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**Vincent
Medical**

Vincent Medical Holdings Limited

永勝醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1612)

**EXTENSION AND RENEWAL OF
CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
THE BAYER SUPPLY AGREEMENT**

THE SUPPLEMENTAL AGREEMENT

In respect of the Bayer Supply Agreement entered into between the Suppliers and VRHK and the Bayer Companies, pursuant to which the Suppliers and VRHK would manufacture and supply certain components, assemblies and related services to the Bayer Companies, for a term from 1 August 2013 to 31 December 2017. VRHK has been removed as a party to the Bayer Supply Agreement effective from 7 June 2016, being the date of the previous supplemental agreement.

As the Bayer Supply Agreement is due to expire on 31 December 2017, the Supplemental Agreement dated 20 December 2017 was entered into by the Suppliers and the Bayer Companies to renew the Bayer Supply Agreement, pursuant to which the Suppliers agree to continue to manufacture and supply certain components, assemblies and related services to the Bayer Companies for a further initial term of 2 years commencing on 1 January 2018, which can be extended by the Bayer Companies for one more year upon expiry of the initial 2 years term. The executed signing page of the Bayer Companies was received by the Company after trading hours on 21 December 2017.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Bayer Medical Care 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 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 Rule 14A.06(9) of the Listing Rules and the transactions contemplated under the Supplemental Agreement constitute continuing connected transactions of the Company.

As (i) the transactions under the Supplemental Agreement are transactions between the Group and the connected persons at the subsidiary level; (ii) the Board has approved the transactions under the Supplemental Agreement; and (iii) the independent non-executive Directors have confirmed that the terms of the transactions under the Supplemental Agreement are fair and reasonable, the transactions under the Supplemental Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Supplemental Agreement is subject to the reporting, announcement and annual review requirements, but exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

THE SUPPLEMENTAL AGREEMENT

In respect of the Bayer Supply Agreement entered into between the Suppliers and VRHK and the Bayer Companies, pursuant to which the Suppliers and VRHK would manufacture and supply certain components, assemblies and related services to the Bayer Companies, for a term from 1 August 2013 to 31 December 2017 on the following principal terms:

Principal terms:

The Suppliers and VRHK 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 and VRHK from the Bayer Companies.

In consideration for the performance by the Suppliers and VRHK 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 and VRHK. The Suppliers and VRHK 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 for the Products under the Bayer Supply Agreement will be determined by reference to the Suppliers and VRHK's cost plus a profit margin agreed on an arm's length basis. The profit margin for the Products supplied to the Bayer Companies varies depending on the Bayer Companies' requirements and specifications in relation to each project. The Directors take into account (i) the complexity and technicality of the relevant project; and (ii) the estimated cost to the Suppliers and VRHK 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, when determining the price.

Pursuant to the previous supplemental agreement dated 7 June 2016, the Suppliers and VRHK and the Bayer Companies agreed to remove VRHK as a party to the Bayer Supply Agreement.

As the Bayer Supply Agreement is due to expire on 31 December 2017, the Supplemental Agreement dated 20 December 2017 was entered into by the Suppliers and the Bayer Companies to renew the Bayer Supply Agreement. The executed signing page of the Bayer Companies was received by the Company after trading hours on 21 December 2017. Pursuant to the Supplemental Agreement, the Suppliers agreed to continue to manufacture and supply certain components, assemblies and related services to the Bayer Companies according to the principal terms of the Bayer Supply Agreement with the following amendments:

Date: 20 December 2017

Parties: Suppliers: (1) VMHK
(2) VMDG

Customers: (1) Bayer HealthCare
(2) Imaxeon Pty Ltd.

Effective period: The Supplemental Agreement is for an initial term from 1 January 2018 to 31 December 2019 (the "**Initial Term**"). Thereafter, the Bayer Companies shall have the right to renew the Supplemental Agreement for one successive year period by giving the Suppliers written notice of such renewal at least 90 days prior to the expiration of the Initial Term. The Supplemental Agreement may be terminated in whole or in part at any time upon 60 days prior written notice by the Bayer Companies to the Suppliers.

Transfer of obligations: Bayer HealthCare has accepted and assumed all obligations of Bayer Medical Care under the Bayer Supply Agreement.

Adjustment in pricing terms: 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 and basis of determination

Set out below are the details of (i) the historical aggregate transaction amounts in relation to the Bayer Supply Agreement for each of the two financial years ended 31 December 2016 and the ten months ended 31 October 2017; and (ii) the Annual Caps for each of the three financial years ending 31 December 2020:

	Historical aggregate transaction amounts			Annual Cap		
	For the financial year ended		For the	For the financial year ending		
	31 December		ten months	31 December		
	2015	2016	ended	2018	2019	2020
		31 October	("FY2018")	("FY2019")	("FY2020")	
		2017	2018	2019	2020	
			HK\$'000	HK\$'000	HK\$'000	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Products supplied by the Suppliers to the Bayer Companies	161,326	187,508	143,205	200,000	220,000	242,000
Purchase of the Components from the Bayer Companies	38,057	7,131	3,094	4,400	4,800	5,300

The Annual Caps for the supply of the Products for each of FY2018, FY2019 and FY2020 were determined based on:

- the expected demand for the Products with reference to the historical transaction value;
- a corresponding year-on-year increase of 10% for the supply of the Products by the Suppliers for each of FY2019 and FY2020 to cater for the expected growth of the Group's business; and
- a price increment of the individual price of the Products including additional sterilisation cost as agreed upon in the Supplemental Agreement.

The Annual Caps for the purchase of the Components for each of FY2018, FY2019 and FY2020 were determined based on:

- (a) the expected demand for the Components with reference to the historical transaction value; and
- (b) a corresponding year-on-year increase of 10% based on the expected increase in supply of the Products by the Suppliers to the Bayer Companies for each of FY2019 and FY2020.

REASONS FOR ENTERING INTO AND BENEFITS OF THE SUPPLEMENTAL AGREEMENT

The Group is principally engaging in the manufacturing and sale of medical devices focusing on respiratory products, imaging contrast media power injector disposables, orthopaedic and rehabilitation products.

Bayer AG and its subsidiaries (including the Bayer Companies) are principally engaged in the (i) supply of prescription products, specialty therapeutics and radiology business; (ii) marketing of over-the-counter products; (iii) businesses in seeds, crop protection and nonagricultural pest control; and (iv) prevention and treatment of diseases in companion and farm animals.

In view of the Group's long-term business relationship with the Bayer Companies and given that the manufacture and supply of the Products under the Bayer Supply Agreement is an integral part of the business of the Group, the Directors consider that the Supplemental Agreement is necessary to maintain the stability of the business development of the Group.

DIRECTORS' VIEW ON THE CONTINUING CONNECTED TRANSACTIONS

The Directors (including the independent non-executive Directors) are of the view that the Supplemental Agreement is entered into in the ordinary and usual course of business of the Group, on normal commercial terms and on pricing terms no less favourable to the Company than those provided to independent third parties, and the terms and the Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors has any material interest in the Supplemental Agreement, and hence no Director was required to abstain from voting on the board resolution for approving the Supplemental Agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Bayer Medical Care 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 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 Rule 14A.06(9) of the Listing Rules and the transactions contemplated under the Supplemental Agreement constitute continuing connected transactions of the Company.

As (i) the transactions under the Supplemental Agreement are transactions between the Group and the connected persons at the subsidiary level; (ii) the Board has approved the transactions under the Supplemental Agreement; and (iii) the independent non-executive Directors have confirmed that the terms of the transactions under the Supplemental Agreement are fair and reasonable, the transactions under the Supplemental Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Supplemental Agreement is subject to the reporting, announcement and annual review requirements, but exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings:

“Annual Cap(s)”	the maximum aggregate annual transaction values in respect of the continuing connected transactions contemplated under the Supplemental Agreement for FY2018, FY2019 and FY2020 if extended by the Bayer Companies
“Bayer AG”	a company headquartered in Germany and which shares are listed on the stock exchanges in Frankfurt, Berlin, Dusseldorf, Hamburg, Hannover, Stuttgart and Munich in Germany and Barcelona and Madrid in Spain
“Bayer Companies”	collectively, Bayer Medical Care or Bayer HealthCare (with effect from 1 January 2018) and Imaxeon Pty Ltd., all being indirect wholly-owned subsidiaries of Bayer AG
“Bayer HealthCare”	Bayer HealthCare LLC, a Delaware limited liability company, an indirect wholly-owned subsidiary of Bayer AG
“Bayer Medical Care”	Bayer Medical Care, Inc., an indirect wholly-owned subsidiary of Bayer AG

“Bayer Supply Agreement”	the agreement dated 1 August 2013 as amended by the previous supplemental agreement dated 7 June 2016 made by the Suppliers and VRHK and the Bayer Companies in respect of the manufacture and supply of certain components, assemblies and related services to the Bayer Companies by the Suppliers and VRHK until 31 December 2017
“Board”	the board of Directors
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Choi”	Mr. Choi Man Shing (蔡文成), the Chairman, executive Director and one of the controlling shareholders of the Company, and the spouse of Ms. Liu
“Ms. Liu”	Ms. Liu Pui Ching (廖佩青), the non-executive Director and one of the controlling shareholders of the Company, and the spouse of Mr. Choi
“PRC”	the People’s Republic of China
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement	being the amendment to the Bayer Supply Agreement to be effective as of 1 January 2018, made between the Suppliers and the Bayer Companies
“Suppliers”	collectively, VMHK and VMDG
“VMDG	Vincent Medical (Dongguan) Mfg. Co., Ltd. (東莞永勝醫療製品有限公司), a limited liability company established in the PRC and an indirect non-wholly owned subsidiary of the Company
“VMHK”	Vincent Medical Manufacturing Co., Limited (永勝醫療製品有限公司), a limited liability company incorporated in Hong Kong and an indirect non-wholly owned subsidiary of the Company
“VRHK”	Vincent Raya Co., Limited (永勝宏基集團有限公司), a limited liability company incorporated in Hong Kong and ultimately owned by the controlling shareholders of the Company, Mr. Choi and Ms. Liu
“%”	Percentage or per centum

By Order of the Board
Vincent Medical Holdings Limited
Choi Man Shing
Chairman and Executive Director

Hong Kong, 21 December 2017

As at the date of this announcement, the Board comprises Mr. Choi Man Shing, Mr. To Ki Cheung, Mr. Koh Ming Fai and Mr. Fu Kwok Fu as executive Directors, Ms. Liu Pui Ching and Mr. Guo Pengcheng as non-executive Directors, and Mr. Chan Ling Ming, Mr. Mok Kwok Cheung Rupert, Mr. Au Yu Chiu Steven and Prof. Yung Kai Leung as independent non-executive Directors.