recommended the payment of a final dividend of HK1.6 cents per share, representing a healthy dividend payout of 33.0%.

OEM Business

Revenue from the OEM segment amounted to HK\$389.8 million (2017: HK\$366.0 million), representing a growth of 6.5% and accounting for 79.9% of the Group's total revenue (2017: 82.0%). The increase was mainly attributable to respiratory products. During the Year, we have expanded our OEM product line to offer a broader spectrum of single use plastic disposable products including tubing sets, heat and moisture exchange ("HME") filters, sterilized high efficiency particulate air ("HEPA") filters and surgical tools to our customers. Satisfactory growth was achieved in some of the key customers across the respiratory range of products through deeper penetration and identifying additional value-adding opportunities.

The US remained as the core market and accounted for 79.9% (2017: 85.5%) of OEM revenue during the Year, while the Group oversaw a strong revenue growth in both European (+58.5% YoY) and Australian (+71.4% YoY) markets. Despite the continuing uncertainty about the trade relationship between the US and the PRC which has led to some buyers seeking alternatives by sourcing domestically or from proximal countries to mitigate risks, our OEM sales to the US market remained stable in 2018.

OBM Business

The OBM segment reported a 22.3% increase in revenue to HK\$98.2 million (2017: HK\$80.3 million), reflecting good progress achieved in broadening our international customer base through directly collaborating with global med-tech conglomerates and the launch of new ventilation circuits, HME filters and neonatal continuous positive airway pressure ("CPAP") product lines in the respiratory segment.



The PRC market continued to be the major market for our OBM segment with sales grew by 21.4% to HK\$53.7 million in 2018 (2017: HK\$44.2 million). Sales to international markets recorded an overall growth of 23.3% to HK\$44.5 million (2017: HK\$36.1 million). The investments in sales and marketing efforts are coming to fruition as we are gaining traction in new growth markets in OBM segment. Sales to the US jumped by 193.6% to HK\$8.3 million attributable to growth in new customers as well as an increase in sales to existing distributors.

Encouraging signs showed from products under the “Inspired Medical” brand

The “Inspired Medical” brand represents the Group’s OBM product offerings. In the fourth quarter of 2018, the Group launched a series of products under our Inspired® Bubble CPAP system that includes heated humidifier, humidification chamber, bubble CPAP circuits, nasal prongs and pressure release valve. The Inspired® Bubble CPAP system represents a new product of our own brand that just rolled out during the Year, we believe such move will help enrich and diversify our neonatal respiratory care product line and drive future sales growth.

In addition, in mid-2018, the Group introduced the Hypnus™ CPAP 7 Series, a new series of CPAP system for the treatment of sleep-disordered breathing. The series is designed to enhance patients’ comfort and encourage compliance with the therapy. With patented noise control and pressure regulating technologies, we upgraded the new software solution, the iHypnusCare™, with new features and enhancements within the cloud-based software system.

During the Year, we commenced the product launch strategies for the high-flow oxygen therapy machine O₂FLO Respiratory Unit and the O₂B air-oxygen mixer. The Group showcased the devices at various major medical-tech tradeshows and professional respiratory care congress, and received tremendous market feedback. We believe the products will become one of the important drivers to delivering satisfactory income going forward.

Investments and collaboration to enrich product pipeline

Under our collaboration with Ventec Life Systems, Inc. (“Ventec”), a US-based technology company, we supplied Ventec with a series of disposable circuits and accessories and the sale of such has jumped by 4 times in 2018. During the Year, we also started the process to prepare for the application of VOCSN for regulatory approval in the PRC. Beginning from 1 January 2019, Medicare suppliers in the US can bill for VOCSN using a new code under the new Medicare Part B reimbursement policy for a multi-function ventilator.



In addition, Fresca Medical, Inc. (“Fresca”)’s CURVE™ System was granted the De Novo request to market the CURVE™ Positive Airway Pressure Delivery System for the treatment of obstructive sleep apnea by the FDA (Food and Drug Administration of the US) in June 2018. Our team of engineers and technicians also worked with Fresca to develop the production supply chain in the PRC.

During the Year, Inovytec Medical Solutions Ltd. (“Inovytec”) launched an ultra-light weight ventilator for use in emergency and transport medicine that weighs approximately 1kg (the majority of turbine transport ventilators in the market weigh between 4kg and 9kg). Being the exclusive manufacturer of Inovytec, we delivered the first commercial production batch of the ventilator by end of 2018. We also worked with Inovytec’s clinical and operations teams to start the process for National Medical Products Administration certification of the device in the PRC.

廣州柏頤信息科技有限公司(translated as Guangzhou 100ecare Technology Co. Limited “100ecare”) launched a series of smart wearable devices, namely the sensor-based sleep monitoring device, household emergency wearable device and the new smart wristband, targeting the booming elderly healthcare market in the PRC. These new products started to contribute revenue to 100ecare since the fourth quarter of 2018.

Outlook

Looking ahead in 2019, we see signs of pressure or change of product mix for our OEM segment amid the uncertainty of the trade wars as customers are trying to mitigate such risk by diversifying sourcing strategies. Despite the global macroeconomic uncertainty, we remain confident that the Group will continue to make further progress in the coming year as there are more product launches and new markets for our existing devices of the OBM segment as well as new supply contracts from our OEM segment. With the launches of a broader range of higher margin devices in 2019 and onwards, we expect to see gradual improvements in our OBM gross profit margins.

Mr. Vincent Choi, Chairman of Vincent Medical, commented, “We will continue to invest prudently in our sales and marketing organization by expanding our international marketing programs as well as broaden awareness of our products to global med-tech companies to create future oriented collaboration. We also expect to continue to invest in R&D, regulatory affairs and clinical studies to expedite the development of our Inspired® products, support regulatory submissions and demonstrate the clinical efficacy of our new products.”

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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 70 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**.

For enquiries, please contact:



DLK Advisory 金通策略

Isabella Lam (isabellalam@dlkadvisory.com)

Jonathan Lam (jonathanlam@dlkadvisory.com)

Max Lau (maxlau@dlksadvisory.com)

Tel: +852 2857 7101

Fax: +852 2857 7103