Vincent Medical

VINCENT MEDICAL HOLDINGS LIMITED

永勝醫療控股有限公司

(Incorporated in Cayman Islands with limited liability)

Stock code: 1612

GLOBAL OFFERING

Sole Sponsor and Sole Global Coordinator

上銀國際有限公司
BOSC International Company Limited

Joint Bookrunners

上銀國際有限公司
BOSC International Company Limited

CROSBY

SWS
Shenwan Hongyuan Capital (H.K.) Limited
申萬宏源融資(香港)有限公司

IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

Vincent Medical Holdings Limited
永勝醫療控股有限公司

(Incorporated in Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**127,600,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**12,760,000 Shares (subject to adjustment and including 1,276,000 Employee Reserved Shares)**
Number of International Placing Shares		**114,840,000 Shares (subject to adjustment and the Over-allotment Option)**
Offer Price	**:**	**not more than HK$1.25 per Offer Share (payable in full on application in Hong Kong dollars, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and expected to be not less than HK$1.00 per Offer Share**
Nominal Value	**:**	**HK$0.01 per Share**
Stock Code	**:**	**1612**

Sole Sponsor and Sole Global Coordinator

Joint Bookrunners

Joint Lead Managers

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator, on behalf of the Underwriters, and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 8 July 2016 and, in any event, not later than 12:00 noon on Monday, 11 July 2016. The Offer Price will be not more than HK$1.25 and is currently expected to be not less than HK$1.00 unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$1.25 for each Share together with a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price as finally determined should be lower than HK$1.25.

The Sole Global Coordinator, on behalf of the Underwriters may, with our consent, reduce the number of Offer Shares in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus (which is HK$1.00 to HK$1.25 per Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares in the Global Offering and/or the indicative offer price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator, on behalf of the Underwriters, and our Company, the Global Offering (including the Hong Kong Public Offering) will lapse and will not proceed. Further details are set out in the sections "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares" in this prospectus.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, including the risk factors set out in the section "Risk Factors" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Offer Shares commences on the Stock Exchange. Such grounds are set out in the section "Underwriting — Hong Kong Public Offering — Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

30 June 2016

EXPECTED TIMETABLE

We will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) if there is any change in the following expected timetable of the Hong Kong Public Offering.

	2016 *(Note 1)*
Latest time to lodge **PINK** Application Forms at our Company head office at Flat B2, 7th Floor, Phase 2, Hang Fung Industrial Building, 2G Hok Yuen Street, Hung Hom, Hong Kong	12:00 noon on Tuesday, 5 July
Latest time to complete electronic applications under **HK eIPO White Form** service through the designated website **www.hkeipo.hk** *(Note 2)*	11:30 a.m. on Wednesday, 6 July
Application lists open *(Note 3)*	11:45 a.m. on Wednesday, 6 July
Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Wednesday, 6 July
Latest time to give **electronic application instructions** to HKSCC *(Note 4)*	12:00 noon on Wednesday, 6 July
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Wednesday, 6 July
Application lists close	12:00 noon on Wednesday, 6 July
Expected Price Determination Date *(Note 5)*	Friday, 8 July
Announcement of the final Offer Price, indication of the levels of interest in the International Placing, the basis of allotment and the results of applications in the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	Tuesday, 12 July
Announcement of results of allocations in the Hong Kong Public Offering and the Employee Preferential Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our website at **www.vincentmedical.com** and the website of the Stock Exchange at **www.hkexnews.hk** (for further details, please see "How to apply for Hong Kong Offer Shares and Employee Reserved Shares — 11. Publication of Results" in this prospectus) from	Tuesday, 12 July
Results of allocations in the Hong Kong Public Offering and the Employee Preferential Offering will be available at **www.tricor.com.hk/ipo/result** with a "search by ID Number/ Business Registration Number" function	Tuesday, 12 July
Despatch/Collection of White Form e-Auto Refund payment instructions/ refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and the Employee Preferential Offering on or before *(Notes 6 to 8)*	Tuesday, 12 July
Despatch/Collection of Share certificates on or before	Tuesday, 12 July
Dealings in the Shares on the Stock Exchange expected to commence on	9:00 a.m. on Wednesday, 13 July

Notes:

(1) All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section "Structure of the Global Offering" in this prospectus.

(2) You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "**black**" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 6 July 2016, the application lists will not open on that day. For details, please see "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares — 10. Effect of bad weather on the opening of the application lists" in this prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to apply for Hong Kong Offer Shares and Employee Reserved Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date is expected to be on or around Friday, 8 July 2016. If, for any reason, the Offer Price is not agreed by 12:00 noon on Monday, 11 July 2016 between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse accordingly.

(6) Share certificates for the Offer Shares are expected to be issued on or before Tuesday, 12 July 2016 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 13 July 2016 provided that (a) the Global Offering has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.

(7) Applicants for 1,000,000 Hong Kong Offer Shares or more on **WHITE** Application Forms may collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally from our Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 12 July 2016 or any other day that we publish in the newspaper as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques.

Individuals who opt for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar. Applicants for 1,000,000 Hong Kong Offer Shares or more on **YELLOW** Application Forms may collect their refund cheques, if any, in person but may not elect to collect their Share certificates personally, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who apply through the **HK eIPO White Form** service and pay their applications monies through single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-auto refund payment instructions. Applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the HK eIPO White Form Service Provider, in the form of refund cheques, by ordinary post, at their own risk.

Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares — 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

(8) Refund cheques/e-Auto refund payment instructions will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK$1.25.

For details of the structure of the Global Offering, including conditions of the Global Offering, applicants should refer to the section "Structure of the Global Offering" in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We manufacture a range of medical devices, focusing on respiratory products, imaging contrast media power injector disposable products, and orthopaedic and rehabilitation products for our OEM customers in our OEM Business; and develop, manufacture and sell our own "Inspired Medical" ("英仕醫療") brand of respiratory equipment and disposable products and orthopaedic and rehabilitation products in our OBM Business. For 2015, we generated 87.3% of our turnover from our OEM Business, and 12.7% from our OBM Business. Sales of (i) respiratory products, (ii) imaging CMPI disposable products, (iii) orthopaedic and rehabilitation products, and (iv) other products represented 39.1%, 34.7%, 16.5% and 9.7% of our turnover for 2015, respectively. We believe the success of both of our business segments are underpinned by our quality assurance standards, in-depth industry experience and specialised and efficient production capability. We were the second largest exporter of respiratory and anaesthesia disposables in the PRC in 2015 based on export value, according to the CIC Report. We believe we have accumulated significant expertise in the production of respiratory devices designed to deliver and humidify gases to patient under ventilation or oxygen treatment, and we are well-positioned to further develop and commercialise the relevant respiratory systems and devices to enhance patients' respiratory care.

Established in 1997, we believe we have established ourselves as a trusted OEM manufacturer for major international healthcare and medical device companies, such as Bayer Medical Care, which is a 19.9%-shareholder of our subsidiary, VMHK, and we maintain a stable relationship for over 10 years with such companies. Our OEM customers engage us to manufacture medical devices in accordance with their specifications, which they market and sell under their own brand names. Our OEM products include (i) respiratory and anaesthesia disposable products such as single-use and reusable breathing circuits, chambers, filters, humidifiers and accessories; (ii) imaging CMPI syringes and accessory products for CT and MRI imaging, which we manufacture solely for "Bayer Group"; and (iii) orthopaedic and rehabilitation braces.

Our production base in Dongguan, the PRC, is well-equipped with specialised production facilities for medical devices, including custom-built Class 100,000 clean rooms (working environment containing less than 100,000 particles ($\geq$ 5 μm in size) per 1 cubic feet of air sample). We also operate two certified EtO Sterilisation systems, imported from the United States and France, for sterilisation of medical devices, and our in-house microbiological and product testing laboratories.

We manage our production with a focus on quality assurance, which is vital in the medical device industry. We were the first Hong Kong-headquartered medical device group to have obtained the ISO14971 certification for the application of risk management to medical devices in 2009. We have also obtained certifications under the ISO13485 standard for comprehensive quality management system for the design and manufacture of medical devices, and the ISO11135 standard for development, validation and control of sterilisation process for medical devices. While we maintain stringent quality control over our products, we strive to achieve an efficient cost structure through the redesigning of production processes, selection of raw materials and automation of processes.

We have a proven track record for obtaining registration for sales of our products overseas, including the "CE", "CMDCAS" and "JGMP" certifications for sales of products to the European, Canadian and Japanese markets, respectively, and registering medical devices with the FDA for sales in the United States. In the PRC, we have obtained the Medical Device Manufacturing Licence and

Medical Device Exportation Certificate; and Medical Device Business Permit for Class I, II and III medical devices. Our ability to obtain such certifications and registrations for our products illustrates the ability of our production facilities and our products to meet internationally recognised standards.

Since 2003, we have established our OBM Business with our proprietary "Inspired Medical" ("英仕醫療") brand. We currently offer 11 categories of products under our "Inspired Medical" ("英仕醫療") brand, comprising anaesthesia circuits, ventilation circuits, breathing filters, heat and moisture exchange filters, masks, nebuliser kits, heater humidifiers, chambers, ultrasonic nebulisers and respiratory device components, as well as orthopaedic and rehabilitation braces. We market and sell our OBM products through an established domestic and international distribution network. In 2015, we sold our OBM products to over 380 distributors and other customers covering approximately 360 hospitals in 28 Provinces and Regions in the PRC; including 60 major distributors with purchases over RMB100,000 in 2015, representing around 75% of our OBM sales in the PRC in 2015. While our sales of OBM products overseas only represented 34.1% of our OBM sales for 2015, we had business relationship with 42 overseas distributors and other customers for 2015 in countries such as Australia, Japan, Korea, Indonesia, India, Chile, Brazil and Saudi Arabia.

Having established our "Inspired Medical" ("英仕醫療") brand and our distributorship network for our OBM Business, we have placed increasing emphasis on the research and development of our OBM products in recent years, through our in-house research and development efforts and in collaboration with research institutions or business partners. We collaborated with Nano and Advanced Materials Institute Limited, a company set up by the government of Hong Kong, to conduct research in nanotechnology and advanced materials, and developed our OBM functional arm brace product, which is now in pilot production stage. We are currently collaborating with external research partners including (i) the Guangzhou Institute of Respiratory Disease (廣州呼吸疾病研究所), a research institute which includes a state key laboratory for respiratory disease in the PRC; (ii) Ventific, an Australian company which owns CPAP-related technology for treating sleep apnea and other respiratory disorders, with whom we are cooperating on the development and manufacturing of a home care CPAP equipment; and (iii) 12th Man Technologies, Inc., an American company, to jointly develop an infant bubble CPAP equipment and an electrical air/oxygen blender. We expanded our OBM Business to cover orthopaedic and rehabilitation products in 2014, and in 2015, we acquired a 53.125% interest in RRCL, the developer of the "Hand of Hope", an EMG-driven robotic hand training device for stroke patients, which has won the Grand Prix Award in the 2012 International Exhibition of Inventions of Geneva.

While we aim to continue to strengthen our OEM Business, we believe that our established platform for OBM Business, active approach in assimilating technological advances and our experience in commercialising new products provide us with a strong platform to expand our OBM Business.

OUR BUSINESS MODEL

Our OEM Business comprises the manufacturing of medical devices for our OEM customers based on their specifications and requirements; and our OBM Business comprises the research, development, manufacturing and sales of our own "Inspired Medical" ("英仕醫療") brand of medical devices, which we mostly sell to distributors which sell them mainly to hospitals.

The table below sets out a breakdown of our turnover by business segments.

	For the year ended 31 December					
	2013		2014		2015	
	HK$'000	%	HK$'000	%	HK$'000	%
Turnover						
OEM Business	283,388	87.3	341,271	87.7	391,062	87.3
OBM Business	41,104	12.7	47,706	12.3	57,107	12.7
Total	**324,492**	**100.0**	**388,977**	**100.0**	**448,169**	**100.0**

OEM Business

We manufacture medical devices, principally disposable products, for our OEM customers. We manufacture medical devices in accordance with the OEM customers' design and specifications, which they register, market and sell under their own brand names. The following table sets forth the breakdown of our turnover by our OEM customers' locations.

	For the year ended 31 December					
	2013		2014		2015	
	HK$'000	%	HK$'000	%	HK$'000	%
Turnover from OEM Business						
U.S.	230,859	81.5	285,426	83.6	328,128	83.9
Germany	16,425	5.8	17,399	5.1	21,563	5.5
Australia	12,636	4.4	14,326	4.2	11,265	2.9
Japan	11,816	4.2	11,642	3.4	12,910	3.3
Others *(Note)*	11,652	4.1	12,478	3.7	17,196	4.4
Total	**283,388**	**100.0**	**341,271**	**100.0**	**391,062**	**100.0**

Note: Others include Finland, Netherlands and France.

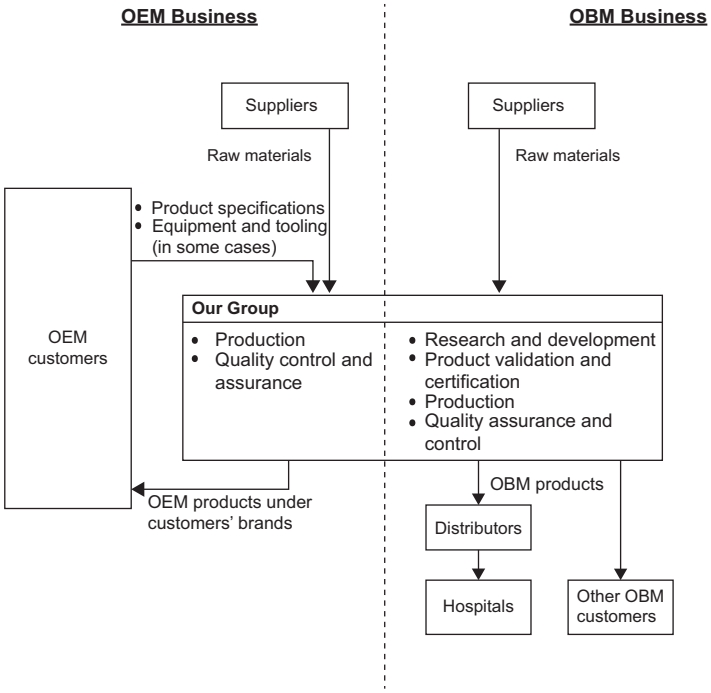
OBM Business

We develop, manufacture and sell our proprietary "Inspired Medical" ("英仕醫療") brand of respiratory devices, comprising respiratory equipment and disposable products, and orthopaedic and rehabilitation products. We sell most of our OBM products to distributors which sell them mainly to hospitals in the PRC and overseas. The table below shows the major countries to which our OBM products are sold.

	For the year ended 31 December					
	2013		2014		2015	
	HK$'000	%	HK$'000	%	HK$'000	%
Turnover from OBM Business						
PRC	27,719	67.4	34,137	71.6	37,635	65.9
U.S.	3,102	7.5	3,634	7.6	3,023	5.3
Korea	2,745	6.7	1,105	2.3	2,116	3.7
Others *(Note)*	7,538	18.4	8,830	18.5	14,333	25.1
Total	**41,104**	**100.0**	**47,706**	**100.0**	**57,107**	**100.0**

Note: Others include Japan, Indonesia, Chile, Brazil and Saudi Arabia.

The diagram below illustrates the business model of our OEM Business and OBM Business.



Please see pages 118 to 119 for further information.

OUR SUPPLIERS AND CUSTOMERS

We sell medical devices to over 70 OEM customers in 2015, which are all overseas customers, mainly located in the U.S. and Europe. We sell most of our OBM products to distributors in the PRC and overseas, who then sell our products mainly to hospitals. We also sell some of our OBM products directly to (i) medical equipment manufacturers, generally as accessories or parts of their equipment, (ii) medical device retailers, and (iii) medical centres, but our sales to these customers were not significant. We had over 270 approved suppliers for raw materials from Europe, the U.S. and the PRC as at 31 December 2015. Please see pages 138 to 144 and 155 to 157 for further information.

BUSINESS ACTIVITIES IN SANCTIONED COUNTRIES

We generate a small amount of our turnover from our sales to customers in Russia, Egypt and Iran (the "**Affected Countries**"), each of which is a country subject to certain International Sanctions. Turnover generated from sales to customers in the Affected Countries for 2013, 2014 and 2015 accounted for less than 0.2% of our turnover for the same periods. Other than the Affected Countries, we did not sell our products to customers in Sanctioned Countries. As advised by Herbert Smith Freehills, our legal adviser as to International Sanctions laws, such sales to customers in the Affected Countries give rise to a very low risk of penalties or other measures being imposed under the International Sanctions laws on us, our Shareholders, the Stock Exchange, HKSCC or HKSCC Nominees, the Listing Committee, or any other person involved in the Global Offering. In relation to our sales to customers in the Affected Countries, we are not aware of any violations of sanctions and have not been notified that any sanctions will be imposed on us and none of the contracting parties are Sanctioned Persons. Please see pages 166 to 168 for further information.

OUR STRENGTHS

We believe we possess the following competitive strengths:

- In-depth experience in production of medical devices with strong focus on stringent quality assurance and cost efficiency;
- Strong international OEM customer base of leading healthcare and medical device companies;
- Proven track record for medical device certification and registration in the PRC and overseas;
- Expertise in developing and producing respiratory devices and leading position in production of respiratory and anaesthesia disposable products in the PRC;
- Well-established "Inspired Medical" ("英仕醫療") brand with domestic and overseas distributorship network for expansion of OBM Business; and
- Experienced and dedicated management with proven track record.

Please see pages 108 to 112 for further information.

OUR STRATEGIES

We intend to pursue the following strategies:

1. Develop OEM Business by enhancing our OEM capability and services;
2. Expand OBM Business by enhancing our product offering and distributorship network;
   - 2.1. Enhance existing OBM products and develop new products that address patients' needs;
   - 2.2 Strengthen our product development capability;
   - 2.3. Expand and strengthen our distributorship and sales network;
   - 2.4. Increase sales and marketing for OBM Business; and
3. Expand and upgrade our production facility to achieve greater efficiency and increase capacity.

Please see pages 112 to 118 for further information.

USE OF PROCEEDS

Assuming an Offer Price of HK$1.125 (being the mid-point of the Offer Price range), we estimate that we will receive net proceeds of approximately HK$111.1 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering if the Over-allotment Option is not exercised. We intend to use the net proceeds from the Global Offering for the following purposes:

(i) approximately 50.0%, or HK$55.5 million, for the expansion and upgrading of our production facility from 2016 to 2018;

(ii) approximately 27.0%, or HK$30.0 million, for development of our new and pipeline products from 2016 to 2018;

(iii) approximately 18.0%, or HK$20.0 million, for sales and marketing from 2016 to 2018; and

(iv) approximately 5.0%, or HK$5.6 million, for our general corporate purposes and working capital.

Please see pages 236 to 237 for further information.

SUMMARY FINANCIAL INFORMATION AND OPERATING DATA

Key Income Statement Information

	For the year ended 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
Turnover	324,492	388,977	448,169
Cost of sales	(236,293)	(273,913)	(308,368)
Gross profit	88,199	115,064	139,801
Other income	1,809	2,435	1,641
Distribution costs	(11,480)	(14,787)	(14,395)
Administrative expenses	(42,973)	(48,596)	(57,829)
Finance costs — interest on bank loan	(80)	(40)	(5)
Share of loss of an associate	—	(118)	(41)
Profit before tax	35,475	53,958	69,172
Income tax (expense)/credit	(8,465)	(11,562)	2,484
Profit for the year	27,010	42,396	71,656
Attributable to:			
Owners of our Company	23,413	35,759	58,153
Non-controlling interests	3,597	6,637	13,503
	27,010	42,396	71,656

The following table sets forth our unaudited adjusted net profit after excluding the effect of the over-provision of Hong Kong profits tax and Listing-related expenses for 2015 *(Note 1)*.

	For FY2015
	HK$'000
Profit for the year	71,656
Minus: over-provision of Hong Kong profits tax (Note 2)	(11,876)
Add: Listing-related expenses (Note 3)	4,634
Adjusted profit for the year	64,414
Adjusted profit attributable to:	
Owners of our Company	52,594
Non-controlling interests	11,820
	64,414

Notes:

(1) Adjusted net profit is not a financial measure under the HKFRS and is presented to provide information for evaluation and comparison of our financial results during the Track Record Period.

(2) The over-provision of Hong Kong profits tax attributable to owners of our Company and non-controlling interests amounted to HK$10.2 million and HK$1.7 million, respectively.

(3) Listing-related expenses are solely attributable to owners of our Company.

Key Balance Sheet Information

	As at 31 December		
	2013	2014	2015
	HK$000	HK$000	HK$000
Non-current assets			
Property, plant and equipment	39,789	49,978	44,876
Goodwill	—	—	9,591
Other intangible assets	—	—	13,657
Investment in an associate	—	13,443	13,269
Current assets			
Inventories	39,926	66,518	65,422
Trade receivables	76,890	89,226	87,188
Prepayments, deposits and other receivables	15,342	15,358	16,662
Bank and cash balances	68,754	61,862	69,303
Non-current liabilities			
Borrowings	—	—	3,725
Deferred tax liabilities	—	—	2,253
Current liabilities			
Trade payables	24,382	32,202	24,751
Other payables and accruals	12,182	26,262	30,777
Due to related companies	16,245	19,202	—
Borrowings	1,800	600	992
Current tax liabilities	39,194	49,421	40,383
Net assets	**146,898**	**168,698**	**217,087**

Key Financial Ratios

	Year ended/as at 31 December		
	2013	2014	2015
Return on equity *(Note 1)*	19.5%	25.8%	34.3%
Return on total assets *(Note 2)*	9.7%	12.1%	18.2%
Current ratio *(Note 3)*	2.14	1.82	2.46
Net debt to equity ratio *(Note 4)*	N/A	N/A	N/A
Gearing ratio *(Note 5)*	0.01	0.00	0.03

Notes:

Please see page 232 for the notes above.

Key Operating Indicators

The tables below set forth the breakdown of our turnover by product category.

	For the year ended 31 December					
	2013		2014		2015	
	HK$'000	%	HK$'000	%	HK$'000	%
Turnover from OEM Business						
— Respiratory products	90,114	31.8	109,142	32.0	120,188	30.7
— Imaging disposable products	116,383	41.1	153,181	44.9	155,675	39.8
— Orthopaedic and rehabilitation products	55,667	19.6	60,796	17.8	72,070	18.4
— Others (*Note*)	21,224	7.5	18,152	5.3	43,129	11.1
Total	**283,388**	**100.0**	**341,271**	**100.0**	**391,062**	**100.0**

Note: Others include infusion regulators, moulds, surgical tools, instruments and plastic disposable products.

	For the year ended 31 December					
	2013		2014		2015	
	HK$'000	%	HK$'000	%	HK$'000	%
Turnover from OBM Business						
— Respiratory products	41,104	100.0	47,275	99.1	55,053	96.4
— Orthopaedic and rehabilitation products	—	0.0	431	0.9	2,054	3.6
Total	**41,104**	**100.0**	**47,706**	**100.0**	**57,107**	**100.0**

Gross profit and gross profit margin

We recorded a gross profit of HK$88.2 million, HK$115.1 million and HK$139.8 million and gross profit margin of 27.2%, 29.6% and 31.2% for 2013, 2014 and 2015, respectively. The table below sets forth our gross profit and gross profit margin by business segment.

	For the year ended 31 December					
	2013		2014		2015	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	HK$'000	%	HK$'000	%	HK$'000	%
OEM Business	72,505	25.6	94,001	27.5	114,567	29.3
OBM Business	15,694	38.2	21,063	44.2	25,234	44.2
Total	**88,199**	**27.2**	**115,064**	**29.6**	**139,801**	**31.2**

The tables below set forth our gross profit and gross profit margin by product category.

	For the year ended 31 December					
	2013		2014		2015	
OEM Business	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	HK$'000	%	HK$'000	%	HK$'000	%
Respiratory products	29,666	32.9	33,099	30.3	36,615	30.5
Imaging disposable products	28,605	24.6	42,566	27.8	44,191	28.4
Orthopaedic and rehabilitation products	9,345	16.8	11,722	19.3	18,191	25.2
Others (*Note*)	4,889	23.0	6,614	36.4	15,570	36.1
Total	**72,505**	**25.6**	**94,001**	**27.5**	**114,567**	**29.3**

Note: Others include infusion regulators, moulds, surgical tools, instruments and plastic disposable products.

	For the year ended 31 December					
	2013		2014		2015	
OBM Business	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	HK$'000	%	HK$'000	%	HK$'000	%
Respiratory products	15,694	38.2	20,993	44.4	24,660	44.8
Orthopaedic and rehabilitation products	—	N/A	70	16.2	574	27.9
Total	**15,694**	**38.2**	**21,063**	**44.2**	**25,234**	**44.2**

Production Capacity and Utilisation

The table below sets out the theoretical maximum production capacities, actual production volume and utilisation rate of our principal production lines.

Product	For 2013			For 2014			For 2015		
	Theoretical capacity *(Note 1)*	Actual production	Utilisation rate *(Note 2)*	Theoretical capacity *(Note 1)*	Actual production	Utilisation rate *(Note 2)*	Theoretical capacity *(Note 1)*	Actual production	Utilisation rate *(Note 2)*
	('000 units)	('000 units)	(%)	('000 units)	('000 units)	(%)	('000 units)	('000 units)	(%)
Respiratory products									
Breathing circuits *(Note 3)*	3,360	2,751	82%	4,480	2,719	61%	4,480	3,319	74%
Filters	12,720	8,413	66%	12,720	10,072	79%	12,720	9,926	78%
Total/overall	16,080	11,164	69%	17,200	12,792	74%	17,200	13,245	77%
Imaging disposable products									
LPCT *(Note 4)*	40,000	23,186	58%	40,000	28,388	71%	40,000	34,792	87%
Syringes *(Note 5)*	1,800	752	42%	1,800	1,007	56%	1,800	687	38%
Total/overall	41,800	23,938	57%	41,800	29,395	70%	41,800	35,479	85%

Notes: Please see page 146 for the notes in the table above.

There was a stable increase in our overall utilisation rate of the production lines for our respiratory products and imaging disposable products from 2013 to 2015. In respect of our breathing circuits, as a result of the addition of a production line in 2014 which led to an increase in the theoretical capacity, the utilisation rate of the production lines decreased from 82% for 2013 to 61% for 2014 while the actual production volume during the two years remained stable. As the actual production volume of breathing circuits increased from approximately 2.7 million units in 2014 to approximately 3.3 million units in 2015, the utilisation rate for the production lines increased to 74% for 2015. The utilisation rate of the production line for syringes increased from 42% for 2013 to 56% for 2014, and decreased to 38% for 2015, which corresponded to the changes in production volume, because our customer increased its order in 2014 for a new model of syringe that was launched in 2015. As regards our filters and LPCT products, there was in general an increasing trend in the utilisation rates of the production lines for each of them from 2013 to 2015 due to an increase in the actual production volume as a result of more orders from our customers.

Sales volume and selling prices

The table below sets out the sales volume and range of selling prices of our major products.

	For the year ended 31 December								
	2013			2014			2015		
	Sales volume	Average selling price	Range of selling prices	Sales volume	Average selling price	Range of selling prices	Sales volume	Average selling price	Range of selling prices
	('000 units)	(HK$)	(HK$)	('000 units)	(HK$)	(HK$)	('000 units)	(HK$)	(HK$)
Respiratory products									
Breathing circuits *(Note)*	2,722	26	3 to 438	2,697	28	3 to 438	3,324	28	3 to 620
Filters	8,411	3	1 to 33	10,068	4	1 to 33	9,921	4	1 to 33
Imaging disposable products									
LPCT	21,347	5	1 to 94	28,858	5	1 to 94	34,800	4	1 to 94
Syringes	752	12	3 to 22	905	12	3 to 22	687	14	3 to 22
Orthopaedic and rehabilitation products									
Braces	327	136	34 to 300	322	144	34 to 315	357	150	34 to 450

Note: Our breathing circuits include mostly disposable circuits, and also include some reusable circuits, the selling price of which is much higher relative to that of the disposable circuits.

RECENT DEVELOPMENTS

Based on our unaudited management accounts, we continued to record stable revenue and gross profit during the four months ended 30 April 2016. Our Directors confirm that save for (i) the increase in bank borrowings as a result of a new tax loan amounting to HK$8.0 million as at 30 April 2016; (ii) the completion of Pre-IPO Investment in February 2016; and (iii) the dividend of HK$21.0 million declared in March 2016 and paid in April 2016, there has been no material change in our financial condition since 31 December 2015 to the date of this prospectus. As far as our Directors are aware, there was no material change in the general economic or market conditions in Hong Kong, U.S. and the PRC which would have a material and adverse impact on our business operation or financial condition since 31 December 2015. We expect that the Listing-related expenses as disclosed in the paragraph "Listing Expenses" below will materially affect our results for 2016. We also expect to incur share-based compensation expenses arising from the Pre-IPO Share Option Scheme in 2016. To summarise, we expect that our financial results for 2016 will be materially and adversely affected by the Listing-related expenses, the Pre-IPO Share Option Scheme related expenses, and the additional costs arising from the recent incident on the sterilisation process as disclosed below. Furthermore, we recorded income tax credit of HK$2.5 million for 2015 as a result of the over-provision for Hong Kong profits tax in prior years of HK$11.9 million which more than off-set the current tax provision of HK$9.4 million. As the aforesaid tax over-provision is one-off, we expect to record income tax expenses in 2016 as compared to an income tax credit for 2015.

Recent incident on the sterilisation process for certain products

Some of the medical devices we produce are required to undergo sterilisation process before they are delivered to our customers. These procedures are usually validated by our customers. Sterilisation procedures may from time to time be fined-tuned and upgraded, but any modification may be required to be pre-approved by customers. Recently, we are in the process of revalidating the customised sterilisation procedure for two product lines of one key customer. In February 2016, we, with this customer's prior approval, modified the sterilisation procedures by applying a higher temperature in the pre-conditioning process, which aimed to enhance the efficiency of the sterilisation process. Shortly after the process was modified, we found that certain product samples were unable to pass all of the sterilisation control tests in March 2016. We have (i) immediately notified the customer; (ii) re-adopted the original sterilisation procedures for its products; and (iii) engaged an independent third-party sterilisation consultant based in the U.S. and required the supplier of the relevant sterilisation equipment to investigate and trouble-shoot, and it was determined that the sterilisation equipment was operating properly and well-maintained. While we have reverted to the original sterilisation process, the customer requested a revalidation of this process using its process challenge devices ("**PCD**", which are probes commonly used for detecting effectiveness of sterilisation process).

The revalidation of the sterilisation process for the relevant lines of products has been on-going since March 2016, and it was originally expected to be completed within a short period. However, it transpired that the revalidation will require a longer time, due to the varied results on the PCDs which may have been caused by a change in packaging material of the PCDs, according to our sterilisation consultant. We have engaged the sterilisation consultant to assist in this revalidation process, and we expect that the revalidation will be completed in July 2016. After we identified the above sterilisation issue and while we are still in the process of revalidation, as an interim measure (which has been agreed by the customer), we shipped the relevant products by air to a sterilisation service provider in the U.S. to carry out the sterilisation for us before delivery to the customer. We have also adjusted the sterilisation process to add an appropriate level of conservatism as preventive measure recommended by the sterilisation consultant. Additional costs for shipping and sterilisation have been incurred as a result of the incident, and in light of the circumstances of change in packaging material of the PCDs leading to the delay in revalidation process, we are discussing with the customer on the apportionment of the additional costs, but no conclusion has been reached yet. We currently estimate

that, assuming that such additional costs will be borne solely by us and the revalidation process will be completed in July 2016, the additional costs to be incurred by us will be approximately HK$4.6 million, comprising additional freight and transportation costs of HK$3.3 million and sterilisation costs of HK$1.3 million. To minimise the risk of any future down time of our sterilisation equipment, we are also in a process of qualifying another back-up sterilisation service provider in Shanghai. The qualification process is expected to be completed by August 2016.

Our Directors confirm that there has not been any instances of material product return in connection with the above-mentioned incident, and consider that this incident would not cause any material adverse impact on our long-time relationship and future business prospect with the relevant customer. Our Directors further confirm that this incident does not affect any of our other customers.

LISTING EXPENSES

The total Listing-related expenses (based on the mid-point of the Offer Price range stated in this prospectus) are estimated to be approximately HK$32.5 million. In 2015, we recognised Listing-related expenses of approximately HK$4.6 million in connection with the Global Offering. By the completion of the Global Offering, we expect to further incur Listing-related expenses of approximately HK$27.9 million, of which we expect to recognise approximately HK$13.6 million as expenses, which we expect will have a material adverse impact on our financial results for the year ending 31 December 2016, and charge the remaining estimated Listing-related expenses to equity.

SHAREHOLDERS INFORMATION

Immediately following completion of the Global Offering and the Capitalisation Issue, (i) VRI, which is wholly-owned by Mr. Choi and Ms. Liu, will be interested in 59.87% of the Shares in issue and accordingly, each of VRI, Mr. Choi and Ms. Liu will be our Controlling Shareholder; and (ii) IGF, CPE and UG, our pre-IPO investors, will be interested in 9.60%, 3.20% and 3.20%, respectively, of the Shares in issue. As at the Latest Practicable Date, none of our Controlling Shareholders was interested in any business which competes or is likely to compete with our business. Our Directors consider that we are capable of carrying on our business independent of our Controlling Shareholders and their close associates. Please see pages 102 to 105, 171 to 175 and 200 to 201 and for details.

PRE-IPO SHARE OPTION SCHEME

We have conditionally adopted the Pre-IPO Share Option Scheme. The principal terms and the dilution impact from full exercise of all outstanding options under the Pre-IPO Share Option Scheme are set out on pages IV-22 to IV-34 of this prospectus. Assuming all the options granted under the Pre-IPO Share Option Scheme in respect of 19,684,000 Shares were exercisable in full on 1 January 2015, the dilutive effect on earnings per Share attributable to Shareholders on a pro forma basis would be approximately 0.61% for 2015.

STATISTICS OF THE GLOBAL OFFERING

	Audited combined net tangible assets attributable to owners of our Company as at 31 December 2015	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share
	(Note 1) HK$'000	*(Note 2)* HK$'000	HK$'000	*(Note 3)* HK$
Based on a minimum Offer Price of HK$1.00	146,110	100,316	246,426	0.39
Based on a maximum Offer Price of HK$1.25	146,110	131,099	277,209	0.43

Notes: Please see page II-1 for the notes in the above table.

DIVIDEND

We declared dividends of HK$19.5 million, HK$20.0 million and HK$24.6 million, respectively, for 2013, 2014 and 2015. On 8 March 2016, we declared dividend for 2015 of HK$21.0 million, which was fully paid in April 2016. We have not declared any dividends since 8 March 2016 to the Latest Practicable Date. We currently plan to pay a total dividend in respect of each financial year of not less than 30% of our consolidated profit attributable to our Shareholders for 2017 and the years thereafter, subject to the following factors and considerations. The declaration, payment, any future dividends (including the amount) will depend on our financial condition, results of operation, level of cash, statutory and regulatory restrictions in relation thereto, future prospects, and other factors that our Directors may consider relevant. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in our policy set out above or at all. Our 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 us in the future. Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent that profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operation. Please see page 234 for further information.

RISK FACTORS

There are risks relating to an investment in the Offer Shares. We believe that the following are some of the major risks. You should read the entire "Risk Factors" section starting on page 27 carefully.

- Our OEM Business is significantly dependent on our customers' business performance and our relationship with them, and we may not be able to attract new customers.

- Our customer concentration exposes us to risks and factors affecting the performance of our major customers and may subject us to decline in our turnover. The termination of our relationship with our major customers, in particular "Bayer Group", will have a material and adverse impact on our business and results of operation.

- We sell most of our OBM products to our distributors. Failure to maintain relationships with our distributors would materially and adversely affect our OBM Business.

- We have limited control over the operations of distributors. Actions taken by our distributors may materially and adversely affect our business, prospects and reputation.

- We are subject to product liability exposure and have limited insurance coverage. Any product liability claims or safety-related regulatory actions could require us to pay substantial damages, harm our reputation and materially and adversely affect our business, financial condition and results of operations.

- If our production facility, production process or products fail to meet the required quality standards, it could harm our business and profitability. In September 2013, we received a warning letter from the FDA stating that certain of our devices were adulterated, in that the methods used in, or the facilities or controls used for, our manufacture, packing, storage, or installation are not in conformity with the current good manufacturing practice requirements under the U.S. Code of Federal Regulations. Product defects resulting in a large-scale product return or recall could materially and adversely affect our business, results of operations and reputation.

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Application Form(s)"	the **WHITE** Application Form(s), **YELLOW** Application Form(s), **GREEN** Application Form(s) and **PINK** Application Form(s) or, where the context so requires, any of them
"Application Lists"	the application lists for the Hong Kong Public Offering
"Articles" or "Articles of Association"	the amended and restated articles of association of the Company conditionally adopted on 24 June 2016 and effective on the Listing Date, as amended or supplemented from time to time
"AUD"	Australian dollars, the lawful currency of Australia
"authorised distributor"	a distributor which we have provided with an authorisation letter or entered into a distributorship agreement
"Bayer Group"	Bayer Medical Care, Bayer Healthcare LLC and Imaxeon Pty Ltd.
"Bayer Medical Care" or "Medrad"	Bayer Medical Care, Inc., formerly known as Medrad Inc. before 31 December 2013, an indirect wholly-owned subsidiary of 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
"Board" or "Board of Directors"	the board of directors of our Company
"BOSCI"	BOSC International Company Limited
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalisation Issue"	the issue of 510,387,501 Shares to be made upon capitalisation of an amount of HK$5,103,875.01 standing to the credit of the share premium account of our Company referred to under "Statutory and General Information — Further Information about Our Group — 3. Written resolutions passed by our Shareholders on 24 June 2016" in Appendix IV to this prospectus
"Cayman Companies Law" or "Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands

"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CFDA"	the China Food and Drug Administration (中華人民共和國國家食品藥品監督管理總局)
"CIC"	China Insights Consultancy Limited
"CIC Report"	the commissioned report prepared by CIC
"CMDCAS"	Canadian Medical Devices Conformity Assessment System
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company" or "our 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 on 19 November 2015
"connected person"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and in the context of our Company, means Mr. Choi, Ms. Liu and VRI
"CPE"	CAPITAL PLUS ENTERPRISES LIMITED, a company incorporated in the BVI, a private equity investor and an Independent Third Party
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Deed of Indemnity"	the deed of indemnity dated 24 June 2016 executed by our Controlling Shareholders in favour of our Company, particulars of which are set out in the section "Statutory and General Information — Other Information — 19. Tax and other indemnities" in Appendix IV to this prospectus
"Deed of Non-competition"	the deed of non-competition dated 24 June 2016 executed by our Controlling Shareholders in favour of our Company,

	particulars of which are set out in the section "Relationship with Controlling Shareholders — Non-competition Undertaking" in this prospectus
"Directors" or "our Directors"	the directors of our Company
"distributor"	an entity that purchases products from manufacturers or suppliers and sells the products to its customers
"EIT"	Enterprise Income Tax (企業所得税)
"EIT Law"	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法), as amended or supplemented from time to time
"Eligible Applicants"	applicants who have made valid applications for the Hong Kong Public Offer Shares
"Eligible Employees"	all full-time employees (as defined under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong)) of our Group who have joined our Group on or before the Latest Practicable Date and have a Hong Kong address
"Employee Preferential Offering"	the offer of up to 1,276,000 Hong Kong Offer Shares to Eligible Employees as described in the section "Structure of the Global Offering — Employee Preferential Offering" in this prospectus
"Employee Reserved Shares"	the 1,276,000 Hong Kong Offer Shares (representing 1% of the Offer Shares initially available under the Global Offering) available in the Employee Preferential Offering and which are to be allocated out of the Hong Kong Offer Shares
"E.U."	the European Union
"Euro", "€" or "EUR"	the lawful currency of member states of the E.U. that adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992)
"FDA"	Food and Drug Administration of the U.S.
"FY2013" or "2013"	financial year ended 31 December 2013
"FY2014" or "2014"	financial year ended 31 December 2014
"FY2015" or "2015"	financial year ended 31 December 2015
"GDP"	gross domestic product
"GE Healthcare"	a group of companies comprising GE Healthcare (a division of the General Electric Company), GE Medical Systems IT GmbH, GE Healthcare Finland Oy, GE Healthcare Australia P/L, GE Healthcare/Ohmeda Medical (MD), GE Medical Systems Israel LTD, Datex Ohmeda. Inc, Wipro GE Healthcare Pvt Ltd. and GE Medical Systems Information Technologies Inc., which are our OEM customers

"GFDA"	Guangdong Food and Drug Administration (廣東省食品藥品監督管理局)
"Global Offering"	the Hong Kong Public Offering and the International Placing
"GREEN Application Form(s)"	the application form(s) to be completed by the HK eIPO White Form Service Provider
"Group", "our Group", "we" or "us"	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Herbert Smith Freehills"	Herbert Smith Freehills, a Hong Kong partnership, Herbert Smith Freehills LLP and Herbert Smith Freehills, an Australian partnership
"HK$", "HKD" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"**HK eIPO White Form(s)**"	the application form(s) for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **HK eIPO White Form** at www.hkeipo.hk
"HK eIPO White Form Service Provider"	the **HK eIPO White Form** service provider designated by our Company as specified on the designated website at www.hkeipo.hk
"HKFRS"	Hong Kong Financial Reporting Standards
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	12,760,000 new Shares being initially offered by us for subscription pursuant to the Hong Kong Public Offering (including the 1,276,000 Employee Reserved Shares) subject to adjustment as described in the section "Structure of the Global Offering" in this prospectus
"Hong Kong Public Offering"	the offer by us of the Hong Kong Offer Shares to the public in Hong Kong for subscription at the Offer Price, on and subject to the terms and conditions set out in this prospectus and the Application Forms, as further described in "Structure of the Global Offering"
"Hong Kong Share Registrar"	Tricor Investor Services Limited

"Hong Kong Underwriters"	the underwriters listed in "Underwriting — Hong Kong Underwriters", being the underwriters of the Hong Kong Public Offering
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 29 June 2016 relating to the Hong Kong Public Offering entered into by our Company, the executive Directors, the Controlling Shareholders, the Sole Sponsor and the Hong Kong Underwriters, as further described in "Underwriting"
"IGF"	INFINITY GLOBAL FUND SPC, a company incorporated in the Cayman Islands, for and on behalf of Infinity Medical One SP, a private equity investor and an Independent Third Party
"Independent Third Party"	a person who, as far as our Directors are aware after having made all reasonable enquiries, is not a connected person of our Company
"International Placing"	the conditional placing of the International Placing Shares by the International Underwriters for and on behalf of our Company to professional, institutional and other investors in Hong Kong and elsewhere in the world outside the United States at the Offer Price, on and subject to the terms and conditions under the International Underwriting Agreement, as further described in "Structure of the Global Offering"
"International Placing Shares"	114,840,000 new Shares being initially offered by us for subscription pursuant to the International Placing together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
"International Sanctions"	all applicable sanctions related laws and regulations including those administered and enforced by the U.S., the E.U., the U.N. and Australia
"International Underwriters"	the underwriters for the International Placing who are expected to enter into the International Underwriting Agreement
"International Underwriting Agreement"	the underwriting agreement relating to the International Placing to be entered into by, among others, our Company, the Sole Sponsor and the International Underwriters on or about the Price Determination Date, as further described in "Underwriting"
"IRD"	the Inland Revenue Department of Hong Kong
"Joint Bookrunners"	BOSCI, Crosby Securities Limited and Shenwan Hongyuan Capital (H.K.) Limited
"Joint Lead Managers"	BOSCI, Crosby Securities Limited, Shenwan Hongyuan Capital (H.K.) Limited, CIMB Securities Limited and Halcyon Securities Limited
"Latest Practicable Date"	20 June 2016, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication

"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date expected to be on or around 13 July 2016, on which the Shares are first listed and from which dealings in the Shares are permitted to take place on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Main Board"	the stock exchange (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Choi"	Mr. Choi Man Shing (蔡文成), our Chairman, executive Director, a Controlling Shareholder and the spouse of Ms. Liu
"Mr. To"	Mr. To Ki Cheung (陶基祥), our executive Director, chief executive officer and general manager of our Company
"Ms. Liu"	Ms. Liu Pui Ching (廖佩青), our non-executive Director, a Controlling Shareholder and the spouse of Mr. Choi
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"OFAC"	the U.S. Department of Treasury's Office of Foreign Assets Control
"Offer Price"	the final price for each Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) of not more than HK$1.25 per Offer Share and is expected to be not less than HK$1.00 per Offer Share at which the Offer Shares are to be offered for subscription pursuant to the Global Offering
"Offer Shares"	the Hong Kong Offer Shares (including the Employee Reserved Shares) and the International Placing Shares together, where relevant, with any additional Shares allotted and issued pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by us to the International Underwriters under the International Underwriting Agreement, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters), pursuant to which we may be required to allot and issue up to 19,140,000 additional Shares (representing 15% of the number of Offer Shares

	initially being offered under the Global Offering) at the Offer Price, to, among other things, cover over-allocations in the International Placing, if any, as further described in "Structure of the Global Offering"
"overseas"	countries or regions outside of the PRC
"PINK Application Form(s)"	the application form(s) for use by Eligible Employees to subscribe for Employee Reserved Shares pursuant to the Employee Preferential Offering
"PRC" or "China"	the People's Republic of China, excluding for the purposes of this prospectus only, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"PRC Legal Advisers"	Zhong Lun Law Firm, the legal advisers to our Company as to PRC law
"Pre-IPO Share Option Scheme"	the share option scheme approved and conditionally adopted by our Company on 17 June 2016, the principal terms of which are set out under the paragraph "Other information — 16. Pre-IPO Share Option Scheme" in Appendix IV to this prospectus
"Price Determination Date"	the date expected to be on or around 8 July 2016, but no later than 11 July 2016, on which the Offer Price is fixed for the purpose of the Global Offering
"Principal Share Registrar"	Codan Trust Company (Cayman) Limited
"Province(s) and Region(s)"	province(s) or provincial level autonomous region(s) or provincial-level city(ies) under the direct supervision of the central government of the PRC
"RDHK"	VINCENT MEDICAL R&D LIMITED (永勝醫療研發中心有限公司), a limited liability company incorporated in Hong Kong on 5 September 2011 and an indirect non-wholly owned subsidiary of our Company
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganisation"	the reorganisation of our Group in preparation for the Listing, details of which are set out in "History, Reorganisation and Corporate Structure — Reorganisation"
"RMB"	Renminbi, the lawful currency of the PRC
"RRCL"	REHAB-ROBOTICS COMPANY LIMITED (復康機器人技術有限公司), formerly known as Multi Century Corporation Limited (萬世紀有限公司), a limited liability company incorporated in Hong Kong on 5 October 2010 and an indirect non-wholly owned subsidiary of our Company
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)

"SAIC"	the State Administration for Industry & Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"Sanctioned Countries"	countries which are the targets of economic sanctions as administered by the U.S., the E.U., the U.N., Australia or other sanction authorities
"Sanctioned Person(s)"	certain person(s) and entity(ies) listed on OFAC's Specially Designated Nationals and Blocked Persons List or other restricted parties' lists, including those maintained by the U.S., the E.U., the U.N. or Australia
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"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) with a par value of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Shares
"Share Option Scheme"	the share option scheme approved and conditionally adopted by our Company on 24 June 2016, the principal terms of which are set out under the paragraph "Other information — 17. Share Option Scheme" in Appendix IV to this prospectus
"Share Option Schemes"	the Pre-IPO Share Option Scheme and the Share Option Scheme
"Sidner"	Sidner and Associates, Inc., a sales and marketing company in the U.S., which is our customer and sales agent
"Sole Global Coordinator"	BOSCI
"Sole Sponsor"	BOSCI
"sq.ft."	square feet
"sq.m." or "m^2"	square metre(s)
"Stabilising Manager"	BOSCI
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between VRI and the Sole Global Coordinator, pursuant to which the Sole Global Coordinator may borrow up to 19,140,000 Shares to cover any over-allocation in the International Placing
"substantial shareholder"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended or supplemented from time to time
"Track Record Period"	FY2013, FY2014 and FY2015; and the phrase "during the Track Record Period", when followed by a series of figures or percentages, refers to information relating to FY2013, FY2014 and FY2015, respectively

"UG"	UG China Venture II Limited, a company incorporated in the BVI, an investment holding company, a private equity investor and an Independent Third Party
"U.N."	the United Nations
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"UNSC"	the United Nations Security Council
"U.S." or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"U.S. Securities Act"	the United States Securities Act 1933, as amended or supplemented from time to time
"USD" or "US$"	United States dollars, lawful currency of the U.S.
"VAT"	value-added tax
"Ventific"	VENTIFIC HOLDINGS PTY LTD, a limited liability company registered in Victoria, Australia on 14 October 2010
"VHPL"	VINCENT HEALTHCARE PRODUCTS LIMITED (永勝保健器材有限公司), formerly known as Luckview Industries Limited (景祥實業有限公司), a limited liability company incorporated in Hong Kong on 4 February 1986 and an indirect wholly-owned subsidiary of our Company
"VMC"	VINCENT MEDICAL CARE COMPANY LIMITED (永勝醫療有限公司), a limited liability company incorporated in Hong Kong on 12 November 2013 and an indirect non-wholly owned subsidiary of our Company
"VMCH"	Vincent Medical Care Holdings Limited (永勝醫療保健控股有限公司), a limited liability company incorporated in the BVI on 26 November 2015 and a direct wholly-owned subsidiary of our Company
"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 on 18 January 2004 and an indirect non-wholly owned subsidiary of our 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 on 23 May 1997 and an indirect non-wholly owned subsidiary of our Company

"VMMH"	Vincent Medical Manufacturing Holdings Limited (永勝醫療製品控股有限公司), a limited liability company incorporated in the BVI on 26 November 2015 and a direct wholly-owned subsidiary of our Company
"VMRD-GZ"	Vincent Medical (GuangZhou) R&D Limited (永勝 (廣州) 醫療器械開發有限公司), a limited liability company established in the PRC on 5 December 2011 and an indirect non-wholly owned subsidiary of our Company
"VMSZ"	Shenzhen Vincent Raya Medical Device Company Limited* (深圳永勝宏基醫療器械有限公司), a limited liability company established in the PRC on 18 January 2016 and an indirect wholly-owned subsidiary of our Company
"VMT"	VINCENT MEDICAL TECHNOLOGY COMPANY LIMITED (永勝醫療科技有限公司), a limited liability company incorporated in Hong Kong on 15 April 2011 and an indirect non-wholly owned subsidiary of our Company
"VRDC"	VINCENT REHAB DEVICES COMPANY LIMITED (永勝康復器械有限公司), a limited liability company incorporated in Hong Kong on 19 February 2016 and an indirect wholly-owned subsidiary of our Company
"VRDG"	VINCENT RAYA (DONGGUAN) ELECTRONICS CO., LTD. (永勝 (東莞) 電子有限公司), a limited liability company established in the PRC on 18 November 1992 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 on 21 July 1992 and wholly-owned by VRI
"VRHK"	VINCENT RAYA CO., LIMITED (永勝宏基集團有限公司), a limited liability company incorporated in Hong Kong on 18 January 1985 and wholly-owned by VRI
"VRI"	VINCENT RAYA INTERNATIONAL LIMITED, formerly known as Fung Hing International Limited, a limited liability company incorporated in the BVI on 3 July 1992 and held as to 57.89% by Mr. Choi and 42.11% by Ms. Liu, and one of our Controlling Shareholders
"VRMD"	Vincent Raya (Dong Guan) Medical Device Co., Ltd (東莞永勝宏基醫療器械有限公司), a limited liability company established in the PRC on 9 March 2010 and an indirect wholly-owned subsidiary of our Company
"WHITE Application Form(s)"	the form(s) of application for the Hong Kong Public Offer Shares for use by the public who require such Hong Kong Public Offer Shares to be issued in the applicant's own name

"YELLOW Application Form(s)"	the form(s) of application for the Hong Kong Public Offer Shares for use by the public who require such Hong Kong Public Offer Shares to be deposited directly into CCASS
"%"	per cent

In this prospectus, unless expressly stated or the context requires otherwise:

- all data in this prospectus is as at the date of this prospectus;
- amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. Where the figures are presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, and amounts presented as percentages have been rounded to the nearest tenth of a percent. Figures or percentages preceded by "approximately" or "around" represent figures or percentages that are subject to greater degree of approximation or rounding. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items;
- English names marked with "*" are unofficial English translation of entities for which no official English translation exists. These English names are for identification purposes only;
- percentage shareholding of our Company upon or after the completion of Global Offering and the Capitalisation Issue represents percentage shareholding calculated on the basis without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Schemes; and
- if there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.

This section contains terms used in this prospectus. As such, these terms and their meanings may not correspond to standard industry meanings or usages of these terms.

This glossary contains certain explanations and other terms used in this prospectus in connection with our Group and/or its business. The terminology and their meanings may not correspond to standard industry meanings or usage of those terms.

"breathing circuit"	a medical device which provides the pathway by which oxygen is conveyed to and carbon dioxide is removed from a patient, including "anaesthesia breathing circuit" when used to convey volatile anaesthetic agent to the patient
"CE certification"	Conformité Européene, a mandatory certification of the E.U. certifying that a product has met the requirements set forth in the New Approach to Technical Harmonisation and Standards. Manufacturers in the E.U. and abroad must meet CE marking requirements and obtain the CE certification where applicable in order to market their products in Europe
"Class 100,000 clean room(s)"	cleanroom(s) where, pursuant to the Federal Standard 209E, less than 100,000 particles (≥ 5 μm in size) are present per 1 cubic feet of air sample
"CMPI"	contrast media power injector, an equipment for injecting contrast media into the bloodstream of patients to enable visualisation of pathologies through medical imaging
"COPD"	chronic obstructive pulmonary diseases
"CPAP"	continuous positive airway pressure
"CT"	computerised tomography
"EMG"	electromyography, a diagnostic procedure to assess the health of muscles, and the motor neurons and nerve cells that control them
"EtO Sterilisation"	ethylene oxide sterilisation, a sterilisation process mainly used to sterilise medical and pharmaceutical products
"FOB"	free on board
"GFA"	gross floor area
"Good Manufacturing Practices" or "GMP"	guidelines and regulations issued from time to time by CFDA to provide quality assurance and ensure that the manufacturing of medical devices is in compliance with the guidelines and regulations
"ICU"	intensive care unit in a hospital
"ISO"	International Organisation for Standardization, a world-wide federation of national standards bodies
"JGMP"	Japan good manufacturing practices
"LLDPE"	linear low-density polyethylene
"MRI"	magnetic resonance imaging

"OBM"	acronym for "original brand manufacturing", whereby products are manufactured for sale under its own brand
"OBM Business"	our business segment comprising principally research, development, manufacturing, marketing and sales of medical devices under our proprietary brands
"OEM"	acronym for "original equipment manufacturing", whereby products are manufactured in accordance with a customer's specifications for sale under the customer's or third-party's brand
"OEM Business"	our OEM business segment comprising principally development and manufacturing of medical devices for our OEM customers
"orthopaedics"	skeletal system, or something relating thereto
"OSA"	obstructive sleep apnea
"PP"	polypropene
"PVC"	polyvinyl chloride
"respiratory products" or "respiratory devices"	our respiratory equipment and disposable products, including products for respiratory or anaesthesia purposes
"Tier III hospitals"	largest and best regional hospitals in the PRC designated as Tier III hospitals by the Ministry of Health hospital classification system that have more than 501 beds; provide multiple regions with high-quality professional medical services; undertake higher education and scientific research initiatives; and are followed by lower ranked Tier II and Tier I hospitals

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections "Summary", "Risk Factors", "Industry Overview", "Business", "Financial Information" and "Future Plans and Use of Proceeds" in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section "Risk Factors" in this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and operating plans;
- our capital expenditure and expansion plans;
- our ability to identify and successfully take advantage of new business development opportunities;
- our dividend policy;
- our prospective financial information; and
- the regulatory environment and industry outlook for the medical device industry.

The words "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "seek", "will", "would" and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations relating to any aspect of our business or operations;
- general economic, market and business conditions in the PRC and overseas;
- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the section "Risk Factors" in this prospectus.

In addition to other information in this prospectus, you should carefully consider the following risk factors before making any investment decision in relation to the Offer Shares. Any of the following risks, as well as other risks and uncertainties that are not yet identified or that we currently think are immaterial, may materially and adversely affect our business, financial condition or results of operations, or otherwise cause a decrease in the trading price of the Offer Shares and cause you to lose part or all of the value of your investment in the Offer Shares.

RISKS RELATING TO OUR BUSINESS

Risks Relating to our OEM Business

Our OEM Business is significantly dependent on our customers' business performance and our relationship with them, and we may not be able to attract or be successful in attracting new customers.

Our OEM Business generated 87.3%, 87.7% and 87.3% of our turnover for 2013, 2014 and 2015, respectively, where we manufacture and sell our products to medical device companies. Accordingly, our sales would be significantly affected by the business performance of these customers, as well as other factors affecting their purchases from us, many of which are beyond our control. Adverse changes in the economic conditions in the markets in which our customers operate, in particular, the U.S. and the E.U., unfavourable changes in the exchange rate of foreign currencies, weak demand for our customers' products and unsuccessful sales and marketing efforts by our customers, among other factors, may negatively affect their purchasing practices and result in a reduction of their purchase orders for our products. If our customers are unable to sell the products we manufacture to the market successfully, our business and results of operations could be materially and adversely affected.

In addition to growing or maintaining our business with existing customers, the success of our business also depends on our ability to attract and acquire new customers. The market for our products evolves and we cannot assure you that we will be able to acquire new customers for our existing or new OEM products. In particular, medical companies may be unwilling to purchase from us if they consider or suspect that our own branded products are competing, or are perceived to be potentially competing, with their products. In addition, under the OEM manufacturing agreements that we entered into with some of our OEM customers, generally, we may not design or manufacture similar products for other customers. Please see the section "Business – Sales and Distribution" for more information. Such non-competition provisions may limit our ability to find new customers or develop new products or similar products for other customers.

Our customer concentration exposes us to risks and factors affecting the performance of our major customers and may subject us to fluctuations or decline in our turnover. The termination of our relationship with our major customers, in particular "Bayer Group", our largest customer, will have a material and adverse impact on our business and results of operation.

We generated 71.5%, 71.6% and 72.3% of our turnover from our top five customers, and 37.8%, 39.5% and 36.0% of our turnover from "Bayer Group", our largest customer, for 2013, 2014 and 2015, respectively. For 2013, 2014 and 2015, sales to "Bayer Group" were HK$122.7 million, HK$153.8 million and HK$161.3 million, respectively, as all of our imaging disposable products are OEM products that we sold to "Bayer Group", during the Track Record Period. It has also been one of our top five suppliers during the Track Record Period, as we purchased raw materials for the manufacturing of the OEM products we sell to it. We cannot assure you that we will be able to maintain or strengthen our relationships with these major customers, and we may not be able to sell our products to these customers at the current levels or at all. Our concentration on our major customers may also result in difficulty for us to negotiate with such customers for satisfactory prices for our products and commercial terms.

Our customers may reduce their purchases from us, decide to purchase from our competitors, expand and engage in businesses that compete with ours, or fail to make timely payment to us. Events that are beyond our control may cause decline in our customers' business and hence their purchases from us. Such events include the weakening of demand or purchasing power of the ultimate users of our products, change in local laws and regulations, or customers' decision to change the focus of their businesses.

These risks result in a lack of predictability about our sales, and any reduction in the order and purchase from our major customers will have material adverse effect on our business and results of operations.

We may not be able to price our products at our desired margins as a result of any decrease in our bargaining power or changes in market conditions.

We set prices for our OEM products primarily based on the estimated costs incurred in the production of a product plus a profit margin that varies depending on the type of products. We periodically review our costs of production and negotiate with the customer on prices for the products. Our ability to set favourable prices at our desired margins and to accurately estimate costs, among other factors, has a material impact on our profitability, particularly for our OEM Business. For 2013, 2014 and 2015, our gross profit margin for our OEM Business was 25.6%, 27.5% and 29.3%, respectively.

We cannot assure you that we will be able to maintain our pricing or bargaining power or that our gross profit margin will not be driven down by market conditions or other factors. In the event that we see higher pricing pressure due to intensified competition from other manufacturers, continued decrease in prices to our customers in the end market or any other reasons, or if we otherwise lose bargaining power due to weaker demand for our products, we may need to lower the prices and margins of our products. Moreover, we may not be able to accurately estimate our costs or pass on all or part of any increase in our costs of production, in particular the costs of raw materials to our customers. As a result, our results of operations could be materially and adversely affected.

Our turnover and profitability could be materially and adversely affected if there is a disruption to our arrangements with our existing or potential OEM customers.

We have invested significant time and resources in cultivating and developing our relationships with our existing and potential OEM customers. In particular, we are typically required to undergo lengthy product approval processes with these customers. Delays in the product approval process by our OEM customers could materially and adversely affect our business, financial condition and results of operations. We may be unable to maintain or develop satisfactory arrangements with existing or potential OEM customers. In particular, any failure in meeting the product specifications from OEM customers could have a material adverse effect on our turnover and profitability.

Our OEM customers may amend their demand forecasts, change production quantities or delay production, which may in turn affect our results of operations.

Our major OEM customers generally provide us with rolling forecasts of purchase orders with estimated quantities, pricing and timing for the upcoming 12 months. These forecasts are, however, non-binding and may not reflect the actual quantities, pricing or timing that the final purchase orders will include. We may face the risks that our OEM customers will substantially amend their forecasts, require shortened delivery times or renegotiate prices, as a result of which their purchase orders may significantly differ from our expectations based on their forecasts. These changes may occur at any time without prior notice and we cannot assure you that we will be able to respond to these changes efficiently in order to accept or fulfil the purchase orders in a timely fashion. While we generally procure raw materials, components and parts based on purchase orders, we may consult these forecasts as a basis for our procurement of certain raw materials, components and parts that require a longer lead time to procure.

Substantial differences between our OEM customers' purchase orders and their forecasts may result in excess or shortage of key raw materials, components and parts in our inventory. As a result, our results of operations could be negatively affected by any cancellation, reduction or delay of purchase orders that our customers otherwise indicated in their forecasts.

Risks Relating to our OBM Business

We sell most of our OBM products to our distributors. Failure to maintain relationships with our distributors would materially and adversely affect our OBM Business.

Most of our OBM products during the Track Record Period were sold to our distributors in the PRC or overseas, and we expect we will continue to rely on our distributors in the future in respect of our OBM Business. We do not have long-term distributorship agreements with many of our distributors. As our existing distributorship agreements expire, we may not be able to renew such agreements with our preferred distributors on terms acceptable to us or at all. Furthermore, we may have to compete for distributors with other medical device manufacturers. Our competitors may enter into exclusive distributorship agreements that restrict their distributors from selling our products. Maintaining relationships with existing distributors and replacing distributors may be difficult and time-consuming. Any disruption of our distribution network or relationship with our major distributors, including our failure to renew our existing distribution arrangements with our major distributors, could negatively affect our ability to effectively sell our OBM products and would materially and adversely affect our business, financial condition and results of operations.

If we or our brands fail to maintain a good reputation, our OBM Business and our business prospects could be adversely affected.

Our OBM Business depends on our reputation, the brand awareness and brand image of our "Inspired Medical" ("英仕醫療") brand and the relevant trademarks,

- to gain access to, and for our products to be perceived favourably by, the distributors and hospitals that drive demand for our products;
- to promote our new products;
- to effectively work with the counterparties that are involved in different aspects of our business;
- to attract employees and distributors to work with us; and
- to increase market share of our products through brand recognition.

However, there can be no assurances that we will be able to maintain a good reputation and strong brand image or trademarks. Our reputation, brand names and trademarks may be adversely affected by a number of factors, many of which are outside our control, including:

- adverse associations with our products, including with respect to their efficacy;
- the effects of counterfeit products purporting to be our products;
- lawsuits and regulatory investigations against us or otherwise relating to our products or industry;
- improper or illegal conduct by our employees and distributors, whether or not authorised by us; and
- adverse publicity that is associated with us, our products or our industry, whether founded or unfounded.

If we or our brands fail to maintain a good reputation or strong brand image as a result of these or other factors, our products may be perceived unfavourably by hospitals and distributors, and our business and business prospects could be adversely affected.

We have limited control over the operations of our distributors. Actions taken by our distributors may materially and adversely affect our business, prospects and reputation.

We have limited ability to manage the activities of our distributors, who accounted for most of our turnover from our OBM Business during the Track Record Period. Our distributors are independent from us, and may take actions, including one or more of the following, which could have material adverse effect on our business, prospects and reputation:

- sell products that compete with our products that they have contracted to sell for us;
- sell our products outside their designated territory;
- fail to adequately promote our products;
- fail to maintain the requisite licences or otherwise fail to comply with applicable regulatory requirements when selling our products;
- fail to provide proper training and services to end-users; or
- violate anti-corruption and other laws of the PRC or other relevant jurisdictions.

Failure to adequately manage our distribution network, or non-compliance by distributors with our distribution agreements could harm our reputation and disrupt our sales. Furthermore, we could be held liable for actions taken by our distributors, including any violations of applicable law in connection with the marketing or sale of our products, such as the PRC's anti-corruption laws and regulations on the sale of medical devices. The PRC government has increased its anti-bribery efforts in the healthcare sector to reduce improper payments received by hospital administrators and doctors in connection with the purchase of medical devices. Our distributors may violate these laws or otherwise engage in illegal practices with respect to their sales or marketing of our products. If our distributors or logistic companies violate these laws, we may be affected by their actions, which could materially and adversely affect our financial condition and results of operations. In addition, our brand and reputation, our sales activities or the price of our products could be adversely affected if we become the target of any negative publicity as a result of actions taken by our distributors or logistic companies.

We may not be able to accurately track the sales and inventory levels of our distributors for our OBM products, which could cause us to predict sales trends incorrectly.

As we do not control the inventory and sales data belonging to our distributors, we rely on information that our distributors provide to us. Our distributors may be unable to provide us with accurate information in relation to their inventory levels and sales of our OBM products in a timely manner, or at all. As a result, our ability to accurately track the sales of our OBM products and the inventory level of our distributors is limited. Our sales to distributors may not be reflective of actual sales trends to sub-distributors or end-customers, and we may not be able to gather sufficient information and data regarding the market demand for our products in a timely manner. Failure to accurately track sales and inventory levels of our distributors and gather market information in a timely manner may cause us to incorrectly predict sales trends of our OBM products to end-customers and impede us to quickly align our marketing and product strategies to market changes.

Our prospects are dependent upon the successful commercialisation of new products. If we are unable to successfully develop new products or expand our product line, our business and financial condition may be adversely affected.

The prospects of our business, in particular our OBM Business, are dependent upon the design, development and successful commercialisation of new medical device products. As one of our product development strategies, we have formed collaborations with research partners in order to strengthen our research and development capability. However, the research and development process is costly and time-consuming and there is no assurance that we can complete our research projects within the anticipated timeframe, and that the results of such research and development projects will lead to commercial production of any products and there may be a lack of market demand for such products. Such research and development projects, and other similar arrangements we may enter into in the future, could have the effect of limiting our ability to develop and commercialise new products. If we are unable to successfully develop new products or expand our product line, our business and financial condition may be adversely affected.

Risks Relating to our Business in General

If we fail to maintain an effective quality assurance and control system, our business could be materially and adversely affected.

We place great emphasis on product quality and adhere to stringent quality assurance and control measures. To meet our customers' requirements and expectations for the quality and safety of our products, we have adopted a stringent quality assurance and control system to ensure that our production process is strictly monitored and managed. Please see the section "Business — Quality Assurance and Control" for further information.

Failure to maintain an effective quality assurance and control system or to obtain or renew our quality standards certifications may result in a decrease in demand for our products, or cancellation or loss of purchase orders from our customers. Moreover, our reputation could be impaired. As a result, our business and results of operations could be materially and adversely affected.

We are subject to product liability exposure and have limited insurance coverage. Any product liability claims or safety-related regulatory actions could require us to pay substantial damages, harm our reputation and materially and adversely affect our business, financial condition and results of operations.

Our products are used in the treatment of patients. Accordingly, our products expose us to potential product liability claims if their use causes or is alleged to have caused personal injuries or other adverse effects. Any product liability claim or regulatory action, with or without merit, could be costly and time-consuming to defend. If the product liability claims were successful, we may be required to pay substantial damages. However, we have maintained limited product liability insurance to cover potential product liability arising from the sale of our products.

Other than our product liability insurance policies, we have no specific measures in place to mitigate any potential liabilities we may face from third parties. In addition, we may not be able to purchase or maintain sufficient product liability insurance coverage on commercially reasonable terms, or at all. Future liability claims could be excluded from or exceed the coverage limits of our policies.

If our production facility, production processes or products fail to meet the required quality standards, it could harm our business and reputation, and our turnovers and profitability could be adversely affected. Product defects resulting in a large-scale product return or recall could materially and adversely affect our business, results of operations and reputation.

Our products, production facility and production processes are required to meet certain quality standards specified by the regulatory authorities or our OEM customers for our OEM products. We

have established a quality control management system and standard operating procedures to help prevent quality issues in respect of our products. Please see the section "Business — Quality Assurance and Control" for details of our quality control management system and standard operating procedures. Despite our quality control system and procedures, we cannot eliminate the risk of errors, defects or failure. In September 2013, we received a warning letter from the Office of Compliance, Center for Devices and Radiological Health of the FDA (the "**2013 Letter**") stating that certain of our devices were adulterated within the meaning of a provision of the Federal Food, Drug, and Cosmetic Act, in that the methods used in, or the facilities or controls used for, our manufacture, packing, storage, or installation are not in conformity with the current good manufacturing practice requirements of the Quality System regulation under the U.S. Code of Federal Regulations, including, among other things, failure to establish and maintain procedures for implementing corrective and preventive action, failure to ensure, when the results of a process cannot be fully verified by subsequent inspection and test, that the process shall be validated with a high degree of assurance and approved according to established procedures, and failure to establish and maintain procedures to ensure that participants at each design review include representatives of all functions concerned. In response to the 2013 Letter, we have taken corrective measures, and in March 2015, we received a letter from the FDA stating that it has completed an evaluation of our corrective actions in response to the 2013 Letter. Our correction actions had addressed the violations contained in the 2013 Letter.

We may fail to detect or cure quality defects due to a number of factors, many of which are outside our control, including:

- manufacturing errors;
- technical or mechanical malfunctions in the manufacture process;
- human error or malfeasance by our quality control personnel;
- tampering by third parties; and
- quality issues with the raw materials we purchase or produce.

Failure to detect quality defects in our products or failure to prevent such defective products from being delivered to end-users could result in patient injury, product recalls or withdrawals, licences revocation or regulatory fines, or other problems that could seriously harm our reputation and business, expose us to liability, and adversely affect our business, financial condition and results of operations.

We manufacture products in accordance with internationally accepted quality standards and specifications our OEM customers provide to us. However, we cannot assure you that all products we produce are free of defects. Consequently, any product defects identified by our customers or end users might erode our reputation and negatively affect our customer relationships and future business. Product defects may also result in product returns or product recalls. Such product returns or recall, whether or not caused by our own fault, would likely be time-consuming and costly to defend and could divert significant resources and management attention. As a result, our business, results of operations and reputation could be materially and adversely affected by any product defects.

Additionally, our production facility and processes are subject to regular audit by relevant regulatory and certification bodies for us to maintain the certificates and approvals for manufacturing and sales of medical devices, or by our major OEM customers to ensure compliance with the requirements under the relevant OEM arrangements.

As set out in the section "Summary — Recent Developments — Recent incident on the sterilisation process for certain products", in March 2016, we found that two product lines for one particular key customer were unable to pass all of the sterilisation control tests and the customer requested a revalidation of this process using the process challenge devices provided by it. We

currently expect that the revalidation will be completed in July 2016. After we identified the above sterilisation issue for the relevant products and while we are still in the process of revalidation, as an interim measure (which has been agreed by the customer), we shipped the relevant products, which require sterilisation, by air to a sterilisation service provider based in the U.S. to carry out the sterilisation of the products for us, before these products are delivered to the customer. Additional costs for shipping and sterilisation have been incurred as a result of the incident, and we currently estimate that, assuming that such additional costs will be borne solely by us and the revalidation process will be completed in July 2016, the total additional costs to be incurred by us are expected to be approximately HK$4.6 million.

If any of our production facilities or processes fails to meet the relevant standards or requirements, we will have to suspend the relevant production processes and rectify the relevant defects, and our production may be materially disrupted, which may materially and adversely affect our business and results of operation.

If we fail to maintain or obtain applicable regulatory clearances or approvals for our existing or new OBM products, or if such clearances or approvals are delayed, we will be unable to commercially distribute and market our OBM products at all or in a timely manner, which could significantly disrupt our business and materially and adversely affect our sales and profitability.

The sale and marketing of our products are subject to regulation in the PRC and in certain other countries in which we sell our products. For our production and sales of OBM products in the PRC, we need to obtain and renew licences and registrations with the PRC state and local food and drugs administration, i.e. the Medical Device Manufacturing Licence, Medical Device Exportation Certificate and Medical Device Business Permit. For us to sell our OBM products in the United States and in the European Economic Area, we also need clearances from the FDA and the CE certifications, respectively. The processes for obtaining regulatory clearances or approvals can be lengthy and expensive, and the results are unpredictable. In addition, the relevant regulatory authorities may introduce additional requirements or procedures that have the effect of delaying or prolonging the regulatory clearance or approval for our existing or new products. If we are unable to obtain clearances or approvals needed to market existing or new products, or obtain such clearances or approvals in a timely fashion, our business would be significantly disrupted, and our sales and profitability could be materially and adversely affected.

The successful implementation of our product development is subject to significant business, economic and competitive uncertainties.

We have disclosed in this prospectus our current expectations or targets for the timing of the introduction of our future products, including our major OBM products set out in the section "Business — Our Products — Pipeline and Planned Products". However, the successful implementation of our OBM product development is subject to significant business, economic and competitive uncertainties, including product development risks, the availability of funds, competition and regulation, and may be re-evaluated from time to time based on current regulations, government policies and the continuing growth of the medical device market. The actual timing of the introduction of each of our future products to the market could vary significantly from our current estimates due to a number of factors, many of which are outside our control, including delays, difficulties and failures in the research and development process and clinical trials, the lengthy approval process for new products and the uncertainties inherent in that regulatory approval process, and delays in achieving manufacturing or marketing arrangements sufficient to commercialise our future products. In addition, clinical trials and product registration are inherently a lengthy and expensive process and there can be no assurance that our future products will meet the standards required to pass all necessary clinical trials. Failure to develop, obtain registration or approval for or commercialise our pipeline products could materially and adversely affect our business and results of operation.

We could be materially and adversely affected as a result of our sales to certain countries that are or become subject to economic sanctions of the U.S., the E.U., the U.N. and other relevant sanction authorities.

We generate some of our turnover from sales to customers located in the Sanctioned Countries, namely Russia, Egypt and Iran. The total amount of turnover generated from sales to customers in the Sanctioned Countries in 2013, 2014 and 2015 accounted for less than 0.2% of our total turnover for the respective periods. As advised by Herbert Smith Freehills, our legal advisers as to International Sanctions laws, our sales to persons located in the Sanctioned Countries during the Track Record Period give rise to a very low risk of penalties or other measures being imposed on us under the International Sanctions laws.

Our Directors confirm that, save as disclosed in the "Business" section, our Group has not had during the Track Record Period and up to the Latest Practicable Date, any activities in connection with any countries, governments, entities or individuals sanctioned by the U.S., the E.U., the U.N. or Australia. In relation to our sales to customers in the Sanctioned Countries during the Track Record Period, we have not been notified and have no reason to believe that any sanctions will be imposed on us. None of the contracting parties are specifically identified on the Specially Designated Nationals and Blocked Persons List or the Sectoral Sanctions Identifications List maintained by OFAC or other restricted parties lists, including those maintained by the E.U., the U.N. or Australia. In the absence of any information to the contrary, we have no reasonable grounds to believe that any of the owners, controllers or directors of the contracting parties are on such lists either. Further, our sales do not involve industries or sectors that are currently subject to specific sanctions imposed by the U.S., the E.U., the U.N. or Australia. Therefore, none of our sales to parties located in or other activities in the Sanctioned Countries would be prohibited activities under the relevant sanctions laws and regulations.

We cannot predict the interpretation or implementation of government policy at the U.S. federal, state or local levels or the interpretation or implementation of any policy by the E.U., the U.N. or the Government of Australia or by the governments or agencies of other applicable jurisdictions with respect to any current or future activities by us or our affiliates in these countries. Our business and reputation could be adversely affected if the government of the U.S., the E.U., the U.N. or any governmental entities were to determine that any of our activities constitute violations of the sanctions they impose. In addition, because sanctions programmes evolve over time, new requirements or restrictions could come into effect which may increase scrutiny on our business activities or result in our business activities being deemed to violate sanctions. We cannot assure you that investors who are subject to the jurisdictions of the United States, the E.U., Australia and/or other jurisdictions will be willing to make investments, in us, or that they will not divest their investment, which may have an adverse impact on the Global Offering and the future prevailing market price of our Shares. In addition, in the event that any of our customers becomes subject to economic sanctions in the future, we may have to discontinue our business with such customers due to potential economic sanctions liability risks. In such events, our financial results may be materially and adversely affected.

We may be subject to intellectual property infringement claims and successful claims of infringement could materially and adversely harm our business and reputation.

We operate in an industry in which we and our competitors or OEM customers may utilise or own similar technology and product designs. Consequently, both we, our competitors or OEM customers may claim intellectual property rights over the technology and product design used in our products. While we do not believe our products infringe on the intellectual property rights of our competitors or any third parties, we cannot assure you that any third parties may not raise a claim of intellectual property infringement. Consequently, we may become subject to legal proceedings and claims relating to the intellectual property rights of third parties. Legal proceedings involving intellectual property rights can be expensive and time-consuming, and their outcomes are uncertain. Successful infringement claims by third parties against us could subject us to substantial monetary liability,

require us to obtain licences (which we may not be able to obtain on commercially reasonable terms or at all), pay on-going royalties, modify aspects of our technology and product design or subject us to injunctions prohibiting the production and sale of products or the use of our technologies, which could materially and adversely harm our business and reputation.

Unauthorised use of our brand name by third parties may adversely affect the value of our brand name, reputation and business; legal actions to enforce our rights to our brand name may involve significant costs and may divert our resources.

We regard our "Inspired Medical" ("英仕醫療") brand name as critical to the success of our OBM Business. Unauthorised use of our brand name by third parties may adversely affect the value of our brand name, business and reputation, including the perceived quality and reliability of our products. We rely on trademark law and agreements with our distributors to protect the value of our brand names. As at the Latest Practicable Date, we had registered 39 trademarks. Despite our precautions, we may be unable to prevent unauthorised use of our brand names by third parties. In certain circumstances, litigation may be necessary to protect our brand names. However, because the validity, enforceability and scope of protection of trademarks in the PRC and overseas are uncertain and still evolving, we may not be successful in prosecuting these cases. Further, litigation could also result in substantial costs and diversion of our resources, and could disrupt our business.

Our production facility may in the future be unable to maintain efficiency or meet our production requirements.

Our future growth will depend upon our ability to maintain efficient operations of our existing production facility and our ability to expand our production capacity where needed. In order to meet our customers' demands and advancements in technology, we maintain and upgrade our equipment periodically. If our production facility is unable to maintain efficiency, we may be unable to fulfil our purchase orders in a timely manner, or at all. This would negatively impact our reputation, business and results of operations.

As we continue to grow and expand our business, we expect to acquire additional production lines to increase our production capacity. If we are unable to acquire the necessary equipment or production facility at an acceptable price, or at all, we may not be successful in achieving our business expansion plans.

The building ownership certificates for three of our leased property and a building thereon where part of our production facility is located have not been obtained, and we may be required to vacate the premises.

As at the Latest Practicable Date, we leased all premises for our business operations. The aggregate GFA of our leased premises in Dongguan, the PRC, is approximately 26,500 sq.m., of which 20,250 sq.m. is occupied by our production facility, offices and warehouses to support our operations. The landlord of three of our leased properties in Dongguan, VRDG, has not obtained the relevant building ownership certificates and the aggregate affected production area is approximately 2,100 sq.m.

As advised by our PRC Legal Advisers, the maximum potential consequence on our Group will be eviction from the said three premises. For details, please see the section "Business — Properties".

If we are required to be vacated from these properties, our Directors currently expect that the relocation will cost approximately HK$1.7 million and take around two to three months. Such relocation time is estimated based on our Director's past experience, but we cannot assure you that we will be able to relocate the relevant production facility within our expected timeframe and at a commercially reasonable price. The relocation may cause disruption to our production, which may in turn affect our sales and results of operation. We may also have to pay rent that is higher than our expected rates in order to timely secure suitable premises for our production facility, and this may result in an adverse impact on our operation and financial results.

We are subject to the risks of foreign currency fluctuations.

While some of our costs and expenses are denominated in RMB, a substantial percentage of our sales is denominated in USD given the export-oriented nature of our OEM Business. Any appreciation of RMB against USD or HKD may therefore subject us to increased costs and lower profitability. Please see the section headed "Financial Information — Quantitative and Qualitative Disclosures about Market Risks — Foreign currency risk" for more information on our foreign currency risk exposure.

Increases in the costs of labour and the shortage of skilled labour may materially and adversely affect our business, financial condition and results of operations.

Although most of our production processes involve the use of machinery, most of them are not fully automated and require workers to operate. Our direct labour cost was HK$19.6 million, HK$23.2 million and HK$29.5 million for 2013, 2014 and 2015, respectively, representing 8.3%, 8.5% and 9.6% of our total cost of sales for the respective periods.

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. Further, there has been a growing shortage of labour, especially skilled labour, in the PRC. The utilisation of our production facilities may be limited by our ability to recruit sufficient skilled labour. We cannot assure you that we will be successful in recruiting and retaining sufficient skilled labour in a timely manner for our existing and future operations at reasonable wages, or at all. In addition, as the competition for skilled labour is increasingly intense, we may need to enhance our remuneration packages and welfare benefits to employees in order to recruit and retain labour.

Accordingly, if we experience any shortage of labour or significant increase in labour cost to the extent that we are not able to offset such increase by reducing other costs or passing it on to our customers, our business, financial condition and results of operations may be materially and adversely affected.

We are subject to risks associated with the overseas sales of our products.

A substantial portion of our turnover is generated from overseas sales as we export our products to our overseas OEM customers or to overseas distributors for our OBM products, and our sales to overseas customers accounted for all of our OEM sales and 32.6%, 28.4% and 34.1% of our OBM sales for 2013, 2014 and 2015, respectively.

We aim to expand our overseas market and continue our overseas sales. As a result, we are subject to a variety of risks and uncertainties associated with overseas operations and sales, including:

- compliance with foreign laws, regulatory requirements and local industry standards, in particular, those related to medical devices;
- exposure to increased overseas litigation risks;
- political and economic instabilities;
- foreign exchange rate exposure;
- imposition of restrictions on imports from the PRC or other trade barriers by overseas countries to which we export our products;
- unfamiliarity with local operating and market conditions;
- competition from local companies;

- foreign taxes;
- environment, safety and labour regulatory compliance; and
- potential disputes and difficulty in managing relationships with overseas customers and distributors.

Any of the foregoing and other risks and uncertainties could adversely affect our overseas sales and result in reduced turnover from our overseas operations and sales, which in turn could adversely affect our financial condition and results of operations.

We may recognise impairment of goodwill, which will adversely affect our financial results, in the future.

We recorded goodwill of HK$9.6 million as at 31 December 2015 as a result of the acquisition of RRCL. The goodwill represented the difference between the consideration for acquisition of RRCL and the fair value of RRCL's net assets. We also recorded goodwill of HK$12.2 million in 2014 for our investment in Ventific which was subsumed in the carrying amount of investment in an associate of HK$13.3 million as at 31 December 2015.

For our acquisition of RRCL, 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. 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.

Our investment in associate 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 our 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 our share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

Please see notes 4(b), 4(c), 5(c), 16 and 18 of the Accountants' Report in Appendix I to this prospectus for further information.

In future goodwill impairment reviews, there will be inherent uncertainties related to the above factors and to our judgment in applying these factors to the assessment of goodwill recoverability, which may lead to an impairment of goodwill. Any impairment is recognised as a loss which may adversely affect our financial results.

Our business is subject to intense competition, which may reduce demand for our products and materially and adversely affect our business, financial condition, results of operations and prospects.

The international and PRC medical device markets are highly competitive, and we expect competition to intensify. We face competition both domestically and overseas across all product lines. For domestic sales, our competitors include multinational companies and a large number of domestic manufacturers. For overseas sales, our competitors include multinational companies and companies

that have local operation in the markets in which we sell our products. Some of our larger competitors may have:

- greater financial and other resources;
- larger variety of products;
- greater pricing flexibility;
- more extensive research and development and technical capabilities;
- patent portfolios that may present an obstacle to our conduct of business;
- greater knowledge of local market conditions where we seek to increase our overseas sales;
- stronger brand recognition;
- larger distribution and sales networks; and/or
- better support in terms of technical training or surgical instruments provided.

As a result, we may be unable to offer products similar to, or more desirable than, those our competitors offer, market our products as effectively as our competitors or otherwise respond successfully to competitive pressures. In addition, our competitors may be able to offer discounts on competing products, and we may not be able to profitably match those discounts. Furthermore, our competitors may develop technologies and products that are more effective than those we currently offer or that render our products obsolete or uncompetitive. In addition, the timing of the introduction of competing products into the market could affect the market acceptance and market share of our products. Our failure to compete successfully could materially and adversely affect our business, financial condition, results of operations and prospects.

We rely on our Directors, senior management and key personnel. In the event that such personnel leaves our Group, our business may be adversely affected.

Our business growth largely depends on the continued contribution from, and our ability to retain, our Directors, senior management and key personnel. The expertise and experience of our senior management in our industry are crucial to our success. Our success also depends on our key personnel with extensive managerial, technical, research and development or sales experience. We cannot assure you that the service of our senior management and key personnel will continue in the future. Should any of our current Directors, senior management or key personnel become unable or unwilling to work for us, we may incur additional expenses to recruit and retain suitable replacements. In the event that we are unable to recruit new talents who have similar knowledge or experience, or if any of our Directors, senior management or key personnel joins our competitors or establishes a new company that becomes a competitor, our business may be adversely affected.

Any disruption to the supply, increase in the prices, or quality or safety problems of our raw materials or packaging materials could adversely affect our production, turnover and profitability.

Our business requires a number of raw materials including resin, plastic parts and tubing and metal and electronic parts. We rely on our suppliers to supply us with such raw materials. Some of the raw materials we use in our products are subject to specifications of our OEM customers. We may experience shortages in the supply of certain raw materials, in particular such specified raw materials, in the future due to various unforeseen events, which could materially and adversely affect our

production and results of operations. If any supplier is unwilling or unable to provide us with high quality raw materials in required quantities or specifications and at acceptable prices, we may be unable to find alternative sources at commercially acceptable prices, on satisfactory terms, in a timely manner, or at all. Our inability to find or develop alternative sources could result in delays or reductions in production, product shipments or a reduction in our profit margins.

We also cannot assure you that our suppliers will not intentionally or inadvertently contaminate our raw materials or provide us with sub-standard raw materials that will adversely impact the quality of our products. If we experience any quality or safety problems in relation to our raw materials, our product quality may be adversely affected, and we may have to recall our products from the market and we may be subject to product liability claims. Even though we may bring claims against the relevant supplier for damages in such event, we cannot assure you that we will be able to obtain a judgment in favour of us, which may in turn materially and adversely affect our competitive position, reputation and business results.

Furthermore, we are vulnerable to increases in the prices of raw materials. The prices of our raw materials are determined principally by market forces and our bargaining power against our suppliers. For a discussion of changes in our raw material costs during the Track Record Period, please see the section "Financial Information — Key Factors Affecting Financial Position and Results of our Operations — Cost of raw materials". Raw material prices may fluctuate as a result of inflation and other factors in the future. We may not be able to offset all price increases by raising the prices of our products. Moreover, we may lose our competitive advantage if the prices of our products increase significantly. If the prices of raw materials increase in the future and we cannot pass on such increases to our customers, we may not be able to maintain our current gross profit margins, and our business and results of operations may be materially and adversely affected.

Our operation may be subject to production malfunction, failure in information technology system, as well as to disruptions caused by injury to workers from the use of production equipment.

Our operation is subject to risks and issues in respect of our production such as capacity constraints, mechanical and system failure, construction and equipment upgrade and delay in the delivery of machineries, any of which could cause suspension of production and reduced output. Additionally, we increasingly rely on information technology systems to process, transmit and store electronic information. Our information technology systems may be vulnerable to interruption due to a variety of events beyond our control, including but not limited to, natural disasters, telecommunications failures, computer viruses, hackers and other security issues, and any such interruption or failure could disrupt our operations and negatively impact our business.

Any significant manufacturing disruption could adversely affect our production capacity and ability to fulfil orders, which could have an adverse effect on our business and financial performance. Additionally, there may be accident or injury to our workers caused by the use of our equipment or machinery, which could interrupt our operations and result in legal and regulatory liabilities which may also affect our financial position.

Our production facilities are located at a single location, and any natural disasters or other event affecting these facilities may severely disrupt our business.

Our principal production facilities are currently located in Dongguan, the PRC. In the event of any factors affecting our production facilities or our ability to operate these facilities, such as earthquake, fire, drought, flood or other natural disasters, political instability, localised extended outage of critical utilities or transportation systems or terrorist attack, we may have to incur substantial additional expenses to repair or replace the damaged equipment or facilities, our ability to manufacture and supply products and our ability to meet our delivery obligations to our distributors and our customers would be significantly disrupted, and our relationships with our customers, distributors and suppliers could be damaged, in which case our business, results of operations and financial condition would be adversely impacted.

Failure to manage our growth could strain our managerial, operational and financial resources, which could materially and adversely affect our business, financial condition, results of operations and prospects.

Our current business strategy includes broadening our product portfolio, expanding our distribution network and increasing our production capacity. Executing these components of our strategy could place considerable strain on our managerial, operational and financial resources. In particular, the management of our growth will require, among other things:

- strengthening of financial and management controls in an efficient and effective manner;
- enhancement of information technology systems;
- increased marketing, sales and sales support activities;
- continued enhancement of our research and development capabilities;
- raising adequate capital to fund our operations; and
- hiring and training of new personnel.

If we are unable to effectively manage our growth and implement these components of our business strategy, our business, financial condition, results of operations and prospects would be materially and adversely affected.

RISKS RELATING TO OUR INDUSTRY

The medical device industry is highly regulated in the PRC and other countries to which we export our products. Any change in the applicable laws, regulations or standards may prevent or restrict us from conducting certain business or subject us to increased costs of compliance.

The medical device industry is highly regulated in the PRC and other countries to which we export our products. We are governed by various local, regional and national regulations in different aspects of our operations, including licensing and certification requirements and procedures for manufacturers of medical device products, operating and safety standards, as well as environmental protection regulations. Any change in the applicable laws, regulations, standards or import policies of overseas countries may prevent or restrict us from conducting certain aspects of our current business.

We cannot assure you that the production or distribution of any of our medical devices will not be subject to any prohibitions or restrictions imposed by competent authorities in the future. Such changes may also result in increased costs of compliance. Any changes in, and any promulgation of, laws, regulations or standards may materially and adversely affect our business, financial condition and results of operations.

If the PRC government or government of countries to which we export our products decides to impose price control on our products, our business, profitability, results of operations and prospects would be materially and adversely affected.

There is currently no price control imposed by the PRC government in relation to our medical devices sold in the PRC. Whereas the prices of certain pharmaceutical products sold in the PRC, primarily those included in the national and provincial medical insurance catalogue, are subject to price controls mainly in the form of fixed prices or price ceilings. Manufacturers and operators cannot set the actual price for any given price-controlled product above the price ceiling or deviate from the fixed price imposed by the government.

In the recent years, the PRC government has been making continuous and increasing efforts in stepping up the healthcare system reform. As part of this trend, the Ministry of Health has increased its involvement in the administration of the bid process used by hospitals and clinics for selecting their suppliers for medical devices and their procurement price. We are unable to predict any future changes to the price control policy to be adopted by the PRC government in the healthcare sector. In the event of any changes in such policy or any such policy being adopted by countries to which our products are exported resulting in all or some of our products being subject to price control, our business, profitability, results of operations and prospects would be materially and adversely affected.

RISKS RELATING TO THE PRC

Changes in the political, economic and social environment as well as the laws and regulations in the PRC could have an adverse effect on our business.

We conduct a substantial portion of our business operations in the PRC. Accordingly, our business, financial condition, results of operations and prospects are subject to the risks of future economic, political and legal developments in the PRC. The PRC economy differs from the economies of other developed countries in many aspects, including structure, government intervention, level of development, growth rate, control of foreign exchange, capital reinvestment, rate of inflation and resource allocation. Since the late 1970s, the PRC government has been implementing economic reform measures and using market forces to develop the PRC economy. However, the PRC government still plays a significant role in regulating industries by promulgating economic policies.

The PRC government also exercises significant control over the economy through resource allocation, controls on the payment of foreign currency denominated obligations, monetary policy and preferential treatment of particular industries or companies. The PRC government has implemented various measures in an effort to control the growth rate and structure of certain industries. The various macroeconomic measures adopted by the PRC government to guide economic growth may not be effective in sustaining the current growth rate of the PRC economy. If the PRC economy experiences any decrease in growth rate or a significant downturn, the unfavourable business environment and economic conditions could negatively affect our business, financial condition and results of operations.

Uncertainties in the PRC legal system could have an adverse effect on our business.

Our operations are subject to the uncertainties of the PRC legal system which is essentially a civil law system based on written statutes where, unlike common law systems, decisions of past legal cases have limited precedential value. The PRC government has, since 1979, begun promulgating a comprehensive system of laws and regulations governing economic matters in general. These laws and regulations are, however, relatively new and are often changing and published cases concerning these laws and regulations are limited. Their interpretation and enforcement therefore, involve a fair amount of uncertainty. We may be required in the future to procure additional permits, authorisations and approvals for our existing and future projects and we cannot assure you that we will obtain these in a timely manner or at all.

Furthermore, the legal protections available to us under these laws, rules and regulations may be limited. For example, the intellectual property rights and confidentiality protections in the PRC may not be as effective as in other countries. Any litigation or regulatory enforcement action in the PRC may be protracted and could result in significant costs to us and a diversion of our resources and management attention. We cannot predict future developments in the PRC legal system, particularly with respect to the PRC pharmaceutical industry, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof.

Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to withholding taxes under Chinese tax laws.

Under the EIT Law, we may in the future be deemed as a Chinese resident enterprise by the Chinese tax authorities for tax purpose. As such, we may be required to withhold Chinese income tax on capital gains realised from sales of our Shares and dividends distributed to Shareholders, as such income may be regarded as income from "sources within the PRC". In this case, our foreign corporate Shareholders who are not deemed a Chinese resident enterprise may become subject to a 10% withholding income tax under the EIT Law, unless any such foreign corporate Shareholder is qualified for a preferential withholding rate under a tax treaty.

If the Chinese tax authorities deem us as a Chinese resident enterprise, Shareholders who are not Chinese tax residents but seeking to enjoy preferential tax rates under relevant tax treaties will need to apply to the Chinese tax authorities to seek approval for recognition of eligibility for such benefits in accordance with the State Administration of Taxation ("**SAT**") Public Notice 2015 No.60 ("**PN 60**") (國家稅務總局關於發佈《非居民納稅人享受稅收協定待遇管理辦法》的公告), issued on 27 August 2015 and effective from 1 November 2015.

The preferential tax rate does not automatically apply. With respect to dividends, the beneficial ownership tests under the Circular on Interpretation and Determination of Beneficial Owner under Tax Treaties (關於如何理解和認定稅收協定中「受益所有人」的通知) issued in October 2009 by the State Administration of Taxation (the "**Circular 601**") will also apply. If determined to be ineligible for treaty benefits, such a Shareholder would become subject to higher Chinese tax rates on dividends of our Shares. In such circumstances, the value of such foreign Shareholders' investment in our Shares sold in the Global Offering may be materially and adversely affected. In respect of actual realised capital gains, it is unclear whether the taxation will be assessed based on beneficial ownership. If a Shareholder is assessed not to qualify for the preferential tax rate, then the Shareholder must pay capital gains tax at the higher tax rate.

Governmental control of currency conversion may affect the value of your investment.

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. We receive our revenues from our PRC operations in RMB. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from the PRC State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. However, approval from appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our Shares.

RISKS RELATING TO THE GLOBAL OFFERING

Our financial results for the year ending 31 December 2016 are expected to be significantly and adversely affected by the expenses in relation to the Global Offering.

Our financial results for the year ending 31 December 2016 are expected to be significantly and adversely affected by the expenses in relation to the Global Offering. We recognised Listing-related expenses of HK$4.6 million for 2015. The total estimated Listing-related expenses in connection with the Global Offering is approximately HK$32.5 million (based on the mid-point of the Offer Price of

HK$1.125 per Offer Share and assuming the Over-allotment Option will not be exercised). By the completion of the Global Offering, we expect to further incur Listing-related expenses of approximately HK$27.9 million, among which an estimated amount of HK$13.6 million is to be recognised as expenses and the remaining estimated Listing-related expenses is expected to be charged to equity. Therefore, our financial results for the year ending 31 December 2016 will be significantly and adversely affected by the expenses in relation to the Global Offering.

The costs of the Pre-IPO Share Option Scheme will adversely affect our results of operations and any exercise of the options granted may result in a dilution of our Shareholders' shareholdings.

For the purpose of recognising and acknowledging the contributions made by certain executives, directors, employees and/or consultants of our Group, we have conditionally adopted the Pre-IPO Share Option Scheme. Please see the section ''Other Information — 16. Pre-IPO Share Option Scheme'' in Appendix IV to this prospectus for further details.

Based on the valuation carried out by our valuer, the fair value of the share options granted under the Pre-IPO Share Option Scheme is expected to be HK$10.0 million. HK$2.6 million, HK$3.9 million, HK$2.1 million, HK$1.1 million and HK$0.3 million will be recognised as share-based compensation expenses in 2016, 2017, 2018, 2019 and 2020, respectively.

The future issue of Shares on any exercise of options granted under the Pre-IPO Share Option Scheme would result in a reduction in the percentage ownership of the Shareholders in our Company and may result in a dilution in the earnings per Share and net asset value per Share, as a result of the increase in the number of Shares outstanding after such issuance.

There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained.

Prior to the Global Offering, no public market for the Shares existed. Following the completion of the Global Offering, the Stock Exchange will be the only market on which the Shares are publicly traded. We cannot assure you that an active trading market for the Shares will develop or be sustained after the Global Offering. In addition, we cannot assure you that the Shares will trade in the public market subsequent to the Global Offering at or above the Offer Price. The Offer Price is expected to be fixed by agreement among the Sole Global Coordinator (on behalf of the Underwriters) and us, and may not be indicative of the market price of the Shares following the completion of the Global Offering. If an active trading market for our Shares does not develop or is not sustained after the Global Offering, the market price and liquidity of the Shares could be materially and adversely affected.

The trading price of the Shares may be volatile, which could result in substantial losses to you.

The trading price of the Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, the PRC, the United States and elsewhere in the world. In particular, the trading price performance of other companies in similar business may affect the trading price of the Shares. In addition, the performance and fluctuation of the market prices of other companies that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for the Shares. Recently, a number of companies have listed their securities, or are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies after their offerings may affect the overall investor sentiment towards companies listed in Hong Kong and consequently may impact the trading performance of the Shares. These broad market and industry factors may significantly affect the market price and volatility of the Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume of the Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our turnover, net income and cash flow could cause the market price of the Shares to fluctuate substantially. Any of these factors may result in large and sudden changes in the volume and trading price of the Shares.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions against us or our management; and the laws of the Cayman Islands relating to the protection of the interests of minority shareholders are different from those in Hong Kong.

We are a company incorporated under the laws of the Cayman Islands. During the Track Record Period, a majority of our assets and operations were located in the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom and many other countries. Recognition and enforcement in Hong Kong or the PRC of judgments of a court in the United States, the United Kingdom and such other jurisdictions in relation to any matter not subject to binding arbitration awards may be difficult or impossible. Although we will be subject to and governed by the Listing Rules and the Takeovers Code upon the Listing, our Shareholders will not be able to bring actions on the basis of violations of the Listing Rules, which do not have the force of law in Hong Kong, and must rely on the Stock Exchange to enforce its rules. Moreover, the Takeovers Code does not have the force of law in Hong Kong and provides only standards of commercial conduct considered acceptable for takeover and merger transactions and share purchases in Hong Kong.

In addition, since we are incorporated under the laws of the Cayman Islands and our corporate affairs are governed by the laws of the Cayman Islands, it may not be possible for you to bring an action against us or against our Directors or officers based on Hong Kong laws or PRC laws in the event that you believe that your rights as a shareholder have been infringed. Our corporate affairs are governed by our Memorandum of Association and Articles of Association and by the Cayman Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes or judicial precedents in existence in Hong Kong. This may mean that the remedies available to our Company's minority shareholders may be different from those they would have under Hong Kong laws or the laws of other jurisdictions. A summary of Cayman Islands company law is set out in Appendix III to this prospectus.

Since there will be a gap of several days between pricing and trading of the Offer Shares, holders of the Offer Shares are subject to the risk that the price of the Offer Shares could fall when the trading of the Offer Shares begins.

The Offer Price of the Shares is expected to be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be a few business days after the pricing date. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of the Shares are subject to the risk that the price of the Shares could fall when trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

The sale or availability for sale of substantial amounts of the Shares could adversely affect their trading price.

Sales of substantial amounts of the Shares in the public market after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the market price of the Shares and could materially impair our future ability to raise capital through offerings of the Shares.

The Shares owned by the Controlling Shareholders and our pre-IPO investors, IGF, CPE and UG, are subject to certain lock-up periods. There can be no assurance that they will not dispose of these Shares following the expiration of the lock-up periods, or any Shares they may come to own in the future. We cannot predict what effect, if any, significant future sale will have on the market price of the Shares.

Because the Offer Price of the Shares is higher than our net tangible book value per Share, purchasers of the Shares in the Global Offering will experience immediate dilution.

If you purchase the Shares in the Global Offering, you will pay more for your Shares than our net book value on a per Share basis. As a result, investors of the Shares in the Global Offering will experience an immediate dilution in the net tangible asset value and the existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their Shares. In addition, holders of the Shares may experience a further dilution of their interest if the Sole Global Coordinator (on behalf of the International Underwriters) exercises the Over-allotment Option or if we obtain additional capital in the future through equity offerings.

You should not place undue reliance on facts, forecasts and other statistics in this prospectus relating to the economy and our industry obtained from official resources.

Facts, forecasts and other statistics in this prospectus relating to the economy and the industries on an international, regional and specific country basis have been collected from materials from official government sources and the CIC Report. While we have exercised reasonable care in compiling and reproducing such information and statistics derived from government publications, we cannot assure you nor make any representation as to the accuracy or completeness of such information. Neither we, the Sole Sponsor, the Sole Global Coordinator, the Underwriters nor any of our/their respective affiliates or advisors, have independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources and the CIC Report. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Statistics, industrial data and other information relating to the economy and the industry derived from the official government sources used in this prospectus may not be consistent with other information available from other sources and therefore, investors should not unduly rely upon such facts, forecasts and statistics while making investment decisions.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain statements that are "forward-looking" and uses forward looking terminology such as "anticipate," "estimate," "believe," "expect," "may," "plan," "consider," "ought to," "should," "would," and "will." Those statements include, among other things, the discussion of our growth strategy and the expectations of our future operations, liquidity and capital resources.

Purchasers of the Offer Shares are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information.

In preparation for the Global Offering, we have sought the following waivers from strict compliance with certain provisions of the Listing Rules and exemptions from strict compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which constitute continuing connected transactions for our Company under the Listing Rules. Pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted (i) a waiver from strict compliance with the announcement requirements under Rule 14A.35 of the Listing Rules in respect of our non-fully exempt continuing connected transactions; and (ii) a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Rules 14A.35 and 14A.36 of the Listing Rules respectively, in respect of our non-exempt continuing connected transactions. Please see the section "Connected Transactions" for further details.

PRE-IPO SHARE OPTION SCHEME

Under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, this prospectus is required to include details of the number, description and amount of any of the shares in or debentures of our Company which a person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given, full details of all outstanding options and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per Share arising from the exercise of such outstanding options under the Pre-IPO Share Option Scheme (the "**Share Option Disclosure Requirements**").

As at the Latest Practicable Date, our Company has granted options pursuant to the Pre-IPO Share Option Scheme (the "**Pre-IPO Share Options**") to 91 persons to subscribe for an aggregate of 19,684,000 Shares, representing 2.99% of the enlarged share capital of our Company immediately upon the completion of the Global Offering (assuming that all Pre-IPO Share Options are exercised, but without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme) on the terms set out in the section "Statutory and General Information — Other Information — 16. Pre-IPO Share Option Scheme" in Appendix IV to this prospectus.

Our Company has applied to the Stock Exchange and the SFC respectively for, and we have been granted, (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules; and (ii) an exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, on the ground that a waiver from strict compliance with the Listing Rules and an exemption from strict compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance in respect of the Share Option Disclosure Requirements will not prejudice the interest of the investing public and compliance with all the Share Option Disclosure Requirements would be unduly burdensome for our Company for the following reasons:

(a) 91 grantees are involved as at the Latest Practicable Date, among which three are executive Directors, five are members of the senior management of our Company (excluding Directors), one is a consultant of our Group in respect of our collaboration with the Guangzhou Institute

of Respiratory Disease (廣州呼吸疾病研究所), one is an employee of our Group who is the son of Mr. Choi (hence a connected person of our Company) and the remaining 81 grantees are employees of our Group (none of whom are connected persons of our Company), given that we have strictly complied with the Share Option Disclosure Requirements in respect of the ten grantees who are Directors, members of senior management, consultants, connected persons of our Group and employees of our Group (none of whom are connected persons of our Company) who have been granted options to subscribe for 320,000 Shares or more each, the strict compliance with the Share Option Disclosure Requirements to disclose the names, addresses, and entitlements on an individual basis for the remaining 59 employee grantees in this prospectus will require approximately 20 pages of additional disclosure and would be costly and unduly burdensome on our Company in light of the increase in costs for prospectus printing;

(b) the number of Pre-IPO Share Options granted to individual grantees is individually de minimis, and collectively represents 2.99% of the enlarged share capital of our Company immediately upon the completion of the Global Offering (assuming that all Pre-IPO Share Options are exercised, but without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme);

(c) the dilutive effect on earnings per Share attributable to Shareholders on a pro forma basis would be approximately 0.61% for 2015 (assuming all the Pre-IPO Share Options were exercisable on 1 January 2015), which is considered immaterial;

(d) the lack of full compliance with the applicable Share Option Disclosure Requirements will not hinder our Company from providing an informed assessment of our Company's activities, assets and liabilities, financial position, management and prospects to potential investors; and

(e) the disclosure of a summary of information relating to the Pre-IPO Share Options, as described in the section "Statutory and General Information — Other Information — 16. Pre-IPO Share Option Scheme" in Appendix IV to this prospectus should provide potential investors with sufficient information to make a relevant assessment of our Company in their investment decision-making process.

Of the 19,684,000 Shares to be issued upon full exercise of the options, 11,896,000 Shares, representing approximately 1.81% of the enlarged share capital of our Company immediately upon completion of the Global Offering (assuming that all options granted under the Pre-IPO Share Option Scheme are exercised, but without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), were granted to Directors, members of senior management (excluding our Directors), one consultant of our Group, one employee of our Group who is the son of Mr. Choi (hence a connected person of our Company) and 22 employees of our Group (none of whom are connected persons of our Company) who have been granted options to subscribe for 320,000 Shares or more each. The remaining 7,788,000 Shares, representing approximately 1.18% of the enlarged share capital of our Company immediately upon completion of the Global Offering (assuming that all options granted under the Pre-IPO Share Option Scheme are exercised, but without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), to be issued upon full exercise of the options were granted to 59 employees of our Group.

Under the Pre-IPO Share Option Scheme, the subscription price per Share shall be an amount equal to 80% of the Offer Price (subject to adjustment pursuant to the terms of the Pre-IPO Share Option Scheme) and each Pre-IPO Share Option is subject to the following vesting schedule:

Tranche	Vesting Date	Percentage of an option vested
First	1st anniversary of the Listing Date	25%
Second	2nd anniversary of the Listing Date	25%
Third	3rd anniversary of the Listing Date	25%
Fourth	4th anniversary of the Listing Date	25%
		Total: 100%

Each vested tranche of a Pre-IPO Share 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 Pre-IPO Share Options (being 16 June 2026). HK$1.00 is payable by each grantee pursuant to the Pre-IPO Share Option Scheme on acceptance of an offer of a Pre-IPO Share Option.

Our Directors confirmed that save for being a consultant of our Group, the one consultant does not have any past or current relationship with our Group, our Directors, our senior management, the top five customers or suppliers of our Group for the Track Record Period.

The Stock Exchange has granted to our Company the waiver under the Listing Rules on condition that:

(a) full details of the Pre-IPO Share Options granted to each of our Directors, members of the senior management of our Group, the one consultant of our Group, the son of Mr. Choi (a connected person of our Company) and 22 employees of our Group (none of whom are connected persons of our Company) who are granted options to subscribe for 320,000 Shares or more be disclosed in the section "Statutory and General Information — Other Information — 16. Pre-IPO Share Option Scheme" in Appendix IV to this prospectus, on an individual basis, as required under the Share Option Disclosure Requirements;

(b) for the remaining grantees not included in (a) above, disclosure will be made, on an aggregate basis, on:

  (i) their aggregate number and number of Shares underlying the Pre-IPO Share Options;

  (ii) the exercise period of the Pre-IPO Share Options;

  (iii) the consideration paid for the Pre-IPO Share Options; and

  (iv) the exercise price of the Pre-IPO Share Options;

(c) there will also be disclosure in this prospectus for the aggregate number of Shares underlying the Pre-IPO Share Options and the percentage of our Company's issued share capital represented by them;

(d) the dilutive effect on earnings per Share attributable to Shareholders upon full exercise of the Pre-IPO Share Options on a pro forma basis will be disclosed in this section and in the section "Statutory and General Information — Other Information — 16. Pre-IPO Share Option Scheme" in Appendix IV to this prospectus;

(e) a full list of all the grantees who have been granted the Pre-IPO Share Options, containing all the details as required under the Share Option Disclosure Requirements, will be made

available for public inspection in accordance with the arrangement as set out in Appendix V to this prospectus;

(f) the particulars of the waiver will be disclosed in this prospectus; and

(g) the SFC has issued a certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance in respect of the Share Option Disclosure Requirements.

The SFC has granted to our Company the exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance on condition that:

(a) full details of the Pre-IPO Share Options granted to each of our Directors, members of the senior management of our Group, the one consultant of our Group, the son of Mr. Choi (a connected person of our Company) and 22 employees of our Group (none of whom are connected persons of our Company) who are granted options to subscribe for 320,000 Shares or more be disclosed in the section "Statutory and General Information — Other Information — 16. Pre-IPO Share Option Scheme" in Appendix IV to this prospectus, on an individual basis, as required by paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(b) for the remaining grantees not included in (a) above, disclosure will be made, on an aggregate basis, on:

  (i) their aggregate number and number of Shares underlying the Pre-IPO Share Options;

  (ii) the exercise period of the Pre-IPO Share Options;

  (iii) the consideration paid for the Pre-IPO Share Options; and

  (iv) the exercise price of the Pre-IPO Share Options;

(c) a full list of all the grantees who have been granted the Pre-IPO Share Options, containing all the details as required in paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be made available for public inspection in accordance with the arrangement as set out in Appendix V to this prospectus; and

(d) the particulars of the exemption will be disclosed in this prospectus.

Please see the section "Statutory and General Information — Other Information — 16. Pre-IPO Share Option Scheme" in Appendix IV to this prospectus for further details.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding-Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

PROSPECTUS ISSUED IN CONNECTION WITH HONG KONG PUBLIC OFFERING ONLY

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering.

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information in this prospectus is correct as of any subsequent time.

INFORMATION ON THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section "Structure of the Global Offering" in this prospectus, and the procedures for applying for the Hong Kong Offer Shares are set out in the section "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares" in this prospectus and on the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants in the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The listing of the Offer Shares on the Hong Kong Stock Exchange is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Placing is expected to be entered into on or around the Price Determination Date, subject to agreement on pricing of the Offer Shares between the Sole Global Coordinator (on behalf of the Underwriters) and us. The Global Offering is managed by the Sole Global Coordinator.

If, for any reason, the Offer Price is not agreed, the Global Offering will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangements, please see the section "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, and is deemed by his acquisition of Hong Kong Offer Shares to have confirmed, that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit an offering of the Hong Kong Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered and sold, and will not be offered or sold, directly or indirectly in the PRC or the United States.

ELIGIBILITY FOR CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. You should seek the advice of your stockbroker or other professional advisor for details of those settlement arrangements as such arrangements will affect your rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee of the Stock Exchange for the granting of the listing of and permission to deal in the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Except as disclosed, no part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Stock Exchange or any other stock exchange as at the date of this prospectus. All the Offer Shares will be registered on the Hong Kong Share Registrar of our Company in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

HONG KONG SHARE REGISTER AND THE STAMP DUTY

All Shares issued by us pursuant to applications made in the Hong Kong Public Offering will be registered on our branch register of members to be maintained in Hong Kong. Our principal register of members will be maintained by Codan Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Dealings in the Shares registered on our Hong Kong branch register will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Shares. None of the Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

STABILISATION AND OVER-ALLOTMENT

In connection with the Global Offering, the Stabilising Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

In connection with the Global Offering, we intend to grant to the International Underwriters the Over-allotment Option, which is exercisable in full or in part by the Sole Global Coordinator (on behalf of the International Underwriters) within 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, we may be required to issue and allot up to an aggregate of 19,140,000 Shares (in aggregate representing 15% of the total number of the Shares initially available under the Global Offering) at the Offer Price to cover, among other things, over-allocation in the International Placing.

Further details with respect to stabilisation and the Over-allotment Option are set out in the sections "Structure of the Global Offering — Over-allotment Option" and "Structure of the Global Offering — Stabilisation Action" in this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedure for the Hong Kong Offer Shares is set out in the section "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares" in this prospectus and on the relevant Application Forms.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the English names of certain Chinese names, entities, departments, facilities, certificates, titles, laws, regulations and the like are unofficial translations of their Chinese names and are included for identification purposes only, and if there is any inconsistency, the Chinese name prevails in such cases.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain RMB or USD amounts into Hong Kong dollars at specified rates. You should not construe these translations as representations that the RMB or USD amounts could actually be, or have been, converted into Hong Kong dollar amounts (as applicable) at the rates indicated or at all. Unless we indicate otherwise, the translations of RMB amounts into Hong Kong dollars have been made at the rate of RMB0.8363 to HK$1.00 and the translations of USD amounts into Hong Kong Dollars have been made at the rate of US$1.00 to HK$7.7528.

ROUNDINGS

Amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, unless otherwise indicated or the context requires otherwise. Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.

WEBSITE

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Choi Man Shing (蔡文成)	Flat D, 19th Floor, Block 6 Villa Oceania 8 On Chun Street Ma On Shan New Territories Hong Kong	Chinese
Mr. To Ki Cheung (陶基祥)	Flat A, 12th Floor, Tower 3 Sausalito 1 Yuk Tai Street Ma On Shan New Territories Hong Kong	Chinese
Mr. Koh Ming Fai (許明輝)	Flat D, 7th Floor, Block B Grammy Centre 238 Yee Kuk Street Shamshuipo Hong Kong	Chinese
Mr. Fu Kwok Fu (符國富)	Room 24H, 24th Floor, Block 2 333 Castle Peak Road (Castle Peak Bay) Hanford Garden Tuen Mun New Territories Hong Kong	Chinese
Non-executive Directors		
Ms. Liu Pui Ching (廖佩青)	Flat D, 19th Floor, Block 6 Villa Oceania 8 On Chun Street Ma On Shan New Territories Hong Kong	Chinese
Mr. Amir Gal Or	Flat 402, 4th Floor, Block J Kornhill 31 Hong Yue Street Hong Kong	Israeli
Mr. Poon Lai Yin Michael (潘禮賢) *(Alternate to Mr. Amir Gal Or)*	Flat D, 33rd Floor, Tower 5 Sorrento 1 Austin Road West Tsim Sha Tsui Kowloon Hong Kong	Chinese
Independent non-executive Directors		
Mr. Chan Ling Ming (陳令名)	Flat 22B, Knight Court 38 Shing Tai Road Chai Wan Hong Kong	Chinese

Name	Address	Nationality
Mr. Mok Kwok Cheung Rupert (莫國章)	Flat G, 28th Floor, Tower 8 The Belcher's 89 Pok Fu Lam Road Hong Kong	Chinese
Mr. Au Yu Chiu Steven (區裕釗)	7 Coronado Avenue Royal Palms Yuen Long New Territories Hong Kong	British

Further information is disclosed in the section "Directors, Senior Management and Employees" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**BOSC International Company Limited** 34th Floor Champion Tower 3 Garden Road Central Hong Kong
Sole Global Coordinator	**BOSC International Company Limited** 34th Floor Champion Tower 3 Garden Road Central Hong Kong
Joint Bookrunners	**BOSC International Company Limited** 34th Floor Champion Tower 3 Garden Road Central Hong Kong **Crosby Securities Limited** 5th Floor AXA Centre 151 Gloucester Road Wan Chai Hong Kong **Shenwan Hongyuan Capital (H.K.) Limited** Level 19 28 Hennessy Road Hong Kong
Joint Lead Managers	**BOSC International Company Limited** 34th Floor Champion Tower 3 Garden Road Central Hong Kong

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Kowloon, Hong Kong

Crosby Securities Limited
5th Floor
AXA Centre
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Hong Kong

Halcyon Securities Limited
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8 Wyndham Street
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Shenwan Hongyuan Capital (H.K.) Limited
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Legal advisers to our Company

As to Hong Kong law:
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Hong Kong

As to PRC law:
Zhong Lun Law Firm
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Chaoyang District
Beijing 100022
China

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Cricket Square
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Grand Cayman KY1-1111
Cayman Islands

As to U.S. law and U.N. law:
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15 Queen's Road Central
Hong Kong

As to E.U. law:
Herbert Smith Freehills LLP
Exchange House
Primrose Street
London EC2A 2EG
United Kingdom

	As to Australian law: **Herbert Smith Freehills, an Australian partnership** ANZ Tower 161 Castlereagh Street Sydney NSW 2000 Australia
Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law:* **Deacons** 5th Floor, Alexandra House 18 Chater Road, Central Hong Kong *As to PRC law:* **Global Law Office** Units B/C, 26F Tower 5 Dachong International Center, No. 39 Tonggu Road Nanshan District Shenzhen China
Auditors and reporting accountants	**RSM Hong Kong** 29th Floor, Lee Garden Two 28 Yun Ping Road Causeway Bay, Hong Kong
Tax adviser to our Company	**RSM Tax Advisory (Hong Kong) Limited** 29th Floor, Lee Garden Two 28 Yun Ping Road Causeway Bay, Hong Kong
Receiving bank	**Bank of China (Hong Kong) Limited** 1 Garden Road, Hong Kong

Registered office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	Flat B2, 7th Floor, Phase 2 Hang Fung Industrial Building 2G Hok Yuen Street Hung Hom Hong Kong
Company's website address	www.vincentmedical.com (*information on this website does not form part of this prospectus*)
Company secretary	Mr. Wai Yiu Tung Yuyu *CPA* Flat 1201, 12th Floor, Block B Wo Fai House Tseung Kwan O New Territories Hong Kong
Audit committee	Mr. Au Yu Chiu Steven *(Chairman)* Mr. Chan Ling Ming Mr. Mok Kwok Cheung Rupert
Remuneration committee	Mr. Chan Ling Ming *(Chairman)* Mr. Mok Kwok Cheung Rupert Mr. Choi Man Shing
Nomination committee	Mr. Choi Man Shing *(Chairman)* Mr. Chan Ling Ming Mr. Mok Kwok Cheung Rupert
Authorised representatives (for the purpose of the Listing Rules)	Mr. To Ki Cheung Flat A, 12th Floor, Tower 3 Sausalito, 1 Yuk Tai Street Ma On Shan New Territories Hong Kong Mr. Choi Man Shing Flat D, 19th Floor, Block 6 Villa Oceania, 8 On Chun Street Ma On Shan New Territories Hong Kong
Compliance adviser	BOSC International Company Limited
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong

This section contains certain statistics, industry data or other information which have been derived from government, official or other public sources. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, affiliates, advisors or representatives, or any other party involved in the Global Offering, and no representation is given as to its accuracy. We, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, affiliates, advisors or representatives, and any other party involved in the Global Offering make no representation as to the completeness, accuracy or fairness of such information and accordingly such information should not be unduly relied upon.

INTRODUCTION

We manufacture a range of medical devices, focusing on respiratory products, imaging CMPI disposable products, and orthopaedic and rehabilitation products for our OEM customers in our OEM Business; and develop, manufacture and sell our own "Inspired Medical" ("英仕醫療") brand of respiratory products and orthopaedic and rehabilitation products in our OBM Business. For 2015, we generated 87.3% of our turnover from our OEM Business, and 12.7% from our OBM Business; and sales of (i) respiratory products; (ii) imaging CMPI disposable products; (iii) orthopaedic and rehabilitation products; and (iv) other products represented 39.1%, 34.7%, 16.5% and 9.7% of our turnover for 2015, respectively.

During the Track Record Period, our OEM Business focused on respiratory products, imaging CMPI disposable products, and orthopaedic and rehabilitation products for our OEM customers. All of our OEM customers were located overseas, mainly in the U.S., during the Track Record Period and thus we believe that the sales of our OEM products have been, and will continue to be, driven mainly by the growth of the global and the U.S. medical devices industry.

During the Track Record Period, our OBM Business focused on our own "Inspired Medical" ("英仕醫療") brand of respiratory products and orthopaedic and rehabilitation products. Turnover from our OBM customers in the PRC accounted for approximately 67.4%, 71.6% and 65.9% of our total OBM Business turnover in 2013, 2014 and 2015, respectively. And thus, we believe that the sales of our OBM products have been, and will continue to be, driven mainly by the growth in the medical devices industry in the PRC.

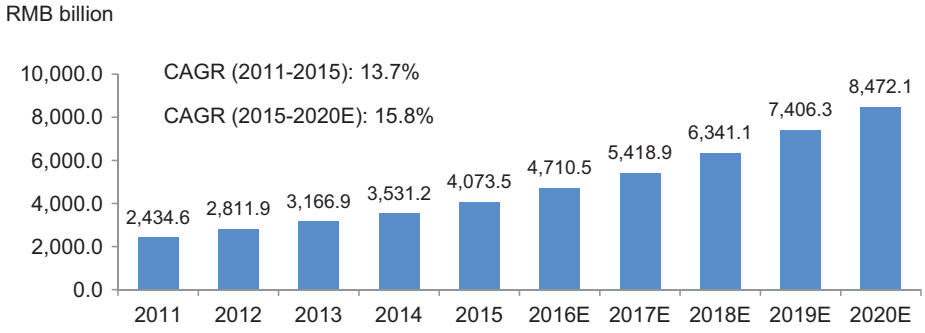
OVERVIEW OF THE HEALTH INDUSTRY

Total expenditure on health ("**TEH**") represents the total amount of money spent on health goods (including medical devices) and services.

According to the World Bank and the CIC Report, the global TEH increased from approximately USD7,016.9 billion in 2011 to approximately USD7,612.0 billion in 2015 at a CAGR of approximately 2.1% as a result of large investments made in healthcare in emerging markets including the PRC. It is expected to further reach approximately USD9,628.6 billion in 2020 at a CAGR of approximately 4.8% relative to that of 2015 with the rising GDP of lower-income and middle-income countries such as the PRC, Brazil and India as well as the improvement of their respective healthcare system.

Driven by the rising disposable income and public health awareness, TEH of the PRC increased from approximately RMB2,434.6 billion in 2011 to approximately RMB4,073.5 billion in 2015 at a CAGR of approximately 13.7%. It is projected to maintain a high growth during the period from 2015 to 2020 given the PRC's large aging population, accelerating chronic disease prevalence as well as undergoing healthcare reform. TEH of the PRC is expected to reach approximately RMB8,472.1 billion in 2020 at a CAGR of approximately 15.8% for the period from 2015 to 2020.

Total expenditure on health, the PRC, 2011-2020E

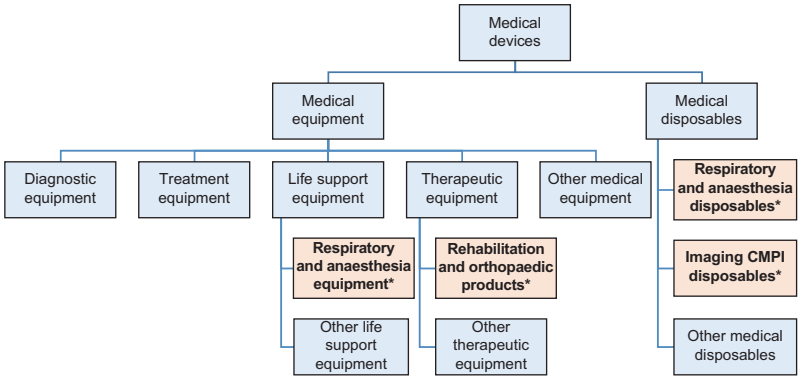


Note: "E" denotes "Estimated"

Sources: National Health and Family Planning Commission of PRC and CIC Report

OVERVIEW OF THE MEDICAL DEVICE MARKET

Medical devices, including disposables and equipment, are commonly used to aid in the diagnosis, monitoring or medical treatment of patients. The chart below illustrates the product categorisation of medical devices.



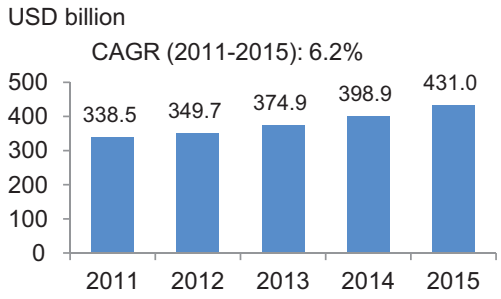
Note: (1) Medical equipment and disposables mentioned here refer to those used in hospital care.

* indicates the medical devices that our Group focuses on.

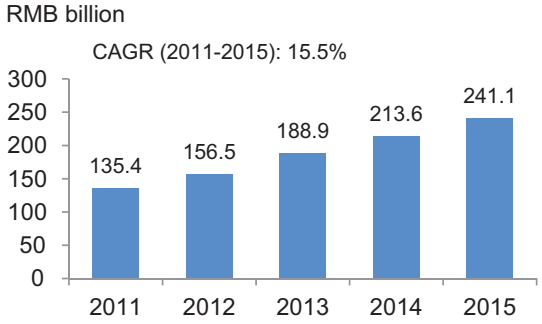
Source: CIC Report

The charts below set forth the total sales of the medical device market globally and in the PRC from 2011 to 2015.

Sales of medical device market (at hospital purchasing price), Global, 2011-2015



Sales of medical device market (at hospital purchasing price), the PRC, 2011-2015



Source: CIC Report

As illustrated above, the global medical device market in terms of sales increased from approximately USD338.5 billion in 2011 to approximately USD431.0 billion in 2015 at a CAGR of approximately 6.2%. Such increase was mainly attributable to the expenditures made on health in emerging markets, such as the PRC, Brazil and India, that are lifting healthcare standards.

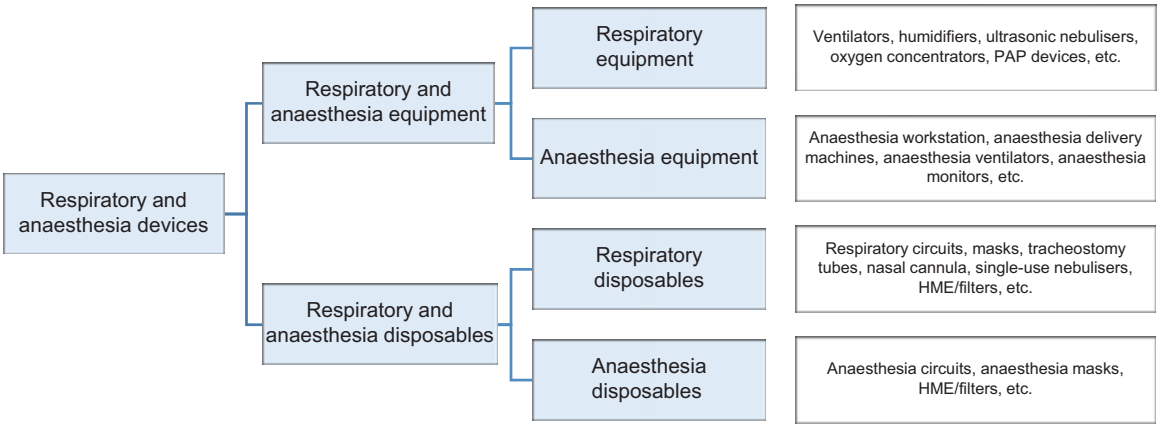
The PRC's medical device market in terms of sales increased from approximately RMB135.4 billion in 2011 to approximately RMB241.1 billion in 2015 at a CAGR of approximately 15.5%. Such increase was mainly due to the investments in the medical equipment and disposables market in the PRC as a result of the undergoing healthcare reform.

In comparison with major developed countries in the world, the medical device market in the PRC is far from mature. The total sales of the PRC medical device market represented about 9% of the total sales of the global medical device market in 2015. Per capita expenditure on medical devices in the PRC was approximately USD28.0 in 2015, whereas that of major developed countries was above USD100.0 for the same year. The PRC's medical device market is expected to maintain its high growth momentum in the future given its large population, aging problem as well as the Chinese government's efforts to improve healthcare services of the country.

RESPIRATORY AND ANAESTHESIA DEVICES MARKET

Our turnover generated from the respiratory and anaesthesia products amounted to approximately HK$131.2 million, HK$156.4 million and HK$175.2 million in 2013, 2014 and 2015, respectively, which accounted for approximately 40.4%, 40.2% and 39.1% of our total turnover for the same year. Among them, our OEM Business accounted for approximately 68.7%, 69.8% and 68.6% of our turnover generated from respiratory and anaesthesia products in 2013, 2014 and 2015, respectively, while the remaining was generated from our OBM Business.

Respiratory and anaesthesia device market can be divided by product type into equipment and disposables segments. Respiratory and anaesthesia equipment are devices designed to provide or assist in providing accurate and continuous supply of medical gases (oxygen and nitrous oxide) delivered to patients at safe pressure and flow, and respiratory and anaesthesia disposables are devices that administer oxygen (for respiratory disposables) or anaesthetic gas (for anaesthesia disposables) from a source thereof to a patient. The diagram below illustrates the types of respiratory and anaesthesia products.



In 2015, the global respiratory and anaesthesia device market in terms of sales amounted to approximately USD14.8 billion, of which the sales of respiratory and anaesthesia equipment and the sales of respiratory and anaesthesia disposables amounted to approximately USD10.8 billion and USD4.0 billion, respectively. According to the CIC Report, it is expected that the global respiratory and anaesthesia equipment market size and the global respiratory and anaesthesia disposables market size will reach USD16.0 billion and USD6.2 billion by 2020, respectively, representing a CAGR of approximately 8.2% and 9.1% between 2015 and 2020, respectively.

During the Track Record Period, our respiratory and anaesthesia products focused on disposables.

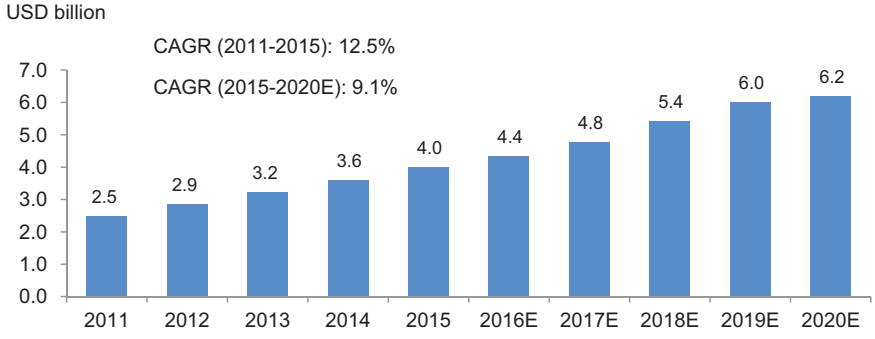
RESPIRATORY AND ANAESTHESIA DISPOSABLES MARKET

Global and U.S. Markets

Overview of the global and the U.S. respiratory and anaesthesia disposables markets

The global respiratory and anaesthesia disposables market size in terms of sales increased from approximately USD2.5 billion in 2011 to approximately USD4.0 billion in 2015 at a CAGR of approximately 12.5%. Such increase was mainly driven by the increased demand coming from fast adoption of anaesthesia information management systems, growth in number of surgeries conducted, rising incidences of respiratory diseases and rising population. It is expected that the global respiratory and anaesthesia disposables market size will increase further from approximately USD4.0 billion in 2015 to approximately USD6.2 billion in 2020, representing a CAGR of approximately 9.1%.

Sales and forecast of respiratory and anaesthesia disposables market (at ex-factory price), Global, 2011-2020E



Note: "E" denotes "Estimated"

Source: CIC Report

In 2015, the U.S. respiratory and anaesthesia disposables market in terms of sales accounted for approximately one-third of the global market which amounted to approximately USD1.3 billion-USD1.5 billion. According to the CIC Report, the market share of the U.S. in terms of the global market is expected to remain relatively stable in the next five years.

Major players of the global respiratory and anaesthesia disposables market

Since respiratory and anaesthesia disposables are generally sold together with equipment, leading global respiratory and anaesthesia equipment manufacturers are recognised as major players in the global respiratory and anaesthesia disposables market. Leading providers of anaesthesia equipment including GE Healthcare, Covidien, Draeger and Teleflex, while Draeger, Fisher & Paykel Healthcare, Philips Healthcare and Covidien dominate the respiratory equipment market.

Competitive landscape of Chinese exporters of respiratory and anaesthesia disposables in terms of export value to the global market

Respiratory and anaesthesia disposables manufacturers that provide OEM services for overseas brands are therefore exporters of such products to the global market. There are approximately 300 respiratory and anaesthesia disposables exporters in the PRC in 2015. Our Group is the second largest respiratory and anaesthesia disposables exporter in the PRC, with an export value of approximately RMB106.1 million in 2015. The chart below sets forth the market ranking of exporters of respiratory and anaesthesia disposables in the PRC in 2015.

Rank	Company	Product	Approximate export value of respiratory and anaesthesia disposables in 2015 (RMB million)	Market Share
1	Company A	Anaesthesia device sets, circuits, HMEs/filters, tracheal tubes, laryngeal airway	112.0	6-8%
2	Our Group	Respiratory and anaesthesia circuits, HMEs/filters	106.1	6-7%
3	Company B	Respiratory and anaesthesia circuits, HMEs/filters, masks	104.0	6-7%
4	Company C	Tracheal tubes, laryngeal airway, masks	103.0	6-7%
5	Company D	Respiratory and anaesthesia masks, laryngeal airway	63.0	3-4%

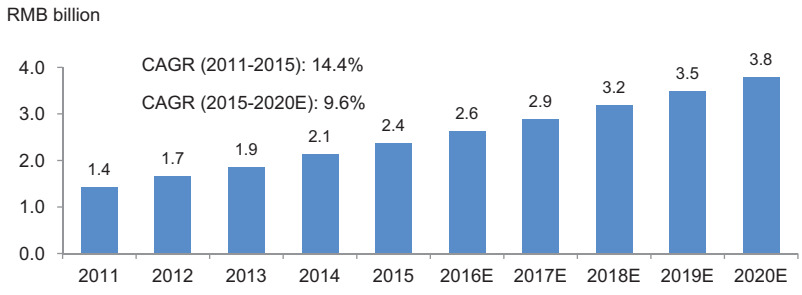
Source: CIC Report

The PRC Market

Overview of the PRC's respiratory and anaesthesia disposables market

The PRC's respiratory and anaesthesia disposables market size in terms of sales increased from approximately RMB1.4 billion in 2011 to approximately RMB2.4 billion in 2015 at a CAGR of approximately 14.4% and such increase was mainly driven by aging population, high replacement needs from planned surgeries, and rising incidences of respiratory illnesses. It is expected that the market size for PRC's respiratory and anaesthesia disposables in terms of sales will increase from approximately RMB2.4 billion in 2015 to approximately RMB3.8 billion in 2020 at a CAGR of approximately 9.6%.

Sales and forecast of respiratory and anaesthesia disposables market (at ex-factory price), the PRC, 2011-2020E



Note: "E" denotes "Estimated"

Source: CIC Report

Competitive landscape of respiratory and anaesthesia disposables players in terms of sales in the PRC market

International brands are leading in terms of sales of respiratory and anaesthesia disposables in the PRC due to their established reputation and advanced production technology, with Covidien and Teleflex collectively capturing approximately 20% of market share. A large number of domestic brands share the remaining market. The leading domestic players, namely, Tuoren Medical (新鄉駝人), Shengguang Medical (聖光醫用製品) and Qiangjian Medical (揚州強健) collectively accounted for approximately 17.0% of the market share of the respiratory and anaesthesia disposables market in the PRC.

Key Growth Drivers of the Respiratory and Anaesthesia Devices Market

(a) Rising number of surgeries conducted

The rising number of surgeries performed globally is expected to drive the growth of the global respiratory and anaesthesia devices market. According to the World Health Organization, the number of surgical procedures globally increased from 226.4 million in 2004 to 312.9 million in 2012, and is expected to continue to grow due to the growth of the aging population around the world. It is estimated by the World Health Organization that a minimum of 143 million additional surgical procedures are necessary each year to save lives and prevent disability. This need is greatest in the poorest regions of the world, including Western, Eastern, and Central sub-Saharan Africa, and South and Southeast Asia.

(b) Increasing incidences of respiratory illness

The continuous increase in the number of incidences of respiratory illness such as COPD, asthma and other respiratory diseases is the primary factor driving demand for respiratory and anaesthesia devices. COPD is a group of progressive and debilitating respiratory conditions, including emphysema and chronic bronchitis, characterised by difficulty in breathing, lung airflow limitations, cough and other symptoms. Some well-designed studies by European COPD Coalition and the Centers for Disease Control and Prevention of the U.S. have found a measured prevalence of COPD varying widely from 4% to 10% of adults in Europe and the U.S.. According to the latest National Center for Chronic Disease Prevention of the United States, chronic lower respiratory disease, primarily COPD, was the third leading cause of death in the United States in 2014.

(c) Rising rates of air pollution

Air pollution is a major health threat to people with respiratory disease. High levels of air pollution can adversely affect lung function and trigger asthma and COPD exacerbations. Developing countries generally have a more severe air pollution problem than developed countries while developing countries have a less developed respiratory and anaesthesia devices market. There is large growth potential for the industry in developing countries.

(d) Sophistication and persistent technological advances

Rapid technological advancements taking place in the global respiratory and anaesthesia devices market are expected to lead to the availability of better options for healthcare providers and patients, thereby promoting the growth of the respiratory and anaesthesia devices market.

Key Entry Barriers to the Respiratory and Anaesthesia Device Market

Set out below are the key barriers for new entrants into the respiratory and anaesthesia device market.

- Long process for new entrants to obtain manufacturing permits and to register their medical equipment and/or disposables products before they start manufacturing and selling such products in different countries as required by the relevant local laws and regulations;
- Lack of competitive research and development and technological capability as compared to the established market participants which have years of proprietary technology accumulation and possess strong research and development capabilities across different product lines and markets; and
- Large amounts of time and high capital investments are required to establish distribution networks initially.

IMAGING CMPI DISPOSABLES MARKET

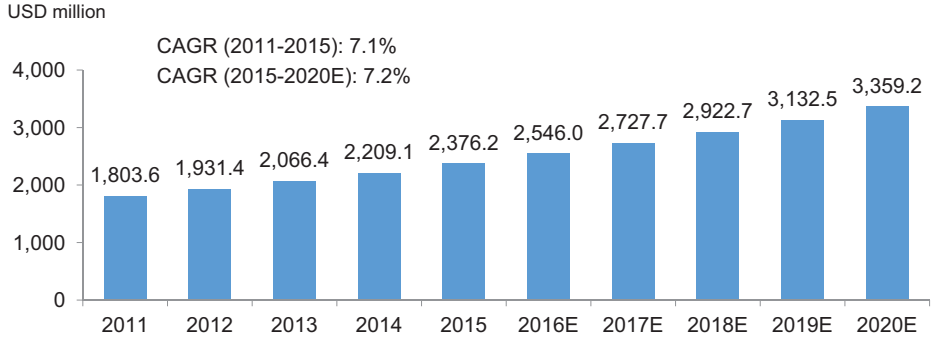
Medical imaging has been one of the most important techniques in clinical diagnosis and interventional treatment. Through using technologies such as X-ray radiography, computed tomography (CT) and magnetic resonance imaging (MRI), a patient's internal organs, structures and tissues could be visualised for medical diagnosis and treatment. With the assistance of contrast media, the visibility and clarity of images generated can be significantly increased. CMPIs are used in controlling the injection process of contrast media into a patient's body and imaging CMPI disposables include syringes, catheters and other accessories that are connected to CMPIs.

During the Track Record Period, we manufactured and sold our imaging CMPI disposable products on an OEM basis only. Our imaging CMPI disposable products mainly comprised injection syringes and connector tubing sets used for injection of contrast agent for CT and MRI imaging. Our turnover generated from manufacturing and sale of imaging CMPI disposables amounted to approximately HK$116.4 million, HK$153.2 million and HK$155.7 million in 2013, 2014 and 2015, respectively, representing approximately 35.9%, 39.4% and 34.7% of our total turnover for the same year.

Global and U.S. Markets

Overview of the global and the U.S. imaging CMPI disposables markets

Sales and forecast of imaging CMPI disposables market (at ex-factory price), Global, 2011-2020E



Note: "E" denotes "Estimated"

Source: CIC Report

The global imaging CMPI disposables market size in terms of sales increased from approximately USD1,803.6 million in 2011 to approximately USD2,376.2 million in 2015, representing a CAGR of approximately 7.1%. Such increase was mainly due to the rapid growing of aging population globally as well as the increasing awareness of patients on the diseases prevention and early diagnosis. It is expected that the global imaging CMPI disposables market size will increase further from approximately USD2,376.2 million in 2015 to approximately USD3,359.2 million in 2020 representing a CAGR of approximately 7.2%.

In 2015, the U.S. imaging CMPI disposables market in terms of sales accounted for approximately 30% of the global market, which amounted to approximately USD0.7 billion-USD0.9 billion. According to the CIC Report, the market share of the U.S. in terms of the global market is expected to remain relatively stable in the next five years.

Major players of the global imaging CMPI disposables market

According to the CIC Report, there are two types of imaging CMPI disposables exporters in the global market, namely (i) medical disposables producers who sell their own branded products to overseas medical institutions; and (ii) OEM producers that sell their products directly to their international OEM contractors.

Two market participants currently dominate the global CMPI market and the global imaging CMPI disposables market, namely "Bayer Group" which took up approximately 40% of this market and Guerbet who took up approximately 25% of this market in terms of sales at ex-factory price in 2015. These brands normally use imaging CMPI disposables on their CMPI products which are required to be compatible with their brands only. Our Group supplied imaging CMPI disposables to "Bayer Group" on an OEM basis only during the Track Record Period.

Competitive landscape of Chinese exporters of imaging CMPI disposable products in terms of export value to the global market

According to the CIC Report, there are no more than 100 domestic companies that export imaging CMPI disposables in the PRC with the major players being Shenzhen Ant Hi-Tech Industrial (深圳市安特高科實業), Wuxi Yushou Medical Appliances (無錫市宇壽醫療器械), Shandong Weigao (山東威高) and our Group.

Key Growth Drivers of the Imaging CMPI Disposables Market

*(a) The increasing awareness of diseases prevention and early diagnosis due to high mortality rate related to cancer and cardiovascular disease ("**CVD**")*

CVD and cancer are the top two causes of death in the U.S., E.U. and the PRC. In 2014, CVDs and cancers together accounted for more than 65% of total mortality in the U.S. and E.U. As for the PRC, CVDs and cancers together accounted for more than 70% of total mortality in 2014. The above has raised people's health awareness, thus increasing awareness of CVD and cancer prevention mainly through the use of imaging diagnosis such as CT and MRI scans which are the most commonly used diagnostic scans for identifying CVD and cancer. This drives the growth in demand for imaging diagnosis with the aid of contrast media, which in turn increases the demand for imaging CMPI disposables.

(b) Lower adverse reaction rates of contrast media

The adverse reactions of contrast media directly influence the number of people suitable for contrast-enhanced scans. With the development of contrast media used in contrast-enhanced scans, the allergy rate has significantly decreased. Such improvement in lowering adverse reactions of contrast media allows more patients, especially those who could not conduct enhancement scans

due to strong adverse reaction of previous contrast media, to be deemed suitable for enhancement scans which increases the demand for the contrast-enhanced scans, which in turn leads to an increase in the demand for imaging CMPI disposables.

Key Entry Barriers to the Imaging CMPI Disposables Market

Set out below are key barriers for new entrants into the imaging CMPI disposables market.

- As mentioned above, the majority of leading CMPI brands use imaging CMPI disposables that are only compatible with their own brands of CMPIs. It indicates that new entrants may find it difficult to (i) market their imaging CMPI disposables since their products may not be compatible with existing CMPI brands in the market; and (ii) establish business relationship with these leading CMPI brands as these brands tend to have an established base of imaging CMPI disposables suppliers; and

- Brand image and reputation are important factors in securing orders from large CMPI brands as the production of imaging CMPI disposables requires a high standard of quality and safety.

ORTHOPAEDIC AND REHABILITATION PRODUCTS MARKET

According to the CIC Report, rehabilitative products are normally categorised into the following categories:

(i) orthopaedic and rehabilitative products;

(ii) physiotherapy instruments;

(iii) rehabilitation robotic devices; and

(iv) other rehabilitative products.

During the Track Record Period, our orthopaedic and rehabilitation products mainly comprised a variety of adjustable rehabilitation braces for support, protection and rehabilitation of different skeletomuscular parts after injury or surgery, which are used in place of traditional plaster cast. Our turnover generated from orthopaedic and rehabilitation products amounted to approximately HK$55.7 million, HK$61.2 million and HK$74.1 million in 2013, 2014 and 2015, respectively, representing approximately 17.2%, 15.7% and 16.5% of our total turnover for the same year. During the Track Record Period, we mainly focused on selling our orthopaedic and rehabilitation products to our OEM customers.

Global and U.S. Markets

Overview of the global and the U.S. orthopaedic and rehabilitation products markets

The global orthopaedic braces and supports market has seen a stable growth in recent years, attributing to factors such as rising awareness of using orthopaedic braces and supports in rehabilitation treatment, increasing number of accidents and sports injuries, rising number of patients with arthritis or other orthopaedic disorders and more people suffering from pains in spine or limbs due to work stress or unhealthy living habits.

The sales at ex-factory price of the global market is estimated to amount to around USD3.0 billion in 2015, and is expected to grow at a CAGR of approximately 5% from 2015 to 2020, reaching approximately USD4.0 billion in 2020.

In 2015, the U.S. orthopaedic braces and support market in terms of sales accounted for approximately 40% of the global market, which amounted to approximately USD1.4 billion. According to the CIC Report, the market share of the U.S. in terms of the global market is expected to remain relatively stable in the next five years.

Major players of the global orthopaedic and rehabilitation products market

While the global orthopaedic braces and supports market is fragmented with thousands of small players, major companies that have made a name for themselves do hold large shares in this market. DJO Global (迪傑歐) is the global market leader with a market share of more than 20.0%. Ossur (奧索) and Ottobock (奧托博克) followed with a market share of approximately 10.0% and 9.0%, respectively. These three companies accounted for an aggregate of approximately 40.0% of the global orthopaedic and rehabilitation products market.

Competitive landscape of Chinese exporters of orthopaedic and rehabilitation products in terms of export value to the global market

The PRC's export value of orthopaedic/fracture appliances fluctuated in recent years and totalled at approximately USD328.8 million in 2014. There are hundreds of companies that export orthopaedic and rehabilitation products in the PRC, many of which act as OEM/original design manufacturing manufacturers for multinational corporations.

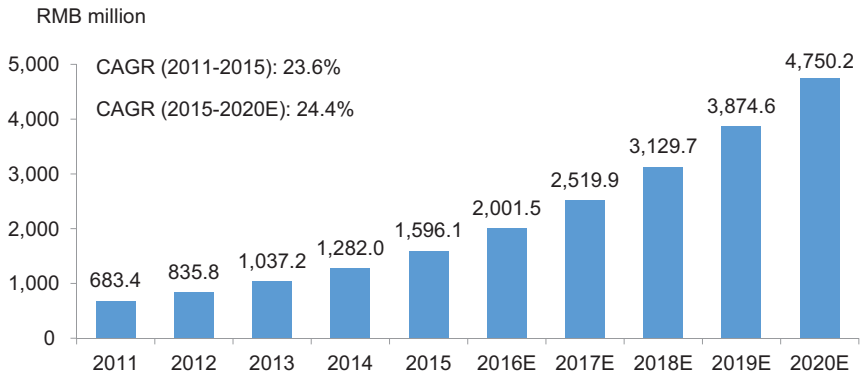
As noted from the CIC Report, more orthopaedic and rehabilitation products producers in the PRC are expected to export orthopaedic and rehabilitation products under their own brands.

The PRC Market

Overview of the PRC orthopaedic and rehabilitation product market

The PRC's orthopaedic rehabilitation product market in terms of sales increased from approximately RMB683.4 million in 2011 to approximately RMB1,596.1 million in 2015, representing a CAGR of approximately 23.6%. The increase was mainly driven by the increasing usage of orthopaedic braces and supports among clinicians to achieve good rehabilitative effect, the application of new materials such as thermoplastic materials that boast good plasticity and flexibility and the increasing number of orthopaedic rehabilitation patients. This market is expected to further grow from approximately RMB1,596.1 million in 2015 to approximately RMB4,750.2 million in 2020 at a CAGR of approximately 24.4%. The chart below illustrates the market size of the orthopaedic and rehabilitation products in the PRC from 2011 to 2020.

Sales and forecast of orthopaedic and rehabilitation product market (at hospital purchasing price), the PRC, 2011-2020E



Note: "E" denotes "Estimated"

Source: CIC Report

Competitive landscape of orthopaedic and rehabilitation products players in terms of sales in the PRC

Orthopaedic braces and supports belong to the category of orthoses, which comprise the major part of orthopaedic and rehabilitation products. The PRC's orthopaedic and rehabilitation product market is fragmented with about 600 to 700 companies that fabricate orthoses and prosthetics. Commonly, besides fabricating orthopaedic braces and supports, these companies also manufacture prosthetics or other rehabilitation assistive products such as orthotic insoles, neck collars, canes and wheelchairs.

Relatively large players in the PRC's orthopaedic brace and support market include Beijing Worldwide Jingbo Prosthetic & Rehabilitation Equipment Technology Co., Ltd. (北京環球精博康復輔具技術有限公司), Ottobock (China) Industries Co., Ltd. (奧托博克（中國）工業有限公司), DEAO Rehabilitation Technology Industrial Company Limited (德奧康復技術產業有限公司), each accounted for around 2% of the market share in terms of the sales of orthopaedic and rehabilitation products in the PRC in 2015. Beijing Huici Artificial Limb Medical Appliance Co., Ltd. (北京惠慈假肢醫療用品開發有限責任公司), Xiamen Chengli Medical Equipment Co., Ltd. (廈門丞力醫療器械有限公司), each accounted for approximately 1% of the market share in 2015.

Key Growth Drivers of the Orthopaedic and Rehabilitation Products Market

(a) Aging population

An aging population is expected to continue to drive the growth of orthopaedic and rehabilitation products market. Older people are more likely to develop conditions that need rehabilitation, physical therapy or orthopaedic surgery than the young generation. According to the U.N., over the first half of the 21st century, the global population aged 60 or over is projected to expand by more than three times to reach approximately 2.0 billion by 2050, which is more than triple that of 2000. Moreover, life expectancy is projected to rise from 70 years of age in 2010-2015 to 77 years of age in 2045-2050 globally according to the U.N.. As the average life expectancy rises, the number of old people is expected to maintain at a high level, which creates a large demand for rehabilitative services and products.

(b) Increasing number of patients who need rehabilitation

With the increasing prevalence of conditions such as degenerative joint diseases and cardio-cerebrovascular disease, as well as high incidence of sports injuries caused by increasing popularity of sports and athletic enthusiasts globally, the number of patients that need rehabilitation is increasing, which is expected to boost the demand for orthopaedic rehabilitative products.

(c) Increasing affordability

According to the International Monetary Fund, per capita disposable income of major countries is forecasted to grow, especially for developing countries, which makes orthopaedic and rehabilitation products more affordable. Furthermore, with the improvement of health security systems worldwide, more orthopaedic and rehabilitation products are expected to be covered by medical insurance, which is expected to drive the market growth.

Key Entry Barriers to the Orthopaedic and Rehabilitation Products Market

Set out below are the key barriers for new entrants into the orthopaedic and rehabilitation products market:

- Orthopaedic and rehabilitation products are currently mainly sold through hospitals and health institutions. Thus, new entrants may find it difficult to compete with existing market players for customer orders; and

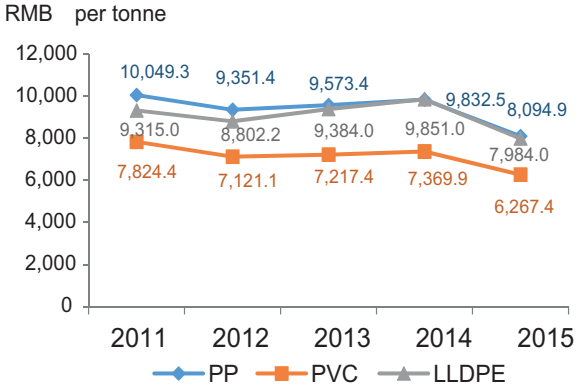
- Obtaining the required licences and certificates is essential for new entrants before they start to produce and sell orthopaedic and rehabilitation products.

MAJOR RAW MATERIALS

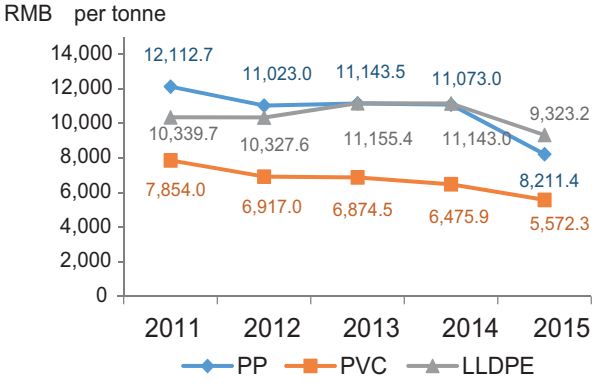
The principal raw materials used for our products are resin, plastic parts and tubing. Plastics including PVC, PP and LLDPE are the major raw materials to produce medical devices. PVC is the most widely used plastic resin in medical devices.

The prices of imported PVC, PP and LLDPE declined from approximately RMB7,824.4, RMB10,049.3 and RMB9,315.0 per tonne, respectively, in 2011, to approximately RMB6,267.4, RMB8,094.9 and RMB7,984.0 per tonne, respectively, in 2015. During the same period, the prices of domestically produced PVC, PP and LLDPE followed a similar trend, with the price of PVC, PP and LLDPE dropping from approximately RMB7,854.0, RMB12,112.7 and RMB10,339.7 per tonne, respectively, in 2011, to approximately RMB5,572.3, RMB8,211.4 and RMB9,323.2 per tonne, respectively, in 2015.

Import prices of major raw materials (PP, PVC, LLDPE), the PRC, 2011-2015



Domestic prices of major raw materials (PP, PVC, LLDPE), the PRC, 2011-2015



Sources: U.N. Comtrade, China Customs and CIC Report

REPORT COMMISSIONED FROM CIC

In connection with the Listing, we have commissioned CIC, an Independent Third Party, to analyse and to report on, the medical device market globally and in the PRC at a fee of RMB500,000.

CIC is a consulting firm founded in Hong Kong with offices in Beijing and Shanghai, the PRC. CIC provides market research and analysis, among other services, across multiple industries including healthcare and pharmaceutical. In preparing the CIC Report, CIC conducted both primary and secondary research through various sources. Primary research included interviewing key industry experts and leading industry participants and the secondary research involved analysing data from various publicly available data sources, including National Bureau of Statistics, industry associations, U.N., World Bank.

The market projections in the CIC Report are based on the following key assumptions:

(i) the PRC's economy and industry development is likely to maintain a steady growth in the next decade;

(ii) related industry key drivers are likely to drive the growth of the global and the PRC's target medical devices market in the forecast period, such as increasing disease incidence,

widening medical insurance, increasing disposable income, medical diagnostic and treatment technology development; and

(iii) there is no extreme force majeure or industry regulation which may affect the market dramatically or fundamentally.

Except as otherwise noted, all the data and forecasts in this section are derived from the CIC Report.

PRC LAWS AND REGULATIONS

Our business operations are subject to extensive supervision and regulation by the PRC government. This section sets out (i) an introduction to the major PRC government authorities with jurisdiction over our current operations; and (ii) a summary of the main laws, regulations and policies to which we are subject.

GENERAL REGULATORY FRAMEWORK

The medical device industry in the PRC is subject to strict and extensive regulation and review by governmental authorities. The NDRC is responsible for organising the implementation of policies for the medical device industry, conducting research on the intended industry development plans, supervising the structural realignments within the industry and implementing industry management. Besides, the National Health and Family Planning Commission (the "**NHFPC**") is responsible for the formulation of health reform and development strategies, plans and guidance policies, drafting of provisional laws and regulations relating to medical devices, development of regulations of medical devices, and formulation of relevant standards and technical specifications. Moreover, the CFDA is responsible for providing administrative supervision and technological management of research, manufacture, distribution and application of medical devices.

Our products are subject to regulatory controls governing medical devices. Manufacturers of medical devices are subject to regulations and oversight by CFDA and the local food and drug administrative authorities. We are also subject to other PRC laws and regulations applicable to manufacturers in general. CFDA's requirements include obtaining production permits, medical device registrations and compliance with clinical testing standards, reporting procedures with respect to adverse events.

CLASSIFICATION OF MEDICAL DEVICES

In the PRC, medical devices are classified into three different categories, Class I, Class II and Class III, depending on the degree of risk associated with each medical device and the extent of control needed to ensure safety and effectiveness. The class to which a medical device is assigned determines, among other things, whether a manufacturer needs to obtain a production permit and the level of regulatory authority involved in granting such permits. The classification of a medical device also determines the types of medical device registration certificates required and the level of regulatory authority involved in granting the medical device registration certificates.

Class I devices pose low risk to human body and its safety and effectiveness can be ensured through routine administration. A registration system was originally implemented for Class I devices and medical device registration certificates for such products are regulated and granted by the city-level food and drug administration where the manufacturer is located. As from 1 June 2014, a filing system was adopted on Class I devices and manufacturers are required to file with the city-level food and drug administrative authorities of which they are located. Class II devices pose medium risk to the human body and its safety and effectiveness shall be strictly controlled. Medical device registration certificates for Class II devices are regulated and granted by the provincial-level food and drug administrative where the manufacturer is located, usually through a quality system assessment. Class III devices pose high risk to human body, like life-sustaining, life-supporting and implantable devices. Medical device registration certificates for Class III devices are regulated and granted by CFDA under the strictest regulatory control.

The OBM products that we sell in the PRC are classified as Class II devices.

MEDICAL DEVICE REGISTRATION CERTIFICATE

Pursuant to the Administrative Measures for the Medical Devices Registration (《醫療器械註冊管理辦法》) promulgated by the CFDA and took effect on 1 October 2014, manufacturers

engaging in the production of Class I medical devices are required to file with the city-level food and drug administrative authorities of which they are located. Moreover, production of Class II medical devices is subject to the inspection and approval of the drug administrative authorities under the PRC government at the level of provinces, autonomous regions, municipalities, and the grant of medical device registration certificates. Furthermore, production of Class III medical devices shall be subject to the inspection and approval and the grant of a medical device registration certificate by the CFDA. The medical device registration certificate is valid for five years and the holder of which shall apply for extension within six months prior to its expiration. Production of Class II and Class III medical devices shall pass clinical verification. Clinical verification is not required under any of the following circumstances:

(1) medical devices with detailed operation mechanism, fixed design and mature manufacturing technology, while the same types of medical devices in the market have no record of severe adverse events after years of clinical application, and there are no changes on its ordinary usage;

(2) medical devices that are proven to be safe and effective through non-clinical evaluation; and

(3) medical devices that are proven to be safe and effective by analysis and evaluation of the data obtained from the clinical trial or clinical application of the same types of medical devices.

List of medical devices exempted from clinical trials will be formulated, adjusted and published by the CFDA. Conducting clinical trials for Class III medical devices which impose higher risks on human bodies shall be approved by the CFDA. List of Class III medical devices of which clinical trials approvals are required will be formulated, adjusted and published by the CFDA.

MEDICAL DEVICE MANUFACTURING LICENCE

Pursuant to the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), which was amended by the State Council of the PRC on 12 February 2014 and has come into effect from 1 June 2014, a manufacturer must accomplish the registration of product, and obtain a production permit from the respective level of food and drug administration before commencing the manufacture of Class II and III medical devices.

The establishment of an enterprise which engages in the manufacture of Class I medical devices shall carry out record-filing with the drug administrative authorities of the PRC Government at the level of cities with districts at its domicile. Meanwhile, the establishment of an enterprise engaging in the manufacture of Class II and Class III medical devices shall be subject to examination and approval by the drug administration authorities within the PRC Government of various provinces, autonomous regions, municipalities, and shall obtain a Medical Device Manufacturing Licence. Accordingly, a manufacturer will not be able to commence any business operations without submitting a filing or obtaining a Medical Device Manufacturing Licence. The term of the validity of the Medical Device Manufacturing Licence is five years and a manufacturer shall apply for extension in accordance with the provisions of laws related to administrative licensing.

GOOD MANUFACTURING PRACTICE FOR MEDICAL APPARATUS AND INSTRUMENTS

Good Manufacturing Practice Rules for Medical Devices (《醫療器械生產質量管理規範》) (the "**GMP**"), which was promulgated on 29 December 2014 and became effective on 1 March 2015, is regarded as the basic principles of the quality control system of medical devices manufacturing and is applicable to the entire process of design and development, production, sales and services of medical devices. Manufacturing enterprises of medical devices shall establish quality control systems in accordance with the features of the products and the GMP requirements, and to maintain effective operations. As a component of the quality control system, manufacturing enterprises shall implement risk management throughout the entire process of product production.

According to the Administrative Measures for Inspection of Good Manufacturing Practice for Medical Devices (for Trial Implementation) (《醫療器械生產質量管理規範檢查管理辦法（試行）》) which became effective as from 1 January 2011, Pharmaceutical Certification Management Center ("**Certification Management Center**") of the CFDA was appointed by the CFDA to conduct quality control inspection of the manufacturing of certain Class III medical devices with high risks. The provincial-level drug administrative authorities are responsible for the quality control inspection of the manufacturing of Class II medical devices and other Class III medical devices excluding certain Class III medical devices with high risks inspected by the Certification Management Center; the inspection formalities on the control of reporting information regarding the quality control inspection of the manufacturing of certain high risks Class III medical devices, and the daily supervision and administration of the quality control system of the medical devices manufacturing enterprises within their respective administrative regions. Medical devices manufacturing enterprises will receive Notice on the Inspection Results of the Good Manufacturing Practice for Medical Devices issued by the CFDA and provincial-level drug administrative authorities after inspections, and the results of such inspections are divided into "Passed", "Reassessment after rectification" and "Failed". The validity of Notice on the Inspection Results of the Good Manufacturing Practice for Medical Devices obtained by those manufacturing enterprises of medical devices which passed the inspection is four years, and such enterprises shall re-apply for inspection prior to its expiry.

PERMIT FOR MEDICAL DEVICE OPERATION

Pursuant to the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), enterprises engaging in the operations of Class I medical devices are not required to obtain approval or submit a filing; enterprises engaging in the operation of Class II medical devices are required to file with food and drug administrative authorities at the city level in which the enterprises operate, while enterprises engaging in the operations of Class III medical devices shall apply to the food and drug administrative authorities at the city level in which the enterprises operate to obtain the operation permits.

The term of validity of the Permit for Medical Device Operation is five years. Manufacturing enterprises of medical devices which continue to engage in the operation of medical devices shall submit applications to the drug administrative authorities for extension of the Permit for Medical Device Operation Enterprises in accordance with the provisions of laws related to administrative licensing.

According to Measures for the Supervision and Administration of Medical Device Operation (《醫療器械經營監督管理辦法》) promulgated by the CDFA on 30 July 2014 and became effective on 1 October 2014, medical devices manufacturing enterprises engaging in the sale of self-produced products are not required to obtain the Permit for Medical Device Operation.

EXPORT REGISTRATION

The CFDA maintains a registration system for the export of medical devices. Medical devices manufacturers, including the PRC domestic companies and foreign-invested enterprises, must obtain export registration certificates from the CFDA before exporting any medical device. Pursuant to the Rules on the Application and Issuance of Medical Device Exportation Certificate (《醫療器械產品出口證明申辦規定》) promulgated by the CFDA on 6 January 1996 and the Rules on the Administration of Medical Device Exportation Sales Certificate (《醫療器械產品出口銷售證明管理規定》) which was promulgated by the CFDA on 1 June 2015 and came into effect on 1 September 2015, the CFDA represents the PRC Government to conduct inspections of safety and legality of the products manufactured by domestic enterprises (including the PRC enterprises, sino-foreign equity joint ventures and foreign-owned enterprises), and to grant Exportation Certificate in accordance with the international conventions so as to prove that such products have obtained legitimate production permit within Chinese territory. Medical Device Exportation Certificate granted by the CFDA must be used with the Safety and Quality Assurance Disclaimer issued by the manufacturers of such products

at the same time, and such certificate shall not be used separately. Chinese version of the Exportation Certificate is regarded as the original copy and its English translation is deemed as a copy. Such certificate, except being specified for one time use, is valid for a term of no longer than two years.

CONTINUING REGULATION OF CFDA OR ITS RELEVANT LOCAL COUNTERPARTS

We are subject to the continuing supervision by the CFDA and its relevant local counterparts. In the event of significant modification to an approved medical device, its labelling or its manufacturing process, a new pre-market approval or pre-market approval supplement may be required. Our products are subject to, among others, the following regulations:

Renewal of Permits and Certificates

Production permits are valid for five years from their issuance date and medical device registration certificates expire after five years. Applications for renewal of such permits and certificates must be submitted to the respective food and drug administrative authorities within the prescribed timeframe prior to their expiry. Failure to renew the relevant permit and/ or certificate on time may result in fines being imposed by the CFDA and its relevant local counterparts or revocation of the permit and/ or certificate.

Changes to Content of Permits and Certificates

According to Administrative Measures of the Supervision and Administration of Medical Devices Manufacture (《醫療器械生產監督管理辦法》) which was promulgated on 30 July 2014 and came into effect on 1 October 2014, any changes to the contents or particulars stated in the production permit must be reported to the CFDA or its relevant local counterparts. Pursuant to Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), if any of the contents stated in the product registration certificate is changed, an application for modification or re-registration of the product registration certificate must be filed with the CFDA or its relevant local counterparts. If there are non-substantive changes of the registered Class II and Class III medical devices which do not affect the safety and effectiveness of such medical devices, registrants shall report to the original registration authorities for records.

Other Continuing Regulations

Good Manufacturing Practice Rules for Medical Devices (《醫療器械生產質量管理規範》) requires manufacturers to create, implement and follow certain design, testing, control, documentation and other quality assurance procedures.

Pursuant to Medical Device Recall Management Measures (for Trial Implementation) (《醫療器械召回管理辦法（試行）》) which was issued by the Ministry of Health on 20 May 2011 and came into effect on 1 July 2011, manufacturers of medical devices shall immediately decide to make a voluntary recall when a defective product was found in defect investigation.

The CFDA and its relevant local counterparts impose general prohibition against promoting products for unapproved uses.

We are also subject to inspection and market surveillance by the CDFA and its relevant local counterparts to determine compliance with regulatory requirements. If the CFDA and its relevant local counterparts decide to enforce its regulations and rules, the agency may institute a wide variety of enforcement actions such as:

(1) fines, injunctions and civil penalties;

(2) recall or seizure of our products;

(3) the imposition of operating restrictions, partial suspension or complete shutdown of production;

(4) revocation of our existing registration, approvals and permits; and

(5) criminal prosecution.

PRODUCT LIABILITY AND CONSUMER PROTECTION

The Product Quality Law of the PRC (《中華人民共和國產品質量法》) which was promulgated on 22 February 1993 and last amended and came into effect on 27 August 2009 aims to strengthen quality control of products and reinforce consumers' rights. Pursuant to such law, manufacturers and operators who produce and sell defective products may be subject to confiscation.

The PRC Tort Law (《中華人民共和國侵權責任法》) was enacted by the Standing Committee of the National People's Congress (the "**SCNPC**") on 26 December 2009 and came into effect from 1 July 2010. Pursuant to such law, manufacturers shall be liable for damages caused by the defects of their products. If the seller fails to identify the manufacturer or the supplier of the defective products, the seller shall assume tort liability. Where the defective product endangers personal or property safety, the victim can claim for compensations from either the seller or the manufacturer. In the event that the seller has paid compensation in relation to the defective products when, in fact, the manufacturer should be responsible for the defects, the seller shall be entitled to claim indemnity from the manufacturer. If the defect of the products is caused by the fault of a third party, such as a carrier or warehouseman, the manufacturer or seller of the product that has paid the compensation shall be entitled to claim indemnity from the third party. Where any defect of a product is found after the product is put into circulation, the manufacturer or seller shall take remedial measures including but not limited to issuing warnings and recalling in a timely manner. If any damage is caused due to the untimeliness or ineffectiveness of the remedial measure, the manufacturer and seller shall bear tortious liability. Where a manufacturer or seller knowingly continues to produce or sell defective products, and the defective products cause death or any serious damage to the health of another person, the victim shall be entitled to claim punitive compensation from the manufacturer or the seller.

The PRC Law on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》), which was promulgated on 31 October 1993, amended on 25 October 2013 and came into effect on 15 March 2014, aims to protect consumers' rights when they purchase goods or services. All business operators must comply with such law when they manufacture or sell goods and/ or provide services to customers. Consumers whose legitimate rights and interests are infringed upon purchasing and using commodities and/or in receiving services may demand compensation from the sellers of such commodities or services. Consumers or other victims suffering from personal injuries or property damage resulting from defects of commodities may demand compensation from either the sellers or the manufacturers. If the liability is on the manufacturers, the sellers shall, after paying the compensation, have the right to recover the compensation from the manufacturers. If the liability is on the sellers, the manufacturers shall, after paying the compensation, have the right to recover the compensation from the sellers. Where a business operator violates the PRC Law on the Protection of the Rights and Interests of Consumers or other relevant laws or regulations, it may be subject to a fine, an order to cease production or a revocation of licences. Business operators that infringe the legitimate rights and interests of consumers by providing goods or services in violation of the PRC Law on the Protection of the Rights and Interests of Consumers shall be investigated for criminal liability in accordance with the law.

OTHER REGULATIONS

Laws regulating medical device manufacturers and distributors cover a broad array of subjects. We must comply with numerous additional state and local laws relating to matters such as safe working conditions, manufacturing practices, environmental protection and fire hazard control.

LABOUR AND SOCIAL PROTECTION

Labour Law of the PRC

The Labour Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on 5 July 1994 and became effective on 1 January 1995, and was amended on 27 August 2009, provides that an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. An employer shall develop and improve its labour safety and health systems, stringently implement national protocols and standards on labour safety and health, conduct labour safety and health education for workers, guard against labour accidents and reduce occupational hazards. Labour safety and health facilities must comply with relevant national standards. An employer must provide workers with the necessary labour protection articles that comply with labour safety and health conditions stipulated under national regulations, as well as provide regular health examinations for workers that are engaged in operations with occupational hazards. Labourers engaged in special operations shall have received specialised training and obtained qualifications for special operations. An employer shall develop a vocational training system. Vocational training funds shall be set aside and used in accordance with national regulations and vocational training for workers shall be carried out systematically based on the actual conditions of the company.

Labour Contract Law of the PRC and its Implementation Regulations

The Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) (the "Labour Contract Law"), which was promulgated by the SCNPC on 29 June 2007, amended on 28 December 2012 and came into effect on 1 July 2013, and the Implementation Regulations on Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) which was promulgated and implemented on 18 September 2008, regulate parties to a labour contract, namely the employer and the employee, and contain specific provisions involving the terms of the labour contract. It is stipulated under the Labour Contract Law and the Implementation Regulations on Labour Contract Law that a labour contract must be made in writing. An employer and an employee may enter into a fixed-term labour contract, an un-fixed term labour contract, or a labour contract that concludes upon the completion of certain work assignments, after reaching agreement upon due negotiations. An employer may legally revoke a labour contract after reaching an agreement upon due negotiations with the employee or by fulfilling the statutory circumstances.

Laws and Regulations on the Supervision over the Social Security and Housing Funds

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on 28 October 2010 and became effective on 1 July 2011, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), which was promulgated by the State Council and implemented on 22 January 1999, the Interim Measures concerning the Administration of the Registration of Social Insurance (《社會保險登記管理暫行辦法》), which was promulgated and became effective on 19 March 1999, the Regulations on Work-Related Injury Insurance (《工傷保險條例》), which was promulgated by the State Council on 27 April 2003 and was amended on 20 December 2010, the Regulations on Unemployment Insurance (《失業保險條例》), which was promulgated by the State Council and implemented on 22 January 1999, and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), which was promulgated by the Ministry of Labour on 14 December 1994 and implemented on 1 January 1995, enterprises in PRC shall provide welfare schemes for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work-related injury insurance and basic medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and shall pay or withhold relevant social insurance premiums for or on behalf of employees. An employer who fails to make contributions in a timely manner may be fined and be ordered to make up for the outstanding contributions.

The Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated by the State Council and came into effective on 3 April 1999, and was amended on 24 March 2002, stipulate that housing provident fund contributions paid by an individual employee and housing provident fund contributions paid by his or her employer all belong to the individual employee. An employer who fails to make contributions in a timely manner may be fined and be ordered to make up for the outstanding contributions.

Production Safety

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) which was promulgated on 29 June 2002, amended on 31 August 2014 and came into effect on 1 December 2014, enterprises and institutions shall be equipped with the conditions for safe production as provided in the Production Safety Law of the PRC and other relevant laws, administrative regulations, national standards and industrial standards, and shall promote standardisation on production safety. Any entity that is not equipped with such conditions is not allowed to engage in production and business operation activities. Enterprises and institutions shall educate their employees regarding production safety. The labour union shall conduct supervision on work safety production according to the laws. In addition, enterprises and institutions shall provide personal protective equipment that attains national standards or industrial standards to the employees, and supervise and educate them to use such equipment.

LAWS AND REGULATIONS RELATING TO REGISTRATION FOR IMPORT AND EXPORT OF GOODS

According to the Customs Law of the PRC (《中華人民共和國海關法》), which was promulgated by the SCNPC on 22 January 1987 and amended on 8 July 2000, 29 June 2013, 28 December 2013 (the latest revision became effective on 28 December 2013), unless otherwise provided for, the declaration of import or export of goods and the payment of duties may be made by the consignees or consigners themselves, and such formalities may also be completed by their entrusted customs brokers that are registered with the permission of the competent customs. The consignees and consigners for import or export of goods and the customs brokers engaged in customs declaration shall register with the competent customs in accordance with the laws. The declaration and payment of duties of inward and outward articles may be made by the owners of the articles themselves or by the persons they have entrusted with the work.

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》), promulgated by the SCNPC on 12 May 1994 and amended on 6 April 2004 (the latest revision became effective on 1 July 2004), foreign trade operators engaged in the import and export of goods or technology shall go through the record-filing registration formalities with the competent department of foreign trade under the State Council or its entrusted institutions, except for those that do not need to go through the record-filing registration formalities as prescribed by laws, administrative regulations and the provisions of the competent department of foreign trade under the State Council. The specific measures for record-filing registration shall be formulated by the competent department of foreign trade under the State Council. Where a foreign trade operator fails to go through the record-filing registration formalities, the customs shall refuse to handle the formalities for declaration and clearance of goods imported or exported by the operator.

INTELLECTUAL PROPERTY RIGHTS

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated on 12 March 1984 with the last amendment effective on 1 October 2009, patent protection is divided into three categories, namely, invention patent, utility patent and design patent. Invention patents are intellectual property rights in relation to new technology of a product, method, or its improvement. Utility patents are intellectual property rights in relation to new technology to increase the utility of product's shape, structure or combination. Design patents are intellectual property rights in relation to new design of a

product's shape, pattern, or the combination of them, and the combination of colour, shape and pattern with aesthetic and industrial application value. Invention patents are valid for twenty years from the date of application, while design patents and utility patents are valid for ten years from the date of application. Once an invention patent or a utility patent is granted, unless otherwise permitted by law, no individual or entity is permitted to engage, for the purposes of production and business operation, in the manufacture, use, offer to sell, sale, or import of the patented products or otherwise engage in applying the patented method, use, offer to sell, sale, or import of the products directly derived from applying the patented method, without consent of the patent holder. Upon the granting of a design patent, no individual or entity is permitted to engage, for the purposes of production and business operation, in the manufacture, offer to sell, sale, or import of the patented products. Where the infringement of patent is determined, the infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, pay damages etc.

Pursuant to the PRC Trademark Law (《中華人民共和國商標法》) which was promulgated on 23 August 1982 and amended on 22 February 1993, 27 October 2001, 30 August 2013, and the last amended version which came into effect on 1 May 2014, and Regulation for the Implementation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) which was promulgated on 3 August 2002 and was amended on 29 April 2014 and came into effect on 1 May 2014, the term of validity of a registered trademark is ten years, calculated from the date of approval of the registration. If a registrant needs to continue to use the registered trademark after the term of validity, an application for renewal of registration shall be made within six months before the expiration. Violation of the Trademark Law of the PRC may result in the imposition of fines and, confiscation and destruction of the infringing commodities.

TAXATION

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "**EIT Law**"), which was promulgated on 16 March 2007 and came into effect on 1 January 2008, and the Implementation Rules To the Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》) (the "**Implementation Rules**"), which was promulgated on 6 December 2007 and came into effect on 1 January 2008, the income tax for both domestic and foreign-invested enterprises is at the same rate of 25%. Pursuant to the EIT Law and Implementation Rules, enterprises established under the laws of foreign countries or regions whose "de facto management bodies" are located in the PRC are considered as resident enterprises, and will generally be subject to enterprise income tax at the rate of 25% of their global income. Non-resident enterprises refer to enterprises which are established according to the law of a foreign country (region) and whose actual management body is not in the PRC, but which have established institutions or premises in the PRC, or which have not established institutions or premises in the PRC but have income earned in the PRC. While non-resident enterprises that have set up institutions or premises in the PRC shall pay enterprise income tax, in relation to the income originating from the PRC and obtained by their institutions or establishments, and on the income incurred outside the PRC but associated with such institutions and enterprises, non-resident enterprises which have not established institutions or premises in the PRC, or which have established institutions or premises in the PRC but whose income have no association with such institutions or premises shall pay enterprise income tax on their income earned from the PRC. The Implementation Rules defines "de facto management bodies" as "establishments that carry out substantial and overall management and control over production and operations, personnel, accounting, properties, and etc." of the enterprise.

Value-added Tax

The Interim Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on 13 December 1993, amended on 10 November 2008, and implemented on 1 January 2009, and the Detailed Implementing Rules of the Interim Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the

MOF on 25 December 1993, last amended on 28 October 2011 and became effective on 1 November 2011, set out that all organisations and individuals engaged in sales of goods, provision of processing, repairs and replacement services, or importation of goods within the territory of the PRC shall be taxpayers of the value-added tax (the "**VAT**") and shall pay VAT in accordance with these regulations. A tax rate of 17% shall be levied on taxpayers selling or importing various goods and on taxpayers providing processing, repairs and replacement services; the applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated by the State Council.

Furthermore, according to the Pilot Plan for the Imposition of Value-Added Tax to Replace Business Tax (《營業税改徵增值税試點方案》) (the "**Pilot Plan**"), which was promulgated by the MOF and the SAT and implemented on 16 November 2011, the government started to, since 1 January 2012, collect VAT in lieu of business tax on a trial basis in pilot regions, which show strong economic performance, and pilot industries, such as transportation industries and certain modern service industries. Pursuant to the Pilot Plan, two levels of low VAT rates of 11% and 6% are added to the current VAT rates which are 17% and 13% respectively. The tax rate for businesses such as the transportation business and the construction business is 11%, and the tax rate for certain other modern service businesses is 6%.

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業税改徵增值税試點的通知》), which was promulgated by the MOF and the SAT on 23 March 2016 and will come into effect on 1 May 2016, since 1 May 2016, the government will collect VAT in lieu of business tax on a trial basis within the territory of the PRC, and in industries such as construction industries, real estate industries, financial industries, and living service industries.

VAT Export Refund

According to the Administrative Measures for Tax Rebate (Exemption) of Exported Goods (for Trial Implementation) (《出口貨物退（免）税管理辦法（試行）》), which was promulgated by the SAT on 16 March 2005 and became effective on 1 May 2005, unless otherwise prescribed, upon declaration of export and financial accounting for sale, the VAT in relation to the goods exported by export agents can be rebated or exempted upon approval by competent tax authority.

Enterprise Income Tax on Indirect Transfer of Non-Resident Enterprises

Pursuant to the Circular of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Incomes from Equity Transfers of Non-Resident Enterprises (《國家税務總局關於加强非居民企業股權轉讓所得企業所得税管理的通知》) ("**Circular 698**"), which was promulgated by the SAT on 10 December 2009, and the Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on the Indirect Transfers of Properties by Non-Resident Enterprises (《國家税務總局關於非居民企業間接轉讓財產企業所得税若干問題的公告》) (the "**Circular 7**"), which was promulgated by the SAT and became effective on 3 February 2015, where a non-resident enterprise indirectly transfers equity interests or other assets of a PRC resident enterprise by implementing arrangements that are not for bona fide commercial purposes to avoid its obligation to pay EIT, such an indirect transfer shall, in accordance with Article 47 of the EIT Law, be recognised by the competent PRC tax authorities as a direct transfer of equity interests or other assets by the PRC resident enterprise.

According to the Circular 7, the indirect transfer of PRC taxable property shall be regarded as having a bona fide commercial purpose if all the following conditions are met: (i) the parties to the transaction are in any of the following equity relationships: (a) the transferor holds, directly or indirectly, more than 80% of the transferee's equity; (b) the transferee holds, directly or indirectly, more than 80% of the transferor's equity; or (c) more than 80% of the equity of the transferee and the transferor is held, directly or indirectly, by the same party; (ii) the amount of EIT payable on any subsequent indirect equity transfer will not be less than that payable on the same or similar indirect

equity transfer had the subject indirect equity transfer not taken place; and (iii) the transferee pays the entire amount of consideration with its own equity or equity of an enterprise with which it has a controlling shareholding relationship (excluding equity of a listed company).

Urban Maintenance and Construction Tax as well as Education Surtax

Pursuant to Tentative Regulations of the PRC on Urban Maintenance and Construction Tax (《中華人民共和國城市維護建設稅暫行條例》), which was promulgated by the State Council on 8 February 1985 and came into effect on 1 January 1985, and amended on 8 January 2011, and Circular of the SAT on Issues Concerning the Collection of the Urban Maintenance and Construction Tax (《國家稅務總局關於城市維護建設稅徵收問題的通知》), which was promulgated by the SAT and implemented on 12 March 1994, any unit or individual responsible for consumption tax, value-added tax and business tax shall also be required to pay urban maintenance and construction tax. Payment of urban maintenance and construction tax shall be based on the consumption tax, value-added tax and business tax which a taxpayer actually pays and shall be made simultaneously when the latter are paid. Furthermore, the rates of urban maintenance and construction tax shall be 7%, 5% and 1% for a taxpayer in a city, in a county town or town and in a place other than a city, county town or town respectively.

In accordance with Tentative Provisions on the Collection of Educational Surtax (《徵收教育費附加的暫行規定》), which was promulgated by the State Council on 28 April 1986 and implemented on 1 July 1986, last revised on 8 January 2011 and became effective on 8 January 2011, all units and individuals who pay consumption tax, value-added tax and business tax shall also be required to pay educational surtax in accordance with these Provisions. The educational surtax rate is 3% of the amount of value-added tax, business tax and consumption tax actually paid by each unit or individual, and the educational surtax shall be paid simultaneously with value-added tax, business tax and consumption tax.

LEGAL SUPERVISION OVER THE FOREIGN INVESTMENT IN THE PRC

Wholly Foreign-Owned Enterprise Law of the PRC and its Implementation Measures

The Wholly Foreign-Owned Enterprise Law of the PRC (《中華人民共和國外資企業法》), which was promulgated on 12 April 1986 by the National People's Congress and amended on 31 October 2000 by the SCNPC (the latest revision became effective on 31 October 2000), and the Regulations for the Implementation of the Wholly Foreign-Owned Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》), which was promulgated by the former Ministry of Foreign Economic Relations and Trade on 12 December 1990, last amended by the State Council on 19 February 2014 and became effective on 1 March 2014, stipulate that foreign enterprises and other economic organisations or individuals may establish wholly foreign-owned enterprises (the "**WFOEs**") in the PRC. The application for the establishment of a WFOE is subject to the examination and approval by the competent commercial departments before the Approval Certificate is issued.

The Industry Catalogue for Guiding Foreign Investment and Interim Provisions Guiding Foreign Investment Direction

The current Industry Catalogue for Guiding Foreign Investment (《外商投資產業指導目錄》) (the "**Foreign Investment Catalogue**") was jointly promulgated by the NDRC and the MOFCOM on 10 March 2015 and came into effect on 10 April 2015, and the Provisions Guiding Foreign Investment Direction (《指導外商投資方向規定》) was promulgated by the State Council on 11 February 2002 and came into effect on 1 April 2002, classifying all foreign investment projects into four categories: (1) permitted projects, (2) encouraged projects, (3) restricted projects and (4) prohibited projects. The medical device industry falls within the category of industries in which foreign investment is permitted. Foreign investors may participate in the manufacture and operation of medical device within the territory of the PRC by means of the establishment of a joint venture or a wholly foreign owned enterprise.

LEGAL SUPERVISION OVER THE FOREIGN EXCHANGE IN THE PRC

The Regulations of the PRC on Foreign Exchange (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on 29 January 1996, last amended on 5 August 2008 and became effective on 5 August 2008, set out that foreign exchange receipts of domestic institutions or individuals may be transferred to the PRC or deposited abroad and that State Administration Of Foreign Exchange ("**SAFE**") shall specify the conditions for transfer to PRC or overseas and other requirements in accordance with the international receipts, payments status and requirements of foreign exchange control. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaged in the settlement or sale of foreign exchange according to relevant provisions of the State. Any foreign exchange payment from capital account shall, in accordance with provisions enacted by the foreign exchange administrative department of the State Council, be made out of the payer's own foreign exchange funds with valid documents, or be made with foreign exchange funds purchased from any financial institution engaged in the foreign exchange settlement and sales business. Domestic institutions or individuals that make direct investments abroad or are engaged in the distribution or sale of valuable securities or derivative products overseas shall register according to SAFE regulations. Such institutions or individuals subject to prior approval or record-filing with other competent authority shall complete the required approval or record-filing prior to foreign exchange registration. The exchange rate for RMB follows a managed floating exchange rate system based on market demand and supply.

The Regulations on Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated by the People's Bank of China on 20 June 1996, and became effective on 1 July 1996, provide that foreign exchange receipts under the current account of foreign-invested enterprises may be retained to the fullest extent specified by the foreign exchange bureau. Any portion in excess of such amount shall be sold to a designated foreign exchange bank or through a foreign exchange swap centre.

According to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which was promulgated by SAFE on 13 February 2015 and became effective on 1 June 2015, the confirmation and registration of foreign investors' non-monetary contribution and the confirmation and registration of foreign investors' contribution to purchasing the equity held by the Chinese party under domestic direct investment has been cancelled. The confirmation and registration of foreign investors' monetary contribution is adjusted to book-entry registration of domestic direct investment monetary contribution.

Pursuant to the Circular of the State Administration of Foreign Exchange on Reforming the Management Approach Regarding the Settlement of Foreign Exchange Capitals of Foreign-invested Enterprises, (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), which was promulgated by SAFE on 30 March 2015 and became effective on 1 June 2015, and the Circular of the State Administration of Foreign Exchange on Reforming and Regulating the Management Policies Regarding the Settlement under Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), which was promulgated and became effective on 9 June 2016, the foreign exchange capital in the capital account of foreign-invested enterprises for which the confirmation of rights and interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) has been handled can be settled at the banks based on the actual operation needs of the enterprises. The use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises other than used for the following purposes: for the payment beyond the business scope of the enterprises or the payment prohibited by national laws and regulations, for investment in securities or other finance and investment except for principal-guaranteed bank products unless otherwise provided for granting loans to non-related enterprises unless explicitly permitted by the scope of business, or for paying the expenses related to the construction or purchase of real estate not for self-use, except for real estate enterprises.

In accordance with the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**Circular No. 37**") promulgated by SAFE and which became effective on 4 July 2014, a "special purpose vehicle" means an overseas enterprise directly established or indirectly controlled by a domestic resident (including domestic institution and domestic individual residents) for the purpose of engaging in investment and financing with the domestic enterprise assets or interests it legally holds, or with the overseas assets or interests it legally holds. In addition, the registration for and the relevant foreign exchange administration over a special purpose vehicle established by a domestic resident shall be subject to Circular No. 37.

HONG KONG LAWS AND REGULATIONS

Medical Device Specific Regulatory Regime and Administrative Control System

There is no specific legislation to regulate the import, distribution, sale or use of medical devices in Hong Kong except for devices which contain pharmaceutical products or emit ionising radiation. To safeguard public health, a risk-based framework for regulating the supply of medical devices in Hong Kong was proposed in a consultation document titled "Regulation of Medical Devices" in July 2003 issued by the Department of Health of the Government of Hong Kong ("**DH**"). The proposed statutory regulatory regime classifies medical devices into four classes based on their risk levels to patients, users and other persons following the recommendations made by the Global Harmonization Task Force ("**GHTF**") and comprises three main areas: (i) pre-market control to ensure that medical devices conform with the safety, performance and quality requirements before they can be placed on the market; (ii) post-market control to enable responsive control measures be placed against defective or unsafe medical devices; and (iii) use control to restrict the possession and use of certain high-risk medical devices. As at the Latest Practicable Date, no legislative proposal on such statutory regulatory regime had been introduced in Hong Kong.

Pending the enactment of legislation, an administrative control system referred to as the Medical Device Administrative Control System ("**MDACS**") has been implemented since 26 November 2004 to raise public's awareness to the use of safe medical devices. MDACS is built on the same principles as the proposed statutory regime and features (i) a listing system under which manufacturers and importers of medical devices (except Class I devices) could voluntarily list their products with the DH; (ii) the designation of a local responsible person for placing the medical devices into the market and communicating with stakeholders for various post-market matters including handling customer complaints; and (iii) an adverse incident reporting system to minimise the recurrence of adverse incidents.

The Medical Device Control Office ("**MDCO**"), which is responsible for running MDACS, maintains lists of local manufacturers, importers, distributors, local responsible persons and medical devices that have been shown to conform to accepted standards of safety and efficacy. A device or person may be delisted if found to be not conforming to MDACS requirements or improper. All lists maintained by MDCO under the listing system are accessible by the public.

Consumer Protection and Product Liability

The law on consumer protection and product liability in Hong Kong can be found in both legislations and common law, covering both civil and criminal liabilities.

Sale of Goods Ordinance

The contracts for the sale of goods (including medical devices) in Hong Kong are mainly governed by the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) ("**SOGO**"). SOGO imposes certain implied terms or conditions and warranties on the sellers for the goods supplied,

including that the goods supplied must be of merchantable quality, reasonably fit for the purpose for which the purpose made known to the seller, and correspond with the description and sample (if any). The extent to which liability for breach of contract, negligence or other types of breaches of duty can be avoided through contractual terms is regulated by the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong).

Tortious Obligations

Under the common law, manufacturers, importers and suppliers of medical devices owe a duty of care to the consumers of such products. For example, if a manufacturer, importer or supplier discovers or has reasons to believe that its products are unsafe, it may have to cease supplying the unsafe product and to give proper warning and instructions to whom the product is supplied.

Consumer Goods Safety Ordinance

The Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong) ("**CGSO**") imposes a statutory duty on manufacturers, importers and suppliers of certain consumer goods (including medical devices which are supplied for private use or consumption but excluding electrical products) to ensure that the consumer goods they supply are reasonably safe having regard to all the circumstances. Under CGSO, it is an offence for a person to supply, manufacture or import into Hong Kong consumer goods which fail to comply with the general safety requirement for consumer goods or the specific standards approved by the Secretary for Commerce and Economic Development for that specific types of consumer goods. It shall be a defence for that person to show that he has taken all reasonable steps and exercised all due diligence to avoid committing the offence. Any person who commits an offence shall be liable, on first conviction to a fine of HK$100,000 and imprisonment for one year, and on subsequent conviction to a fine of HK$500,000 and two years' imprisonment. A continuing offence will result in an additional fine of HK$1,000 per day. The Commissioner of Customs and Excise also has power to serve a recall notice requiring the immediate withdrawal of any consumer goods or products which are believed to be unsafe and may cause serious injury.

Advertising and Promotion Practices

There a number of laws and regulations governing the advertising and promotion of products (including medical devices) in Hong Kong.

Trade Description Ordinance

The Trade Description Ordinance (Chapter 362 of the Laws of Hong Kong) ("**TDO**") regulates the descriptions and statements made to any goods in the course of trade. Under the TDO, it is an offence for a person to, in the course of trade or business, (i) apply a false or misleading trade description to any goods or supply any goods with false or misleading trade descriptions; or (ii) forges any trade mark or falsely apply any trade mark to any goods. A person who commits any such offence is subject to a fine of up to HK$500,000 and imprisonment of up to five years.

Undesirable Medical Advertisements Ordinance

The Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong) prohibits the publication of any advertisements that will likely lead to the use of any surgical appliance or treatment for the treatment of certain diseases or conditions, including respiratory diseases and disease of the musculo-skeletal system (but excluding external preparations for the relief of symptoms of muscular pain and stiffness and cramp). Any person who contravenes such prohibitions commits an offence and shall be liable upon a first conviction to a fine of HK$50,000 and imprisonment for six months and upon a second or subsequent conviction to a fine of HK$100,000 and imprisonment for one year.

OTHER REGIONS

Most major markets have different levels of regulatory requirements for medical devices. Modifications to the approved products require a new regulatory submission in all major markets. The regulatory requirements, and the review time vary significantly from country to country.

U.S. LAWS AND REGULATIONS

Laws Relating to Product Safety and Defects

A. Jurisdiction Analysis

The Due Process Clause of the Fourteenth Amendment to the U.S. Constitution (the "Fourteenth Amendment") allows a state to exercise personal jurisdiction over a non-resident defendant only if that defendant has certain minimum contacts with the forum state. The two broad jurisdictional concepts that must be considered when analysing whether personal jurisdiction exists are "general" and "specific" jurisdiction. "General jurisdiction" requires a defendant to defend a lawsuit unrelated to its contacts with a forum if the defendant has had continuous and systematic general business contacts with the state in the U.S. Alternatively, a court may have "specific jurisdiction" over a non-resident defendant when that defendant has purposefully directed its activities at residents of that state, and the litigation results from alleged injuries that arise out of or relate to those activities.

The exercise of specific jurisdiction under the Fourteenth Amendment is proper only where the defendant's contacts proximately result from actions by the defendant itself that create a "substantial connection" with the forum state. A plaintiff seeking to exercise personal jurisdiction over a defendant must establish that the defendant took affirmative action, purposefully targeted at the forum state, with the intent to serve that market, rather than the U.S. market as a whole.

B. Overview of Applicable Product Safety Regulations and Requirements

Establishments that are involved in the production and distribution of medical devices intended for commercial distribution in the U.S. are required to register annually with the FDA. Most establishments that are required to register are also required to list the devices and the activities performed on those devices at that establishment.

The FDA administers the applicable safety regulations and product requirements that apply to medical devices, such as those manufactured by our Group. A regulated medical device may be any apparatus, device, instrument, machine, implant, or similar that is either (i) recognised in the official National Formulary, the U.S. Pharmacopeia, or a supplement to those publications, (ii) intended to diagnose a disease or other condition, or to cure, mitigate, treat or prevent a disease, or (iii) intended to affect the structure or any function of human or animal bodies. 21 U.S.C. § 321(h). Medical devices range from simple tongue depressors to programmable pacemakers and laser surgical devices. In addition, medical devices include *in vitro* diagnostic products, such as general purpose lab equipment, reagents, and test kits.

All medical devices marketed in the U.S. must be manufactured under a quality assurance programme, be suitable for the intended use, be adequately packaged and properly labelled, and have establishment registration and device listing forms on file with the FDA.

1. Classification of Medical Devices

In the U.S., medical devices are classified by the FDA into Class I, II, and III devices based on the level of control necessary to assure the safety and effectiveness of the device. Regulatory control increases from Class I to Class III. 21 U.S.C. § 360c. The FDA has classified over 1700 generic types of medical devices, organised into 16 categories or "medical specialty panels." 21 C.F.R. parts 868 – 892. Each of these generic types of devices is assigned to one of the three regulatory classes.

Class I devices are low risk devices that, in many circumstances, are exempt from the FDA's premarket notification requirements, discussed below. Such devices are subject to the FDA's "general controls," that is, the general regulations applicable to all medical devices. These general controls include requirements for labelling, listing, and quality control, as well as penalties for misbranding, adulteration and marketing a banned device.

Class II devices are intermediate risk devices. Before being marketed in the U.S., most Class II devices require the filing of a premarket notification application "510(k)" and receiving FDA clearance. A 510(k) is a premarket submission made to FDA to demonstrate that the device to be marketed is at least as safe and effective, that is, substantially equivalent, to an existing legally marketed device (21 CFR 807.92(a)(3)) that is not subject to the more rigorous "premarket approval application" ("**PMA**"). Submitters must compare their device to one or more similar, already legally marketed, devices and make and support their substantial equivalency claims. Class II devices are subject to special controls, such as special labelling requirements and post-market surveillance, in addition to the general controls required for Class I devices.

The FDA defines Class III devices as "those that support or sustain human life, are of substantial importance in preventing impairment of human health, or which present a potential, unreasonable risk of illness or injury."

2. Labelling and Misbranding Requirements

The FDA has regulations governing the proper labelling of medical devices, including for "over-the-counter" ("**OTC**") and prescription devices. Some devices have specific labelling requirements. False or misleading identification of a medical device in the labelling, i.e., misbranding, constitutes a crime in the U.S. Marketing a banned device is also considered misbranding.

3. Adulteration and Quality Controls

It is a crime to sell or market in the U.S. any medical device that contains poisonous, insanitary, decomposed or putrid substances, is contaminated by unapproved substances or ingredients, fails a specific device performance standard, or was produced with inadequate quality controls subject to regulation.

Manufacturers of medical devices must establish and follow quality system ("**QS**") regulation, also known as current good manufacturing practices ("**CGMP**"), which set forth general requirements for formal controls and oversight that the manufacturers must adopt for their product design, production, storage, packaging, labelling and the like. These procedures set up a general framework of issues for each manufacturer to consider when adopting procedures for its particular circumstances. If a manufacturer outsources any part of the manufacturing or service process that is subject to the CGMP, such as packaging, then the manufacturer must enter into a quality system agreement to ensure compliance with the regulation. These QS regulations apply to finished device manufacturers, including manufacturers of certain components. A finished device is defined as any device or accessory to any device that is suitable for use or capable of functioning, whether or not it is packaged, labelled, or sterilised. Some Class I devices are exempt from some or all of such requirements.

4. Registration and Listing Overview

All manufacturers (both domestic and foreign), contract manufacturers, developers, repackagers and initial distributors (importers) of medical devices, among others, must register their establishments with the FDA. All registration information must be verified annually between 1 October and 31 December of each year. In addition to registration, foreign manufacturers must also designate a U.S. agent. Once registered, the establishment is subject to FDA inspection, though the FDA prioritises its resources and manufacturers of low risk Class I devices are less likely to be inspected than manufacturers of high risk Class III devices.

5. Incident and Injury Reporting

Each manufacturer must maintain files of reported complaints and promptly report to the FDA if a medical device might have caused or contributed to death or serious injury, or malfunctioned in a way that could lead to death or serious injury. Corrective actions (refund, repair, replacement, or recall) may be necessary for problem devices.

C. Product Liability Overview

There are four basic theories to recover legal damages when dealing with a product alleged to be defective, including one which has caused an injury: strict products liability, negligence, breach of warranty, and tortious misrepresentation. Strict products liability is the most common cause of action asserted in lawsuits involving allegedly defective products. This is because, unlike negligence, strict products liability wrongs do not depend on the degree of carefulness by the defendant. The analysis depends solely on the product and whether it was defective at the time it left the hands of the manufacturer.

Negligence actions, on the other hand, require a plaintiff to show that: (1) the defendant owed the plaintiff a duty of due care; (2) the defendant breached that duty by furnishing a defective product; and (3) the defendant's breach caused the plaintiff's injury. The duty to exercise reasonable care involves every phase of getting the product to the public, from its design to its packaging and by the failure to provide adequate instructions for its safe use.

A breach of warranty cause of action is governed by contract law. The Uniform Commercial Code ("**UCC**") has been adopted in every state of the U.S. Under the UCC, there are two kinds of warranties: express and implied. An express warranty can be created by a representation by the seller, or by showing a sample of a product to the buyer where the buyer reasonably assumed that a second shipment of the same quality as the first would be provided. An implied warranty, on the other hand, is presumed to exist unless the buyer clearly and unambiguously disclaims it in writing as part of the sales agreement.

Misrepresentation claims are similar to warranty in that they seek to hold a party liable for misrepresenting a material fact about the product which causes either damage or injury. For medical devices, several specific legal doctrines may arise in the context of any of the above claims. For example, under the "learned intermediary doctrine," in the context of products obtained through a prescription, a manufacturer's duty to warn of any hazard can be limited to warning the doctor who prescribes the product, not the consumer.

Any entity in the chain of designing, producing, distribution, or selling a product can be subject to these types of product liability claims. Contract indemnification provisions, especially for contract manufacturers making products for others and where the manufacturer has no control or input on the design of the product, can be used to shift the liability to appropriate parties or to allow recovery of costs incurred in defending or resolving such lawsuits.

D. California Specific Statutes and Regulations

In addition to the regulatory scheme imposed on the Federal level and state based claims, it is important to note that state regulations can also control the distribution of imported products into the U.S. The most significant of those, and which are worthy of particular mention, are California statutes and regulations.

California's Safe Drinking Water and Toxic Enforcement Act of 1986 commonly known as "Proposition 65") requires that a warning be given before any manufacturer or distributor knowingly exposes anyone in California to any of approximately 800 chemicals identified by the state as a carcinogen and/or a reproductive toxicant. Various phthalates which can be used in plastics and vinyl

are among the chemicals so regulated. Exposures requiring a warning include those that may occur from handling a product or its packaging. This statute and the related regulations apply to all consumer products including medical products and devices, whether or not regulated by the FDA. Under Proposition 65, enforcement for failure to provide an appropriate warning is brought about either by government authorities in California or by private enforcers and may result in fines of up to $2500 per day per item sold and the payment of the enforcer's legal costs and fees.

For some chemicals, a "safe harbour" level has been determined whereby a warning is not required under this statute if the use of a specific product or its packaging would not result in exposing the average user to more than that level of the chemical at issue. Because the amount of exposure is dependent upon how a product is used, it is often not easy to determine whether a product which contains one of these chemicals falls below a safe harbour level. In other instances, settlements have been reached whereby the parties agree to a limit of a chemical in certain products. In a wide-reaching settlement of an action involving a variety of phthalate-containing products, dozens of product manufactures agreed, in addition to payment of substantial penalties, to promulgate the so-called "3P standards" ("a maximum concentration, by weight, of DEHP, BBP and DBP, each, of 1000 parts per million (ppm) or less in any polyvinyl chloride, soft plastic, other vinyl or synthetic leather component"). Recent settlements of private enforcement claims have also set 1000 ppm or 0.1% of weight as the level for various phthalates in non-child focused products, below which a warning is not required. Products that may be used by children could be subject to an even lower level.

Overseas manufacturers are not exempt from these Proposition 65 requirements if their products are sold in California.

Laws Relating to Import Tariffs

Manufactured goods imported from the PRC are generally subject to U.S. import duties. The PRC is subject to the general rates applicable to most countries with which the U.S. does not have a free-trade agreement in place. The rates of duty are set forth in the Harmonised Tariff Schedule of the U.S. ("**HTS**") which identifies applicable duties for the universe of imported goods, organised by class and specific article. According to the current HTS (2016), the general rate for oxygen therapy, artificial respiration or other therapeutic respiration apparatus and parts thereof; orthopaedic appliances, including surgical belts and trusses; splints and other fracture appliances; and artificial parts of the body is "free". The importer of record, which is the party that brings in the manufactured goods into the U.S., is ultimately responsible for the payment of all applicable import tariffs. However, based on the products listed with the FDA that we were able to identify on the HTS as noted above, there appears to be no import tariffs.

OUR BUSINESS DEVELOPMENT

The history of our Group can be traced back to May 1997 when VMHK was incorporated by (i) VRHK, a company then indirectly owned by our chairman, executive Director and Controlling Shareholder, Mr. Choi, and other investors who were Independent Third Parties; and (ii) Gann Medical Group Limited ("**Gann Medical**"), a company owned by Mr. Choi's two business partners who were Independent Third Parties, to manufacture and sell medical devices on an OEM basis. In February 2002, due to the personal reasons of Mr. Choi's business partners, the shares held by Gann Medical in VMHK were sold to Mr. Choi and VRHK, who became the only two shareholders of VMHK. At that time, VRHK was still owned by Mr. Choi and the other investors who were Independent Third Parties. It was not until November 2005 that VRHK became indirectly wholly-owned by Mr. Choi. Please see the paragraph "Our Corporate History — VMHK" in this section for further details about the beneficial shareholders of VMHK from the date of its incorporation to November 2005.

Mr. Choi, as one of our founders, developed our Group by using the experience he acquired from his cooperation with his business partners and from his other businesses. Please see the section "Directors, Senior Management and Employees — Executive Directors" for details of Mr. Choi's experience. We focused our initial OEM Business in the manufacturing and sale of respiratory medical devices in the overseas market.

As our Group continued to grow and develop, we gradually diversified our OEM Business from respiratory medical devices to other medical products. We expanded our OEM Business to cover imaging disposable products in 2000 and orthopaedic and rehabilitation products in 2003. In March 2004, we entered into a shareholders' agreement with Medrad (now known as Bayer Medical Care), a member of the "Bayer Group" which was our largest customer during the Track Record Period and an international diagnostic imaging equipment provider, whereby Medrad subscribed for a 19.9% interest in VMHK and jointly established VMDG with VMHK in the same year for the manufacture and sale of medical devices. Please see the paragraphs "Our Corporate History — VMHK" and "Our Corporate History — VMDG" in this section for further details of our joint venture cooperation with Medrad. Our Directors believe that the experience, technology and technical knowhow brought in by Bayer Medical Care through the joint venture cooperation has been beneficial to the development of the OEM Business of our Group.

As we developed industry expertise in our OEM Business, our engineers also began to develop our own OBM products. In 2003, we successfully developed our first OBM products which were anaesthesia and ventilation breathing circuits and commenced our OBM Business under the brand "Inspired Medical" ("英仕醫療"). As we wanted to focus more on the development of our OBM Business and, in particular, on respiratory medical devices, we officially established our in-house research and development team in 2009 and a sales office in Dongguan, the PRC for our OBM Business in 2010. Between 2011 and 2015, we also began our collaborations with various external research partners including (i) the Guangzhou Institute of Respiratory Disease (廣州呼吸疾病研究所), a research institute which includes a key state laboratory of respiratory disease in the PRC; (ii) Nano and Advanced Materials Institute Limited, a company with funding support from the government of Hong Kong to conduct research in nanotechnology and advanced materials; (iii) Ventific, an Australian company which owns the relevant technology for the CPAP system for treating sleep apnea and other respiratory disorders; and (iv) 12th Man Technologies, Inc., an American company focusing on the development of drugs and medical devices for pulmonary and critical care medicine and infectious diseases. We further expanded our OBM Business to cover orthopaedic and rehabilitation products in 2014 and acquired a 53.125% interest in RRCL, a Hong Kong company which has developed the "Hand of Hope", an EMG-driven robotic hand training device, which has won the Grand Prix Award in the 2012 International Exhibition of Inventions of Geneva, in 2015. Please see the section "Business — Research and Development — Collaboration with Research Partners" for further details about our external collaborations.

During the initial stage of our business, we relied on the production equipment and machineries of VRDG, a company established in the PRC and wholly-owned by VRHK, for our manufacturing

activities as we did not have our own production facility. We established our first manufacturing facility in Dongguan, the PRC in 2004. In order to cope with the increasing production demand for both our OEM and OBM products, we expanded to a new and larger production base in Dongguan, Guangdong, PRC in 2011. As at the Latest Practicable Date, save for the manufacturing of our orthopaedic and rehabilitation products and the supply of plastic and metal components and related processing services which we continue to subcontract to VRDG, we conduct all of the manufacturing activities for our products at our production facility in Dongguan, the PRC. Please see the section "Business — Production — Production Facility" for details of our production facility. We expect to set up own sewing and assembling facility to carry out our own manufacturing of orthopaedic and rehabilitation products by the end of 2016.

Set out below are our major business milestones and achievements.

Year	Event
1997	We commenced our OEM Business in the manufacturing and sale of respiratory medical devices.
2000	We received ISO9001 certification for our quality management system for the design and manufacture of medical devices and ISO11135 for the development, validation and control of sterilisation process for medical devices. We expanded our OEM Business to the manufacturing and sale of imaging disposable products and commenced our OEM cooperation with Medrad (now known as Bayer Medical Care), a member of the "Bayer Group" which is our largest customer during the Track Record Period and an international diagnostic imaging equipment provider, by setting up designated production lines in our production facility for the manufacturing and sale of imaging disposable products for Medrad (now known as Bayer Medical Care).
2002	We began manufacturing our OEM products in a Class 100,000 clean room and using a certified EtO Sterilization system imported from the United States.
2003	Our engineering department successfully developed our first OBM products which were anaesthesia and ventilation breathing circuits and we obtained CE certification for selling such respiratory devices in Europe. We commenced our OBM Business in the manufacturing and sale of medical devices under the brand "Inspired Medical" ("英仕醫療"). We expanded our OEM Business to the manufacturing and sale of orthopaedic and rehabilitation products. We commenced our OEM cooperation with the Datex-Ohmeda Division of Instrumentarium Corporation, which was acquired by GE Healthcare (one of our top five customers during the Track Record Period and engaged in medical imaging and information technologies, medical diagnostics, patient monitoring systems, drug discovery, biopharmaceutical manufacturing technologies, performance improvement and performance solutions services), by setting up designated production lines in our production facility for the manufacturing and sale of respiratory medical devices for such company.
2004	We began our joint venture cooperation with Medrad (now known as Bayer Medical Care) in VMHK and VMDG for the manufacturing and sale of OEM medical devices. We established our first manufacturing facility in Dongguan, the PRC which included a Class 100,000 clean room and a certified EtO Sterilisation system imported from the United States.

Year	Event
	We received ISO13485 certification for our comprehensive quality management system for the design and manufacture of medical devices.
	We obtained registration certificates for our first OBM products which were anaesthesia and ventilation breathing circuits from the Guangdong Food and Drug Administration (廣東省食品藥品監督管理局) for selling such respiratory devices in the PRC.
2009	We were the first Hong Kong headquartered medical device group to have received ISO14971 certification for the application of risk management to medical devices.
	We focused more on the development of our OBM Business and, in particular, on respiratory medical devices by officially setting up our in-house research and development team.
2010	We established our own sales office in Dongguan, the PRC for the distribution of our OBM medical devices in the PRC.
2011	We established our second certified EtO Sterilization system which was imported from France in our production facility.
	We began our collaboration with the Guangzhou Institute of Respiratory Disease (廣州呼吸疾病研究所), a research institute which includes a state key laboratory of respiratory disease in the PRC, for the research and development of a thermostat atomising oxygen medical device (溫控霧化氧療儀) with a team of researchers led by Professor Zhong Nanshan (鍾南山院士), a renowned expert in respiratory diseases and academician of the Chinese Academy of Engineering (中國工程院).
	We expanded to a new and larger production base in Dongguan, the PRC to cope with the increasing production demand in both of our OEM and OBM products.
2012	We began our collaboration with Nano and Advanced Materials Institute Limited, a company with funding support from the government of Hong Kong, to conduct research in nanotechnology and advanced materials, for the development of circumferential bracing technology for orthopaedic and rehabilitation products.
2013	VMDG was recognised as a high new technology enterprise jointly by the Guangdong Provincial Department of Science and Technology* (廣東省科學技術廳), Guangdong Provincial Department of Finance* (廣東省財政廳), Guangdong Provincial Office of State Administration of Taxation* (廣東省國家税務局) and Guangdong Provincial Local Taxation Bureau* (廣東省地方税務局).
2014	We acquired a 20% interest in Ventific and began our collaboration with Ventific, an Australian company which owns the relevant technology for the CPAP system for treating sleep apnea and other respiratory disorders, for the development of non-invasive ventilation and sleep disordered breathing medical devices and products.
	Our brand "Inspired Medical" ("英仕醫療") was named a Guangdong Famous Trademark (廣東著名商標) by the Guangdong Provincial Famous Trademark Evaluation Committee* (廣東著名商標評審委員會).
	Our self-developed products, new type ultrasonic nebuliser* (新型超聲霧化裝置) and new type heater VHB15A* (新型加熱器 VHB15A), were recognised as high new technology products in the Guangdong Province* (廣東省高新技術產品) by the Guangdong Hi-tech Enterprise Association (廣東省高新技術企業協會).
	We further expanded our OBM business to cover orthopaedic and rehabilitation products.

Year	Event
2015	We began our collaboration with 12th Man Technologies, Inc., an American company focusing on the development of drugs and medical devices for pulmonary and critical care medicine and infectious diseases, to jointly develop an infant bubble CPAP equipment and an electronic air/oxygen blender based on its technologies.
	We acquired a 53.125% interest in RRCL, the developer of the "Hand of Hope", an EMG-driven robotic hand training device for stroke patients. Such product won the Grand Prix Award in the International Exhibition of Inventions of Geneva in 2012.

OUR CORPORATE HISTORY

The following paragraphs describe the corporate history of our major operating subsidiaries from their respective incorporation or establishment dates up to the time immediately prior to the Reorganisation.

VMHK

VMHK was incorporated in Hong Kong as a limited liability company on 23 May 1997 by (i) VRHK, a company then indirectly owned by our chairman, executive Director and Controlling Shareholder, Mr. Choi, and other investors who were Independent Third Parties *(Note 1)*; and (ii) Gann Medical, a company owned by Mr. Choi's two business partners who were Independent Third Parties. On the date of its incorporation, VMHK had an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each, of which 600 and 400 shares were allotted and issued fully-paid at par to VMHK and Gann Medical, respectively. VMHK commenced its business operations in May 1997.

In order to raise working capital, the authorised share capital of VMHK was increased from HK$10,000 to HK$2,000,000, and 1,119,400 and 799,600 shares of VMHK were allotted and issued fully paid at par on a pro rata basis to VRHK and Gann Medical, respectively, on 13 April 1999.

On 28 February 2002, due to the personal reasons of Mr. Choi's business partners, the shares held by Gann Medical in VMHK were transferred as to one share to Mr. Choi and 799,999 shares to VRHK at considerations equal to the par value of the shares of HK$1.00 and HK$799,999, respectively. The considerations were fully settled on or about 12 March 2002. As a result of such share transfers, which were legally and properly completed on 28 February 2002, VMHK became indirectly owned by Mr. Choi and other investors who were Independent Third Parties *(Note 2)*.

On 1 March 2004, VMHK entered into a shareholders' agreement with VRHK and Medrad (now known as Bayer Medical Care), our largest customer and an international diagnostic imaging equipment provider to further develop our OEM business. Pursuant to such shareholders' agreement,

Notes:

(1) As at 23 May 1997, VMHK was a direct wholly-owned subsidiary of VRHK which in turn was a direct wholly-owned subsidiary of VRI. At that time, Mr. Choi was the single largest shareholder of VRI holding a 34.7% interest in VRI. The remaining interest in VRI was held by a group of investors who were Independent Third Parties. Due to the unstable economic condition at that time, some of the investors withdrew their investments in VRI between 1998 and 2005 and their shares were eventually repurchased by VRI.

(2) At the time of such share transfers, VMHK was a direct wholly-owned subsidiary of VRHK which in turn was a direct wholly-owned subsidiary of VRI. At that time, Mr. Choi was the single largest shareholder of VRI holding a 78.5 % interest in VRI. The remaining interest in VRI continued to be held by a group of investors who were Independent Third Parties. Such remaining interest in VRI were eventually repurchased by VRI and Mr. Choi became the sole shareholder of VRI in November 2005. In order to provide for business succession, Mr. Choi subsequently transferred certain interest in VRI to Ms. Liu and his children. For administrative convenience, certain interest in VRI was transferred back to Mr. Choi and Ms. Liu. Since 1 December 2009, VRI has been held as to 57.9% by Mr. Choi and 42.1% by Ms. Liu.

(i) the authorised share capital of VMHK was increased from HK$2,000,000 to HK$10,000,000 on 12 March 2004, and (ii) Medrad subscribed for 1,718,861 shares in VMHK in cash at the subscription price of HK$2,895,450 and VRHK subscribed for 4,918,630 shares in VMHK at the subscription price of HK$9,993,871 which was offset by transferring and procuring the transfer of certain production equipment and machineries and inventories owned by VRHK and VRDG to VMHK and its subsidiary, VMDG. The subscription prices were determined by the parties taking into consideration the business prospects of VMHK. The subscription of such shares by Medrad and VRHK were legally and properly completed on 14 March 2004. Please see the paragraph "Our Corporate History – VMDG" in this section for further details of our joint venture cooperation with Medrad. On 14 March 2004, Mr. Choi also transferred his one share in VMHK to VRHK at par. After the aforementioned share allotments and transfer and until immediately before our Reorganisation, VMHK was held as to 19.9% by Medrad and 80.1% by VRHK.

In 2006, the holding company of Medrad was acquired by Bayer AG. Medrad subsequently changed its name to Bayer Medical Care Inc. on 31 December 2013.

As at the Latest Practicable Date, VMHK had a share capital of HK$14,889,321 divided into 8,637,491 shares *(Note 3)*. VMHK trades medical devices.

VMDG

VMDG was established in the PRC as a foreign-invested enterprise on 18 January 2004 by VMHK and Medrad pursuant to a shareholders' agreement between them. VMDG had an initial registered capital of HK$3,000,000 which was fully paid-up on 27 October 2004. As at the date of its establishment, VMDG was held as to 80.1% by VMHK and 19.9% by Medrad.

Pursuant to the shareholders' agreement dated 1 March 2004 entered into among VRHK, Medrad and VMHK (the "**Shareholders' Agreement**"), the parties agreed, among others, that (i) Medrad shall not be entitled to any dividends, assets or other distributions or payments in VMDG, all of which dividends, assets, distributions or payments shall be paid by VMDG solely to VMHK; and (ii) VRHK and Medrad shall only receive dividends, assets, distributions or payments from VMHK and none from VMDG directly.

Regarding the shareholders' entitlement to assets or other distributions or payments in VMDG, our PRC Legal Advisers are of the view that VMDG may execute the arrangement according to the Shareholders' Agreement as there is no explicit provision in the relevant PRC laws and regulations restricting such arrangement.

As for the dividend distribution arrangement of VMDG set out in the Shareholders' Agreement ("**Dividend Arrangement**"), for the period from the date of the Shareholders' Agreement to 31 December 2005, our PRC Legal Advisers are of the view that the Dividend Arrangement did not comply with the then PRC Company Law* (《中華人民共和國公司法》), being the relevant PRC law at the time. However, as (a) the then PRC Company Law did not stipulate any penalty for such non-compliance; (b) the PRC Company Law was amended on 27 October 2005 and took effect on 1 January 2006 to allow shareholders of a PRC limited liability company to distribute dividends according to the ratios agreed amongst themselves; and (c) VMDG had not distributed any dividends since its establishment, our PRC Legal Advisers have advised that the legal risk of VMDG being penalised for such non-compliance is remote.

Note:

(3) The new Companies Ordinance which came into effect on 3 March 2014 adopted a mandatory system of no-par value for all companies with a share capital and abolished the relevant concepts including nominal value and the requirement for authorised share capital.

As advised by our PRC Legal Advisers, the Dividend Arrangement has been in compliance with the applicable PRC laws and regulations since the aforesaid amendment to the PRC Company Law took effect on 1 January 2006.

As the amended articles of association of VMDG ("**Articles**") which took effect on 28 June 2008 provides that the shareholders of VMDG shall share profits, risks and losses in proportion to their respective capital contributions to VMDG, our PRC Legal Advisers are of the view that if VMDG is to distribute any dividends in the future, it shall do so in the aforesaid manner as set out in the Articles. According to the Shareholders' Agreement, if there is any inconsistency between the Articles and the Shareholders' Agreement, the parties to the Shareholders' Agreement agreed to procure all necessary amendments be made to the Articles such that the Articles will be consistent with the Shareholders' Agreement. As at the Latest Practicable Date, the parties to the Shareholders' Agreement had been making arrangements to amend the Articles to reflect the Dividend Arrangement as set out in the Shareholders' Agreement. Our PRC Legal Advisers confirmed that VMDG will be able to distribute its dividends according to the Dividend Arrangement upon such amendments to the Articles becoming effective.

Please see the paragraph "Our Corporate History — VMHK" in this section for further details of our joint venture cooperation with Medrad.

VMDG owns the equipment and machineries for our manufacturing activities in Dongguan, the PRC. It commenced its business operations in August 2004 and has been manufacturing medical devices since its commencement of business.

In order to provide the capital for the expansion of our production capacity, VMHK increased the registered capital of VMDG to HK$15,000,000 on 12 November 2008 by injecting HK$12,000,000 into VMDG. Such amount was fully paid-up by VMHK on 13 November 2009. As a result of such capital injection, VMHK's equity interest in VMDG was increased to 96.02% and Medrad's equity interest in VMDG was diluted to 3.98%.

VMC

VMC was incorporated in Hong Kong as a limited liability company on 12 November 2013. It commenced its business operations in July 2014 and sells medical devices. Since its date of incorporation, it has been a direct wholly-owned subsidiary of VMHK. As at the Latest Practicable Date, VMC had a share capital of HK$1.00 comprising one share.

On 17 June 2014, VMC entered into a subscription and shareholders agreement with the then existing shareholders of Ventific who were Independent Third Parties for the subscription of a 20% interest in Ventific at a consideration of AUD2,000,000. As a result of the share subscription, 6,019,345 fully-paid shares and 4,924,655 partly-paid shares of Ventific were allotted and issued to VMC on 20 June 2014 and such share subscription was properly and legally completed.

The consideration for the aforementioned share subscription in Ventific was determined by the parties taking into consideration the business prospects of Ventific. Immediately after the completion of the aforementioned share subscription, AUD899,507 of the consideration remained unsettled by VMC. Pursuant to the aforementioned subscription and shareholders agreement as supplemented by a supplemental agreement entered into by the same parties on 28 March 2016, the outstanding consideration will be settled as to AUD229,500 in cash in two tranches and as to AUD670,007 by offsetting the service fees from time to time payable by Ventific to VMHK under a research and development collaboration between Ventific and VMHK whereby our Group shall carry out certain research and development activities for Ventific. As at 31 March 2016, a cash amount of AUD90,500 had been paid.

Ventific is an Australian company which owns the relevant technology for the CPAP system for treating sleep apnea and other respiratory disorders and is our research and development partner for the development of an entry range of non-invasive ventilation and sleep disordered breathing medical devices and products, including a home care CPAP machine for treating sleep apnea which we expect to launch in 2017 under Ventific's brand. Our Directors believe that our investment in Ventific would strengthen our knowhow as well as our competitive advantage in the manufacturing of respiratory devices and be beneficial to the development of our OBM business. For further details about our research and development collaboration with Ventific, please see the section "Business — Our Products — Pipeline and Planned Products" and "Business — Research and Development — Collaboration with Research Partners".

VHPL

VHPL was incorporated in Hong Kong as a limited liability company on 4 February 1986. VHPL has been used by our Group (i) as a holding company for establishing VRMD in the PRC since March 2010, and (ii) for conducting marketing activities for our OBM business since April 2011.

When VRMD was established on 9 March 2010, VHPL was held as to 0.001% by Mr. Choi, our chairman, executive Director and Controlling Shareholder, and 99.999% by VRHK which in turn was held as to 57.9% by Mr. Choi and 42.1% by Ms. Liu, our non-executive Director and Controlling Shareholder. In order to provide sales incentives to our employees, VRHK transferred an aggregate of 40% interest in VHPL to four of our employees at par on 27 August 2010. From the date of such share transfer to immediately before our Reorganisation, VHPL was held as to (i) 60% by VRHK; (ii) 15% by Mr. To, our executive Director and chief executive officer; (iii) 10% by Mr. Zhang Changqing, our sales and marketing manager, who was holding such interest in VHPL on trust for and on behalf of Mr. To; (iv) 7.5% by Mr. Fu Kwok Fu, our executive Director; and (v) 7.5% by Mr. Koh Ming Fai, our executive Director.

VRMD

VRMD was established in the PRC as a wholly foreign-owned enterprise on 9 March 2010 with a registered capital of HK$2,100,000 which was fully paid up by VHPL on 18 November 2010. It commenced its business in April 2010 and sells medical devices. Since its establishment, VRMD has been a direct wholly-owned subsidiary of VHPL.

In order to (i) attract better talents for our sales operations; and (ii) take advantage of the strategic location of Shenzhen to facilitate our sales activities, part of the businesses of VRMD in Dongguan will gradually be taken up by VMSZ in Shenzhen.

VMSZ

In order to (i) attract better talents for our sales operations and research and development activities; (ii) take advantage of the strategic location of Shenzhen to facilitate our sales activities; and (iii) further develop new products for our OBM business, VMSZ was established in the PRC on 18 January 2016 as a wholly foreign-owned enterprise with a registered capital of RMB10,000,000, RMB2,515,950 of which was paid up on 29 March 2016 and the remaining RMB7,484,050 of which we are required to pay up within two years from the date of issue of VMSZ's business licence which was on 18 January 2016. VMSZ has been wholly-owned by VHPL since the date of its establishment and is an indirect wholly-owned subsidiary of our Company.

VMSZ commenced its business operations in March 2016 and conducts (i) the same business as VRMD as part of the sales activities conducted by VRMD in Dongguan will gradually be taken up by VMSZ in Shenzhen; and (ii) research and development activities.

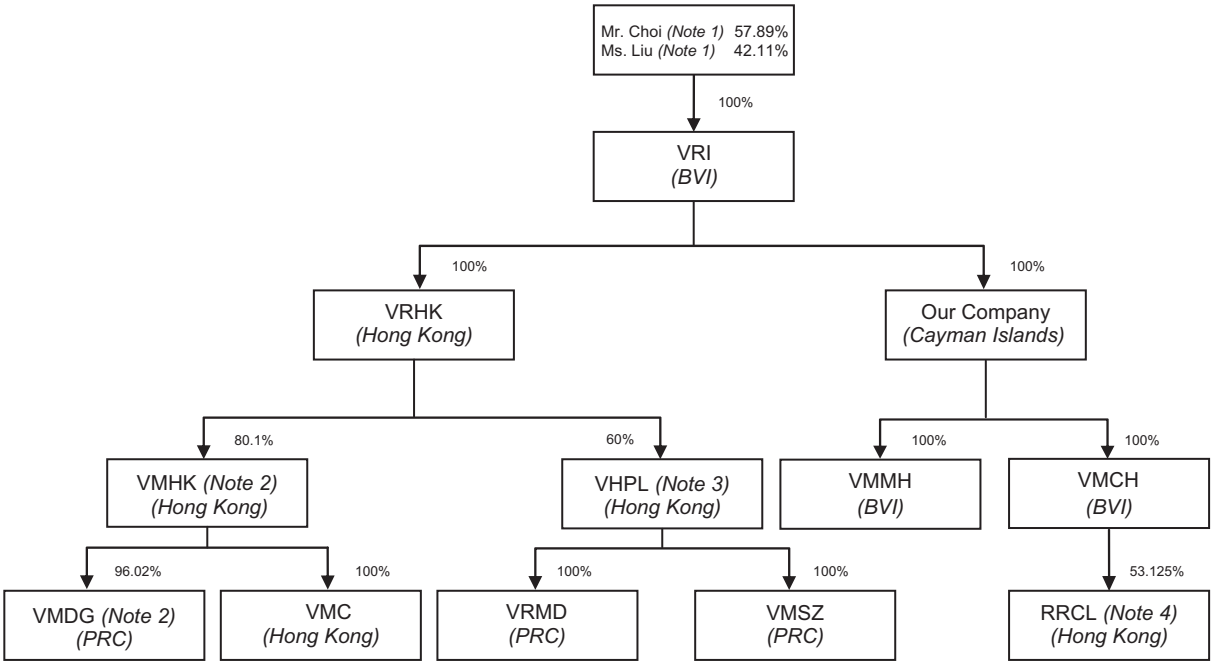
RRCL

RRCL was incorporated in Hong Kong as a limited liability company on 5 October 2010. Prior to 8 December 2015, RRCL was owned as to 46% by Mr. Tsui Kam Fai Michael, 35% by Mr. Chan Yiu Cheong and 19% by Deltason Holding Limited, a company incorporated in Hong Kong and held as to 51% by Mr. Tsui and 49% by Mr. Chan. Each of Mr. Tsui, Mr. Chan and Deltason Holding Limited was an Independent Third Party prior to 8 December 2015.

On 8 December 2015, VMCH entered into a sale and purchase and subscription agreement with RRCL, Mr. Tsui and Mr. Chan, pursuant to which (i) VMCH subscribed for 300,000 shares in RRCL at a consideration of HK$14,400,000; and (ii) acquired an aggregate of 125,000 shares in RRCL from Mr. Tsui and Mr. Chan at a total consideration of HK$6,000,000. The considerations were determined by the parties having considered the business prospects of RRCL. The aggregate consideration of HK$20,400,000 was fully settled on 8 December 2015. The share subscription and the share transfer were properly and legally completed on 17 December 2015. Our Directors believe that our acquisition of a 53.125% interest in RRCL will broaden our OBM product offering and allow us to create synergy with RRCL by combining their research and development capability in orthopaedic and rehabilitation products with our manufacturing capability, product registration expertise and sales network in the PRC to enhance production efficiency and facilitate the launch and sale of RRCL's products in the PRC.

As a result of the aforementioned, RRCL became an indirect non-wholly owned subsidiary of our Company held as to 53.125% by VMCH, 17.5% by Mr. Tsui, 17.5% by Mr. Chan and 11.875% by Deltason Holding Limited. Mr. Tsui is a director and the chief executive officer of RRCL and Mr. Chan is also a director of RRCL. As at the Latest Practicable Date, RRCL had a share capital of HK$14,900,000 comprising 800,000 shares. It researches, develops, manufactures and sells rehabilitation-related medical devices.

The following diagram sets forth the simplified corporate and shareholding structure of our Group immediately prior to our Reorganisation.



Notes:

(1) Mr. Choi is our chairman, executive Director and Controlling Shareholder. Ms. Liu is our non-executive Director and Controlling Shareholder. Mr. Choi and Ms. Liu are spouses.

(2) Bayer Medical Care holds a 19.9% interest in VMHK and a 3.98% interest in VMDG. Please see the paragraph "Our Corporate History — VMHK" and "Our Corporate History — VMDG" for details about our joint venture cooperation with Bayer Medical Care.

(3) Prior to our Reorganisation, VHPL was held as to 60% by VRHK, 15% by Mr. To, 10% by Mr. Zhang Changqing (our sales and marketing manager holding all such shares on trust for and on behalf of Mr. To), 7.5% by Mr. Fu Kwok Fu and 7.5% by Mr. Koh Ming Fai. Each of Mr. To, Mr. Fu Kwok Fu and Mr. Koh Ming Fai is our executive Director. Mr. To is also our chief executive officer.

(4) RRCL is held as to 53.125% by VMCH, 17.5% by Mr. Tsui Kam Fai Michael, a director and the chief executive officer of RRCL, 17.5% by Mr. Chan Yiu Cheong, a director of RRCL, and 11.875% by Deltason Holding Limited, a company incorporated in Hong Kong and held as to 51% by Mr. Tsui and 49% by Mr. Chan.

REORGANISATION

In preparation for the listing of our Shares on the Stock Exchange, our Group underwent the Reorganisation. The major steps of our Reorganisation are summarised below.

1. Redenomination of the share capital of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 November 2015, with an authorised share capital of US$50,000 divided into 50,000 shares with a par value of US$1.00 each. Immediately prior to our Reorganisation, one fully-paid share with a par value of US$1.00, representing the entire issued share capital of our Company, was held by VRI.

In order to redenominate the share capital of our Company from US$ to HK$, on 3 February 2016:

(i) the authorised share capital of our Company was increased by HK$100,000,000 through the creation of 10,000,000,000 shares of a par value of HK$0.01 each;

(ii) our Company allotted and issued nil-paid one share of HK$0.01 to VRI at a subscription price of HK$7.80 (equivalent to US$1.00) ("**Subscription Price**");

(iii) our Company repurchased the one issued share of US$1.00 from VRI at a price of US$1.00 ("**Repurchase Price**"), after which such share was cancelled;

(iv) the Subscription Price was set off by the Repurchase Price and as a result, the one nil-paid share of HK$0.01 issued to VRI in (ii) was credited as fully-paid; and

(v) the 50,000 unissued shares of US$1.00 each in the authorised share capital of our Company were cancelled.

As a result of the aforementioned, our Company had an authorised share capital of HK$100,000,000 divided into 10,000,000,000 shares with a par value of HK$0.01 each, of which one Share, representing the entire issued share capital of our Company, was issued to and held by VRI.

2. Acquisition of shares in VHPL by VMCH

On 17 February 2016, Mr. Zhang Changqing, our sales and marketing manager, transferred 10,000 shares of VHPL, representing 10% of the entire issued share capital of VHPL, which he held on trust for and on behalf of Mr. To, our executive Director and chief executive officer, back to the beneficial owner of such shares, Mr. To, at a nominal amount of HK$1.00. Subsequent to such share transfer and pursuant to the sale and purchase agreement dated 18 February 2016 and entered into between Mr. To and our Company, VMCH, at the direction of our Company, acquired 25,000 shares of VHPL, representing 25% of the entire issued share capital of VHPL, from Mr. To, and in consideration and exchange therefor, our Company allotted and issued 404 Shares, credited as fully-paid, to Mr. To on 18 February 2016.

Pursuant to the sale and purchase agreement dated 18 February 2016 and entered into among VRHK, our Company, Mr. Choi (our chairman, executive Director and Controlling Shareholder) and Ms. Liu (our non-executive Director and Controlling Shareholder), VMCH (at the direction of our Company) acquired 60,000 shares, representing 60% of the entire issued share capital of VHPL, from VRHK and in consideration and exchange therefor, our Company allotted and issued 970 Shares, credited as fully-paid, to VRI at the direction of VRHK on 18 February 2016.

Pursuant to the sale and purchase agreement dated 18 February 2016 and entered into between Mr. Fu Kwok Fu, our executive Director, and our Company, VMCH, at the direction of our Company, acquired 7,500 shares of VHPL, representing 7.5% of the entire issued share capital of VHPL, from Mr. Fu, and in consideration and exchange therefor, our Company allotted and issued 121 Shares, credited as fully-paid, to Mr. Fu on 18 February 2016.

Pursuant to the sale and purchase agreement dated 18 February 2016 and entered into between Mr. Koh Ming Fai, our executive Director, and our Company, VMCH (at the direction of our Company) acquired 7,500 shares of VHPL, representing 7.5% of the entire issued share capital of VHPL, from Mr. Koh, and in consideration and exchange therefor, our Company allotted and issued 121 Shares, credited as fully-paid, to Mr. Koh on 18 February 2016.

As a result of the aforementioned share acquisitions, VMCH became the sole shareholder of VHPL and VHPL became an indirect wholly-owned subsidiary of our Company.

3. Acquisition of shares in VMHK by VMMH

Pursuant to the sale and purchase agreement dated 18 February 2016 and entered into among VRHK, our Company, Mr. Choi (our chairman, executive Director and Controlling Shareholder) and Ms. Liu (our non-executive Director and Controlling Shareholder), VMMH, at the direction of our Company, acquired 6,918,630 shares of VMHK, representing 80.1% of the entire issued share capital of VMHK, from VRHK and in consideration and exchange therefor, our Company allotted and issued 8,382 Shares, credited as fully-paid, to VRI at the direction of VRHK on 18 February 2016.

As a result of the aforementioned share acquisitions, VMHK became an indirect non-wholly owned subsidiary of our Company held as to 80.1% by VMMH and 19.9% by Bayer Medical Care.

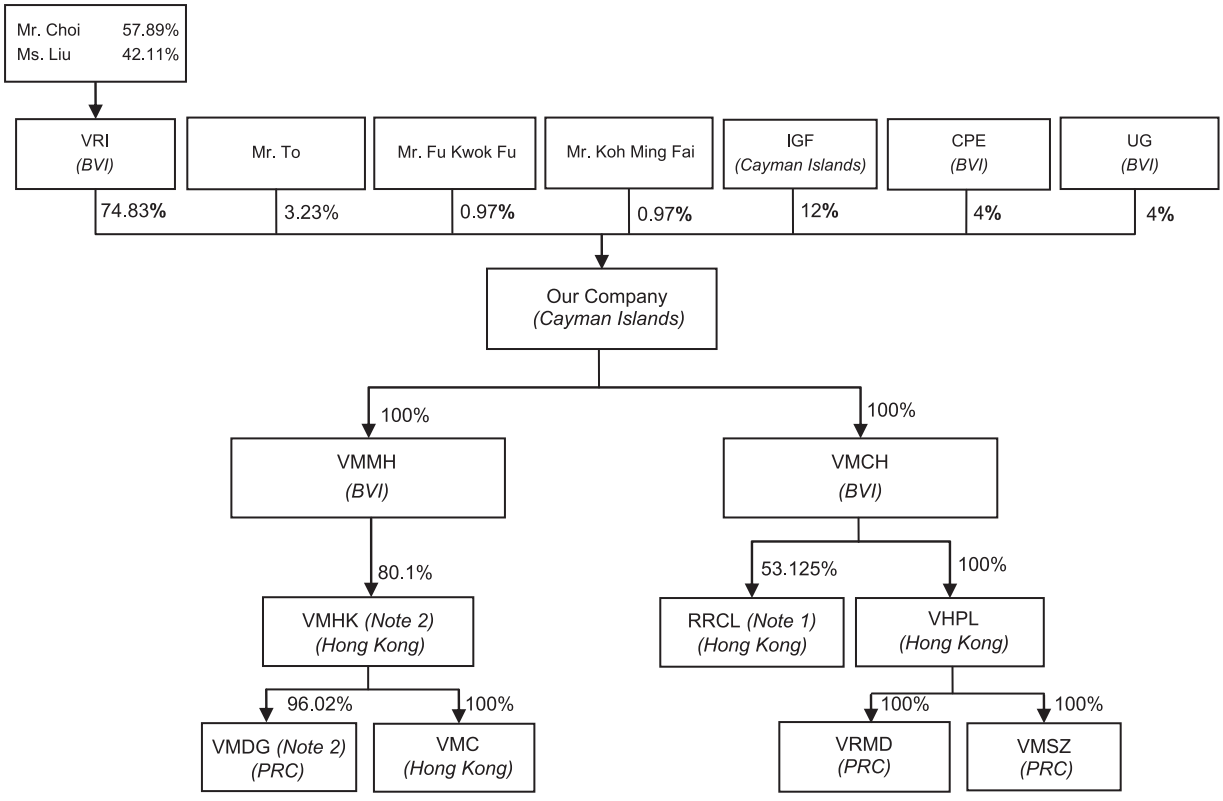
4. Issue of new shares to IGF, CPE and UG

On 26 February 2016, our Company allotted and issued 1,500, 500 and 500 Shares, credited as fully-paid, to IGF, CPE and UG, respectively. Please see the paragraph "Pre-IPO Investments" in this section for details of such share allotments.

Relationship with VRDG

During the Track Record Period, we subcontracted the manufacturing of our orthopaedic and rehabilitation products and the supply of plastic and metal components and related processing services to VRDG. Please refer to the sections "Relationship with Controlling Shareholders — Independence from Controlling Shareholders — Operational Independence" and "Connected Transactions — Continuing Connected Transactions — Non-exempt Continuing Connected Transactions" for details of these subcontracting arrangements. Although these subcontracting arrangements will continue after Listing, we did not include VRDG in our Group because (i) VRDG manufactures beauty products and electrical appliances and the provision of the aforesaid services to us only forms an ancillary part of VRDG's business; (ii) we are in the process of setting up our own sewing and assembling facility to carry out our own manufacturing of orthopaedic and rehabilitation products and expect to gradually reduce and terminate such subcontracting arrangement by the end of 2016; and (iii) the subcontracting by our Group of the aforesaid services to VRDG is purely for convenience and we can replace VRDG with other subcontractors without difficulty.

The following diagram sets forth our simplified corporate and shareholding structure immediately following the aforementioned steps of our Reorganisation.



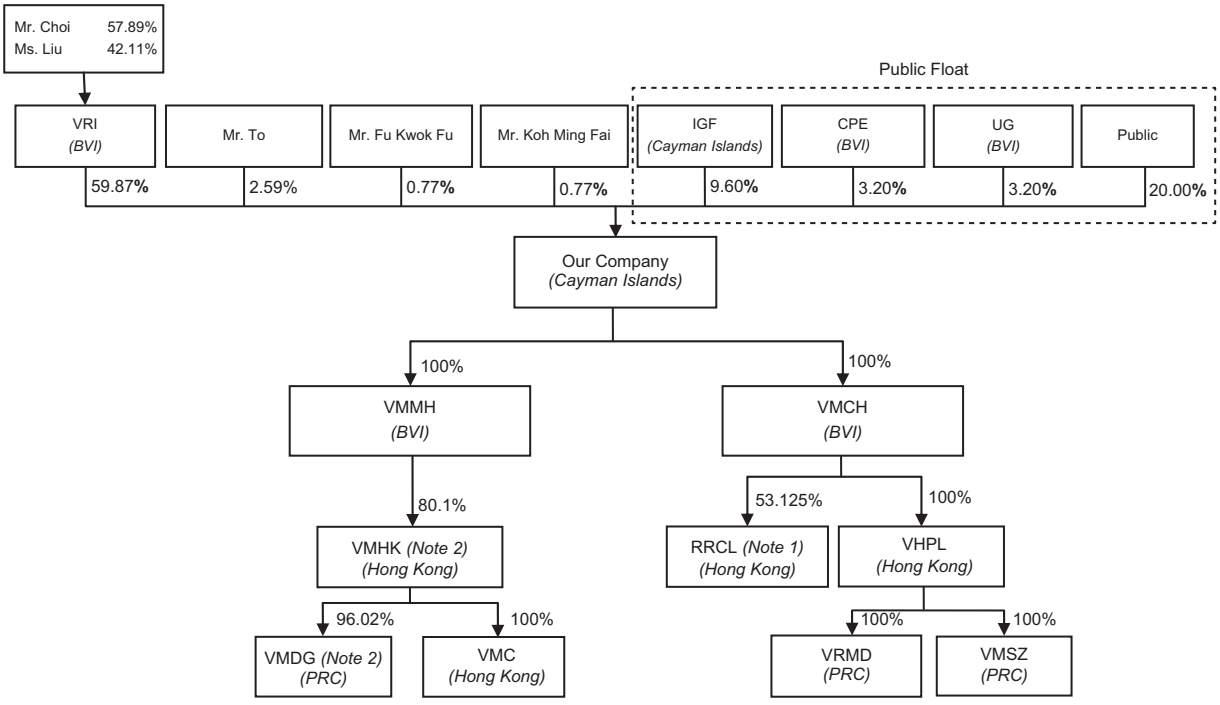
Notes:

(1) RRCL is held as to 53.125% by VMCH, 17.5% by Mr. Tsui Kam Fai Michael, a director and the chief executive officer of RRCL, 17.5% by Mr. Chan Yiu Cheong, a director of RRCL, and 11.875% by Deltason Holding Limited, a company incorporated in Hong Kong and held as to 51% by Mr. Tsui and 49% by Mr. Chan.

(2) Bayer Medical Care holds a 19.9% interest in VMHK and a 3.98% interest in VMDG. Please see the paragraphs "Our Corporate History — VMHK" and "Our Corporate History — VMDG" for details about our joint venture cooperation with Bayer Medical Care.

CORPORATE AND SHAREHOLDING STRUCTURE IMMEDIATELY FOLLOWING THE COMPLETION OF THE GLOBAL OFFERING AND CAPITALISATION ISSUE

The following diagram sets forth our simplified corporate and shareholding structure immediately following the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted or which may be granted under the Share Option Schemes).



Notes:

(1) RRCL is held as to 53.125% by VMCH, 17.5% by Mr. Tsui Kam Fai Michael, a director and the chief executive officer of RRCL, 17.5% by Mr. Chan Yiu Cheong, a director of RRCL, and 11.875% by Deltason Holding Limited, a company incorporated in Hong Kong and held as to 51% by Mr. Tsui and 49% by Mr. Chan.

(2) Bayer Medical Care holds a 19.9% interest in VMHK and a 3.98% interest in VMDG. Please see the paragraph "Our Corporate History — VMHK" and "Our Corporate History — VMDG" for details about our joint venture cooperation with Bayer Medical Care.

PRE-IPO INVESTMENTS

Overview

VRI, Mr. To, Mr. Koh Ming Fai and Mr. Fu Kwok Fu (collectively, "**Existing Shareholders**") and our Company entered into a pre-IPO share subscription and shareholders' agreement with IGF, CPE and UG (collectively, "**Pre-IPO Investors**") on 24 February 2016 ("**Subscription and Shareholders' Agreement**"), pursuant to which IGF, CPE and UG subscribed for 1,500 Shares, 500 Shares and 500 Shares at the considerations of HK$36,000,000, HK$12,000,000 and HK12,000,000, respectively on 26 February 2016. The table sets out the key particulars of the pre-IPO investment.

	Name of the Pre-IPO Investor		
	IGF	**CPE**	**UG**
Date of the Subscription and Shareholders' Agreement:		24 February 2016	
Consideration paid:	HK$36,000,000	HK$12,000,000	HK$12,000,000
Subscription Shares:	1,500	500	500
Shareholding immediately before the Listing:	12%	4%	4%
Number and percentage of shareholding upon Listing (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted or which may be granted under the Share Option Schemes):	61,248,000 Shares, 9.60%	20,416,000 Shares, 3.20%	20,416,000 Shares, 3.20%
Approximate cost per Share *(Note)*:		HK$0.5878	
Approximate discount to the mid-point of the Offer Price range:		47.8%	
Basis of determining the Consideration:	Arms' length negotiations between the parties taking into consideration the estimated consolidated net profit after tax of our Company for the financial year ended 31 December 2015.		
Payment date of the consideration:		26 February 2016	

Note:

The approximate cost per Share is calculated based on the amount of consideration paid by the Pre-IPO Investors divided by the number of Shares to be held by them upon Listing (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted or which may be granted under the Share Option Schemes).

Use of proceeds: The proceeds of the pre-IPO investment are to be used only for: (i) the research and development of medical respiratory products under Ventific's brand, development of new medical respiratory products and enhancement of our Group's core technologies to achieve the OBM business model for our Group; (ii) the development of sales and marketing networks for our Group's new markets; (iii) the establishment of a supply and distribution network and enhancement of our Group's market share on the sale of the medical respiratory products in the PRC; and (iv) the application expenses of the Listing.

As at the Latest Practicable Date, none of the proceeds of the Pre-IPO investment had been utilised.

Lock-up: Contractually, the Pre-IPO Investors are subject to a lock-up restriction of 6 months from the Listing Date.

Public float: As (i) the Pre-IPO Investors are not core connected persons of our Company; (ii) the acquisition of their respective interest in the Shares was not financed directly or indirectly by any core connected person of our Company; and (iii) the Pre-IPO Investors are not accustomed to take instructions from a core connected person of our Company in relation to the acquisition, disposal, voting or other disposition of securities of our Company, the Shares held by the Pre-IPO Investors will be counted towards the public float for the purposes of Rule 8.08 of the Listing Rules.

Special rights: The Pre-IPO Investors have been granted the following special rights, each of which will be automatically terminated upon Listing:

1. *Profit guarantee*: If (i) the Listing does not take place on or before 31 December 2016 and (ii) the aggregate consolidated net profit after tax of our Company for the two calendar years ended 31 December 2016 is less than the expected target of HK$90,000,000 ("**Profit Target**"), VRI shall pay, on a pro rata basis, to the Pre-IPO Investors a cash sum equal to 20% of the amount by which the actual aggregate consolidated net profit after tax falls short of the Profit Target.

2. *Put option*: In the event that (i) our Company has aborted the Listing application or failed to meet the requirements for the Listing application at any time during the 37-month period commencing from 26 February 2016; or (ii) the Listing has not taken place before the expiry of a 3-year period commencing from 26 February 2016, the Pre-IPO Investors may, in their sole discretion, jointly exercise their right to sell to our Company all of the 2,500 Subscription Shares at a price equal to the consideration paid by them for the Shares plus an annual investment return on the consideration at the rate of 7% per annum ("**Put Option**") calculated from 26 February to the date of exercise of the Put Option.

3. *Appointment and removal of a Director*: At all times while the Pre-IPO Investors remain the registered owners of the Subscription Shares, they shall collectively have the entitlement to appoint and remove one Director and none of the Existing Shareholders can take action to remove such Director.

4. *Prior consent for certain corporate actions*: The Existing Shareholders shall procure that, save as is required by any applicable law or authority or otherwise contemplated in the Subscription and Shareholders' Agreement or the Reorganisation, or with the consent of the Director appointed by the Pre-IPO Investors (i) certain corporate actions such as the alteration of issued share capital, alteration of the memorandum or articles of association or the creation of new Shares, shall not be taken, and (ii) our Company shall not agree to enter into any transaction, including but not limited to, the acquisition of any company or securities of any body corporate, the disposal of all or a material part of our Company's business or creation of any encumbrance on our Company's assets or provision of guarantee.

Background of the Pre-IPO Investors and their relationship with us

IGF

Infinity Global Fund SPC is a segregated portfolio company incorporated in the Cayman Islands on 18 June 2015 and Infinity Medical One SP is a segregated portfolio designated by Infinity Global Fund SPC on 28 December 2015. IGF conducts private equity investment. IGF is managed by a wholly-owned subsidiary of Infinity Equity Management Company Limited ("**Infinity Equity**"). Infinity Equity was founded by its Israeli director and managing partner, Mr. Amir Gal Or, who is also our non-executive Director. Infinity Equity manages, through its subsidiaries and affiliated companies, more than 20 private equity funds in the PRC and overseas focusing on various industries in the PRC, including but not limited to medical, agricultural, water, energy, telecommunications, media and technology (TMT), education and culture and the manufacturing of high-end robotic and industrial equipment.

Each of IGF and Infinity Equity is beneficially owned by a group of investors including the State-owned Asset Supervision and Administration Committee of the Zhuhai Municipal Government, CASH Financial Services Group Limited (a company listed on the Main Board of the Stock Exchange (stock code: 510)), Mr. Amir Gal Or (our non-executive Director appointed pursuant to the Subscription and Shareholders' Agreement), Mr. Poon Lai Yin Michael (our alternate Director to Mr. Gal Or) and Mr. Chan Yau Ching Bob, PhD (a director of Infinity Global Fund SPC). To the knowledge of our Directors, save for Mr. Gal Or, the companies wholly-owned by Mr. Gal Or for holding interest in Infinity Global Fund SPC and Mr. Poon, each of IGF and its beneficial owners is an Independent Third Party.

CPE

CPE is a company incorporated in the BVI on 2 April 2002. It conducts private equity investment and is wholly-owned by Mr. Chan Hing Tat. To the knowledge of our Directors, each of CPE and Mr. Chan Hing Tat is an Independent Third Party.

UG

UG is a company incorporated in the BVI on 10 April 2013. It conducts private equity investment and holds interest in a fund which has a registered fund size of RMB615 million and is one of the first batch of the wholly foreign-owned enterprise (WFOE) funds. The general partner of such fund, United Gain (Shenzhen) Fund Management (LP)* (聯威（深圳）基金管理企業（有限合夥）) ("**UG Shenzhen**"), is a limited partnership established in the PRC which has obtained both the Qualified Foreign Limited Partner (QFLP) qualification and the Qualified Domestic Investment Enterprise (QDIE) pilot qualification in Qianhai, Shenzhen, the PRC. The general partner of UG Shenzhen, United Gain Investment Limited, is licensed under the provisions of the SFO to engage in type 4 (advising on securities) and type 9 (asset management) of regulated activities.

UG is wholly-owned by UG Capital Limited which in turn is wholly-owned by Mr. Lau Chi Yin Thomas. To the knowledge of our Directors, each of UG, UG Capital Limited and Mr. Lau Chi Yin Thomas is an Independent Third Party.

Strategic benefits of the pre-IPO investment

Our Pre-IPO Investors and their affiliates have private equity management experience from and investments and connections in the PRC and Israel, including but not limited to medical device companies. By introducing IGF, CPE and UG as our pre-IPO investors, we would not only benefit from the capital that they have brought in, but also leverage on their networks, expertise and experience, particularly those from the PRC and Israel, to acquire the latest technological information and broaden our potential customer base. For example, through IGF, we were able to participate in the China-Israel Technology, Innovation and Investment Summit organised by IGF and its affiliates in January 2016, where we explored future opportunities and potential collaborations for our Group.

Sole Sponsor's view

The Sole Sponsor is of the view that the pre-IPO investment detailed above is in compliance with the Interim Guidance on Pre-IPO Investments (HKEx-GL29-12) issued by the Stock Exchange in January 2012 and the Guidance on Pre-IPO investments (HKEx-GL43-12) issued in October 2012 and updated in July 2013 as the consideration for such pre-IPO investment was fully settled more than 28 clear days before the date of our Company's submission of the Listing application form to the Stock Exchange and all the special rights granted to the Pre-IPO Investors shall be terminated upon Listing.

PRC LEGAL COMPLIANCE

M&A Rules

According to the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors* (關於外國投資者併購境內企業的規定) ("**M&A Rules**") which were promulgated by the Ministry of Commerce, the State-owned Assets Supervision and Administration Commission, the CSRC, the State Administration of Taxation, the State Administration for Industry and Commerce and the SAFE and which took effect on 8 September 2006 and were modified on 22 June 2009, where a domestic company, enterprise or natural person intends to acquire his/her related domestic company through an offshore company which he/she lawfully established or controls, the acquisition shall be subject to the examination and approval of the Ministry of Commerce; and where a domestic natural person holds equity interest in a domestic company through an offshore special purpose company, any transaction involving the overseas listing of that special purpose company shall be subject to approval by the CSRC.

Our PRC Legal Advisers have advised that the M&A Rules were not applicable to the Reorganisation undergone by our Group because all of our PRC subsidiaries were established as foreign-invested enterprises and beneficially controlled by Mr. Choi and Ms. Liu who are Hong Kong permanent residents. However, our PRC Legal Advisers do not exclude the possibility that CSRC may later issue interpretations, make further clarifications of the M&A Rules or promulgate new rules, ordinance or guidelines, which would require us to obtain its approval. Under the circumstance mentioned above, we shall thereby obtain approval from the CSRC accordingly.

Circular 37

SAFE promulgated the Circular of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles* (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) ("**Circular 37**") and the Operating Guideline for Relevant Business of Foreign Exchange Administration over Round-trip

Investment* (返程投資外匯管理所涉業務操作指引) ("**Circular 37 Operating Guideline**"), being the annexure of Circular 37, on 4 July 2014 which took effect on the same day. According to Circular 37 and the Circular 37 Operating Guideline, a domestic resident (including domestic institutions and domestic individual residents) shall, before contributing lawful domestic and overseas assets or interests to a special purpose vehicle, apply to the relevant foreign exchange bureau to effect foreign exchange registration. For such purpose, a "domestic individual resident" shall include overseas individuals who do not hold any PRC identity documents but have habitual residences in the PRC due to their certain economic interests in the PRC.

On 13 February 2015, SAFE issued the Notice on Further Simplification and Improvement of Foreign Exchange Administration Policies for Direct Investment* (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) ("**Circular 13**") and the Operating Guideline for Business of Foreign Exchange for Direct Investment* (直接投資外匯業務操作指引) ("**Circular 13 Operating Guideline**"), being the annexure of Circular 13, both of which came into effect on 1 June 2015. Pursuant to Circular 13 and the Circular 13 Operating Guideline, a domestic individual resident who makes capital contribution to a special purpose vehicle using his or her legitimate domestic or offshore assets or interests is no longer required to apply to the relevant foreign exchange bureau for foreign exchange registration of overseas investments. Instead, he or she shall apply to banks in the place where the assets or interests of such domestic enterprise are located (in case such domestic resident individually makes capital contribution to the special purpose vehicles using his or her legitimate domestic assets or interests) or banks in the place where his or her permanent residence is registered (in case such domestic resident individually makes capital contribution to the special purpose vehicles using his or her legitimate offshore assets or interests) to go through foreign exchange registration of overseas investments.

Since (i) our Controlling Shareholders, Mr. Choi and Ms. Liu, and our individual Shareholders, Mr. To, Mr. Fu Kwok Fu and Mr. Koh Ming Fai are neither PRC individual residents nor, based on their written confirmations, non-PRC individual residents who do not hold any PRC identity documents but have habitual residences in the PRC due to their certain economic interests in the PRC; and (ii) our other institutional Shareholders, IGF, CPE and UG are not domestic institutions as defined under Circular 37, our PRC Legal Advisers are of the opinion that the aforementioned shareholders are not subject to foreign exchange registration under Circular 37.

OVERVIEW

We manufacture a range of medical devices, focusing on respiratory products, imaging contrast media power injector disposable products, and orthopaedic and rehabilitation products for our OEM customers in our OEM Business; and develop, manufacture and sell our own "Inspired Medical" ("英仕醫療") brand of respiratory equipment and disposable products and orthopaedic and rehabilitation products in our OBM Business. For 2015, we generated 87.3% of our turnover from our OEM Business, and 12.7% from our OBM Business. Sales of (i) respiratory products, (ii) imaging CMPI disposable products, (iii) orthopaedic and rehabilitation products, and (iv) other products represented 39.1%, 34.7%, 16.5% and 9.7% of our turnover for 2015, respectively. We believe the success of both of our business segments are underpinned by our quality assurance standards, our in-depth industry experience and our specialised and efficient production capability. We were the second largest exporter of respiratory and anaesthesia disposables in the PRC in 2015 based on export value, according to the CIC Report. We believe we have accumulated significant expertise in the production of respiratory devices designed to deliver and humidify gases to patients under ventilation or oxygen treatment, and we are well-positioned to further develop and commercialise the relevant respiratory systems and devices to enhance patients' respiratory care.

Established in 1997, we believe we have established ourselves as a trusted OEM manufacturer for major international healthcare and medical device companies, such as Bayer Medical Care, which is a 19.9%-shareholder of our subsidiary, VMHK and we maintain a stable relationship for over 10 years with such companies. Our OEM customers engage us to manufacture medical devices in accordance with their specifications, which they market and sell under their own brand names. Our OEM products include: (i) respiratory and anaesthesia disposable products such as single-use and reusable breathing circuits, chambers, filters, humidifiers and accessories; (ii) imaging CMPI syringes and accessory products for CT and MRI imaging, which we manufacture solely for "Bayer Group"; and (iii) orthopaedic and rehabilitation braces.

Our production base in Dongguan, the PRC, is well-equipped with specialised production facilities for medical devices, including custom-built Class 100,000 clean rooms (working environment containing less than 100,000 particles (≥ 5 μm in size) per 1 cubic feet of air sample) installed with equipment for injection, blow moulding, extrusion and assembling of products. We also operate two certified EtO Sterilisation systems, imported from the United States and France, for sterilisation of medical devices, especially for invasive devices for which conventional high temperature sterilisation or gamma radiation sterilisation cannot be used, and our in-house microbiological and product testing laboratories.

We manage our production with a focus on quality assurance, which is vital in the medical device industry. We were the first Hong Kong-headquartered medical device group to have obtained the ISO14971 certification for the application of risk management to medical devices in 2009. We have also obtained certifications under the ISO13485 standard for comprehensive quality management system for the design and manufacture of medical devices, and the ISO11135 standard for development, validation and control of sterilisation process for medical devices. While we maintain stringent quality control over our products, we strive to achieve an efficient cost structure through the redesigning of production processes, selection of raw materials and automation of processes.

We have a proven track record for obtaining registration for sales of our products overseas, including the "CE", "CMDCAS" and "JGMP" certifications for sales of products to the European, Canadian and Japanese markets, respectively, and registering medical devices with the FDA for sales in the United States. In the PRC, we have obtained the Medical Device Manufacturing Licence and Medical Device Exportation Certificate; and Medical Device Business Permit for Class I, II and III medical devices. Our ability to obtain such certifications and registrations for our products illustrates the ability of our production facilities and our products to meet internationally recognised standards.

Since 2003, we have established our OBM Business with our proprietary "Inspired Medical" ("英仕醫療") brand, leveraging on our in-depth experience, steadfast adherence to stringent quality assurance standards and specialised production capability. In 2009, we officially established our in-house research and development team to focus on the development of our OBM Business, in particular respiratory devices. We currently offer 11 categories of products under our "Inspired Medical" ("英仕醫療") brand, comprising anaesthesia circuits, ventilation circuits, breathing filters, heat and moisture exchange filters, masks, nebuliser kits, heater humidifiers, chambers, ultrasonic nebulisers and respiratory device components, as well as orthopaedic and rehabilitation braces. We market and sell our OBM products through an established domestic and international distribution network and to medical equipment manufacturers. In 2015, we sold our OBM products to over 380 distributors and other customers covering approximately 360 hospitals in 28 Provinces and Regions in the PRC; including 60 major distributors with purchases over RMB100,000 in 2015, representing approximately 75% of our OBM sales in the PRC in 2015. While our sales of OBM products to overseas only represented 34.1% of our OBM sales for 2015, we had business relationship with 42 overseas distributors and other customers for 2015 in countries such as Australia, Japan, Korea, Indonesia, India, Chile, Brazil and Saudi Arabia.

Having established our "Inspired Medical" ("英仕醫療") brand and our distributorship network for our OBM Business, we have placed increasing emphasis on the research and development of our OBM products in recent years, through our in-house research and development efforts and in collaboration with research institutions or business partners. We target to develop and commercialise enhanced products with functionality that addresses patients' needs. We collaborated with Nano and Advanced Materials Institute Limited, a company set up by the government of Hong Kong, to conduct research in nanotechnology and advanced materials, and developed our OBM functional arm brace product, which is now in pilot production stage. We are currently collaborating with external research partners including (i) the Guangzhou Institute of Respiratory Disease (廣州呼吸疾病研究所), a research institute which includes a state key laboratory for respiratory disease in the PRC; (ii) Ventific, an Australian company which owns CPAP-related technology for treating sleep apnea and other respiratory disorders, with whom we are cooperating on the development and manufacturing of a home care CPAP equipment; and (iii) 12th Man Technologies, Inc., an American company focusing on the development of drug and medical devices for pulmonary and critical care medicine and infectious diseases, to jointly develop an infant bubble CPAP equipment and an electronic air/oxygen blender based on its technologies. We expanded our OBM Business to cover orthopaedic and rehabilitation products in 2014, and in 2015, we acquired a 53.125% interest in RRCL, the developer of the "Hand of Hope", an EMG-driven robotic hand training device for stroke patients, which has won the Grand Prix Award in the 2012 International Exhibition of Inventions of Geneva.

While we aim to continue to strengthen our OEM Business, we believe that our established platform for OBM Business, active approach in assimilating technological advances and our experience in commercialising new products provide us with a strong platform to expand our OBM Business.

OUR STRENGTHS

In-depth experience in production of medical devices with strong focus on stringent quality assurance and cost efficiency.

With over 19 years of operating history, we believe we have attained substantial expertise and efficiency in the production processes for medical devices which satisfy internationally recognised quality assurance standards. We were the first Hong Kong-headquartered medical device group to obtain the ISO14971 certification for the application of risk management to medical devices in 2009, and have also obtained certifications under the ISO13485 standard for comprehensive quality management system for design and manufacture of medical devices, and the ISO11135 standard for development, validation and control of sterilisation process for medical devices.

We place strong emphasis on our stringent quality assurance processes which we consider as a key factor for our success, and have established and steadfastly adhered to our quality management system in accordance with the applicable regulations and standards. Our quality assurance measures cover all aspects of our operations, including the design and installation of production lines, maintenance of equipment, procurement of raw materials, product traceability, product documentation, monitoring and quality checking on raw materials, work-in-progress and finished products, and product sterilisation, as set out in the paragraph "Quality Assurance and Control" below in this section. Our production processes take place in our production facility in Dongguan, the PRC, with Class 100,000 clean room environment containing less than 100,000 particles (≥ 5 μm in size) per 1 cubic feet of air sample, for injection, blow moulding, extrusion and assembling of our products. We also operate two certified EtO Sterilisation systems imported from United States and France for the sterilisation of medical devices, especially for invasive devices for which conventional high temperature sterilisation or gamma radiation sterilisation cannot be used. Our production facilities are audited annually by some of our major OEM customers and certification bodies for maintenance of the certifications required for our overseas sales.

Our consistent quality assurance standards can be illustrated by our stable relationship with our OEM customers, including some leading international healthcare and medical device companies, with many of which we have over 10 years of business relationship. Despite the elaborate and stringent requirements for the production of OEM medical devices of our customers, we have been able to fulfil such requirements to our customers' satisfaction. Having accumulated significant expertise in the production in medical devices, we also have the capability of providing value-added manufacturing solutions, including product design, re-engineering, proto-typing and product validation, to our customers.

While we maintain stringent quality control over our products, we strive to achieve an efficient cost structure through the redesigning of production processes, selection of raw materials, and automation of processes to improve efficiency, and an experienced and well-trained work force, in order to lower our material, labour and overhead costs and to compete favourably with competitors based in developed countries with higher production costs.

Our large production volume in respiratory and anaesthesia disposable products, which involve plastic injection moulding, plastic tubing extrusion, high frequency and heat welding, die/laser cutting, vacuum form packaging and EtO Sterilisation, provides us with economies of scale, and improves our bargaining power for purchase of raw materials and strengthens our relationship with suppliers to ensure stable supply of materials that meet our quality standards and specifications.

Our efficient and specialised production processes are vital for both our OEM and OBM businesses, and we believe we enjoy economies of scale because of our large volume of production. We believe the combination of high quality and efficient cost structure will provide us a pricing advantage and competitive edge as we compete for additional market share in the PRC and overseas markets.

Strong international OEM customer base of leading healthcare and medical device companies.

We have developed stable and strategic relationship with our major OEM customers, including some leading international healthcare and medical device companies from the United States, Europe and Japan. We believe our stable relationship has been built on our respects for customers' intellectual property rights, business ethics, and steadfast commitment to stringent quality control and regulatory compliance standards. This is effectively communicated to our international customer base by our experienced core management team and well-trained sales team, who are familiar with the international medical device markets and the often elaborate and technical specifications of our OEM customers.

The strength of our strategic relationship with our OEM customers is illustrated by the facts that Bayer Medical Care holds a 19.9% shareholding in VMHK, our subsidiary, and "Bayer Group" and another major international medical device company have set up production lines owned by them in our production facilities for production of their products. We have maintained business relationship with many of our major customers for over 10 years. We typically had to undergo a lengthy qualification process before becoming an approved supplier of such customers, which may sometimes take over a year, and we believe this helps us maintain a strong and stable relationship with our OEM customers.

Our close connections with leading international medical device companies also provide us with valuable market information and intelligence in relation to the latest technology, industry trends and market development, which enhance our ability to adapt to changing market needs for our business as a whole.

Proven track record for medical device validation, certification and registration for sales in the PRC and overseas.

With our long operating history, we are experienced in product validation, certification and registration for sales of medical devices in the PRC and overseas such as European Union, the United States, Canada, Japan and Australia.

We have obtained "CE" certifications issued by TÜV Rheinland AG for our products, which are granted to applicants who have satisfied, among other factors, the applicable quality control standards laid down in the European Directive 93/42/EEC, with which we could sell our products to the European market, and "CMDCAS" certification for sales in Canada. We have successfully listed or registered our products with the FDA for sales of medical devices in the United States, and obtained the "JGMP" certifications for sales in Japan.

Our quality assurance department, most members of which have over eight years of experience with us, has become experienced and familiar with the requirements for obtaining the registration, certification or approvals for sales of medical devices, which is often a time consuming and complicated process. We believe that being experienced in such processes will enable us to roll out our new products efficiently in the future.

Expertise in developing and producing respiratory devices and leading position in production of anaesthesia and respiratory disposable products in the PRC.

We believe we have accumulated significant expertise in the production of respiratory devices for our OEM Business and OBM Business. We have over 19 years of experience in the production of respiratory devices. In 2015, we were the second largest exporter of respiratory and anaesthesia disposables in the PRC, based on export value, according to the CIC Report.

We were one of the early manufacturers of breathing circuits in the PRC. Most such products were imported when we started to sell our OBM breathing circuits in 2004 and we enjoy first-mover advantage in the PRC domestic market. Through our consistent approach in quality assurance, we have gained recognition among our customers for breathing circuits that meet international quality standards and are offered at more competitive prices than those of the more well-known international brands.

Building on this experience, we have focused on our research and development efforts and have accumulated significant expertise in this field. We offer a range of respiratory devices, including anaesthesia and ventilation circuits, breathing filters, heat and moisture exchange filters, masks, nebuliser kits, heater humidifiers, chambers, ultrasonic nebulisers and respiratory device components. These cover generally devices designed to deliver and humidify the gases that a patient receives during invasive mechanical ventilation, oxygen therapy or non-invasive ventilation. Our pipeline

respiratory products include enhanced version of existing respiratory devices, with heated humidification functions. Please see the paragraphs "Our Strategies — 2. Expand OBM Business by Enhancing our Product Offering and Distributorship Network" and "Our Products — Pipeline and Planned Products" below for further information.

According to the CIC Report, it is expected that the global respiratory and anaesthesia disposables market size will increase from approximately USD4.0 billion in 2015 to approximately USD6.2 billion in 2020, representing a CAGR of approximately 9.1%; and it is expected that the market size for PRC's respiratory and anaesthesia disposables in terms of sales revenue will increase from approximately RMB2.4 billion in 2015 to approximately RMB3.8 billion in 2020, at a CAGR of approximately 9.6%, due to the rising number of surgeries and an increase in the number of incidences of respiratory diseases such as chronic obstructive pulmonary disease and asthma due to increasing air pollution and aging population.

We believe our leading market position in respiratory disposables and strong relationship with major suppliers and customers provide us with a favourable position to capture the overall growth trend of the industry.

Well-established "Inspired Medical" ("英仕醫療") brand with domestic and overseas distributorship network for expansion of OBM Business.

With our in-depth experience and accumulated technical know-how in manufacturing medical devices, we established our own "Inspired Medical" ("英仕醫療") brand in 2003 and have rolled out a range of OBM respiratory devices. Our OBM turnover grew from HK$41.1 million for 2013, to HK$47.7 million for 2014 and HK$57.1 million for 2015.

While historically the vast majority of our OBM products were medical disposable products, we have in recent years increased our research and development initiatives to enhance our OBM products' quality and functionality to address patients' needs and market demand. We offer a range of respiratory products, as well as orthopaedic and rehabilitation functional braces under our "Inspired Medical" ("英仕醫療") brand. Our OBM products target domestic and overseas customers who look for medical devices meeting international quality standards that are offered at more competitive prices than those of the more well-known international brands.

We support our OBM Business with our product research and development team, which as at the Latest Practicable Date, had 20 engineers. It carries out in-house research, and also collaborates with our research partners in some research and development projects. Our quality assurance team has accumulated substantial experience for product validation and obtaining product certification for sales in the PRC and overseas which facilitates the commercialisation of our OBM products.

We sell most of our OBM medical devices to our distributors for their on-sale to their customers, which are mainly hospitals, and/or sub-distributors, in order to maximise the reach of our products to hospitals across different regions in a cost-efficient manner. In 2015, we sold our OBM products to over 380 distributors and other customers, covering approximately 360 hospitals in 28 Provinces and Regions in the PRC; including 60 major distributors with purchases over RMB100,000 in 2015, representing approximately 75% of our OBM sales in the PRC in 2015. While our sales of OBM products to overseas only represented 34.1% of our OBM sales for 2015, we had 42 overseas distributors and other customers in various countries such as Australia, Japan, Korea, Indonesia, India, Chile, Brazil and Saudi Arabia. Our distributor network is supported by our experienced and well-trained sales team, which we believe possesses a detailed understanding of our products and customer requirements, working together with our distributors to increase our sales by a focused marketing strategy.

We believe our established "Inspired Medical" ("英仕醫療") brand, solid track record for product commercialisation, growing distributorship network and experienced sales team provide us with a strong platform to further expand our OBM Business in the PRC and overseas.

Experienced and dedicated management with proven track record

We have an experienced, dedicated and capable management team, led by Mr. Choi, our founder, chairman and executive Director, and Mr. To, our executive Director, chief executive officer and general manager, who have been instrumental in spearheading the growth of our Group. Mr. Choi has over 37 years of management experience in the manufacturing industry in Hong Kong and the PRC. Mr. To has been our general manager for over 14 years. He is an associate member of the Hong Kong Institute of Certified Public Accountants and the vice chairman of the Hong Kong Medical and Healthcare Device Industries Association for the term from 2015 to 2016. Mr. Koh Ming Fai, our executive Director, joined us in 2000 and has been a marketing manager of VMHK since 2008, and its assistant general manager since 2015. He is a member of the Hong Kong Institution of Engineers, a registered professional engineer (biomedical), a member of the Institution of Mechanical Engineers and a chartered engineer. Mr. Fu Kwok Fu, our executive Director, joined us in 1997 and has been an engineering manager of VMHK since April 2006. He is a member of the Hong Kong Institution of Engineers, a member of the Institution of Mechanical Engineers and a chartered engineer. Please see the section "Directors, Senior Management and Employees" for further information on our Directors and senior management.

We have built a capable and loyal senior management team with members who have, on average, over 15 years of relevant experience. Our strong senior management team includes members with background in biomedical engineering, occupational therapy, science in automation and computer-aided engineering, accounting and business administration, manufacturing engineering and business management, electrical computer engineering, manufacturing and trading of medical device, research and development and regulations and standardisation of medical devices. Over the years, our management team has established close relationships with our customers and suppliers, accumulated in-depth knowledge of the medical device industry and stayed abreast of industry development and market trends.

In addition, we have an experienced and well-trained quality assurance department, which is essential for maintaining our quality control and assurance standards and is vital for the success of our business. The key members of our quality assurance department have over eight years of relevant experience with us.

OUR STRATEGIES

1. Develop OEM Business by Enhancing our OEM Capability and Services

We intend to strengthen our OEM Business by engaging in additional production projects for our existing OEM customers, and continuing to market our OEM Business to other international healthcare and medical device companies.

We will continue to maintain close contacts with our existing OEM customers to understand their demand and strategy, and actively approach them for engagement in their new production projects. We also intend to attend more overseas trade exhibitions in the United States and Europe to market our OEM capability to potential customers.

While our OEM respiratory products have been relatively uncomplicated disposable products in the past, we are enhancing our OEM capability to include manufacturing of medical device, such as heater circuits with more technological elements. Depending on the demands of our customers, we may also engage and invest in the development, design, reengineering and process and product validation and production of moulding and prototype based on their requirements.

We also intend to expand our scope of value-added services to our overseas OEM customers. We believe we can leverage on our position as a domestic enterprise in the PRC and provide assistance for their application for CFDA registration for sales of medical devices in the PRC, which is relatively more difficult for importing companies to obtain, and distribution of their products in the PRC market.

In addition, we will continue to implement internal cost control measures for our OEM projects in order to enhance our profit margins and may offer our OEM services at competitive prices to attract new projects from existing customers and engagement by new customers.

We believe that our focused marketing strategy, enhanced OEM capability and services will enable us to continue to expand our OEM Business and improve our results of operation.

2. Expand OBM Business by Enhancing our Product Offering and Distributorship Network

Leveraging on our established "Inspired Medical" ("英仕醫療") brand, solid track record for product validation and commercialisation, accumulated technical know-how, growing distributorship network and experienced sales team, we intend to expand our OBM Business by (i) conducting further market-driven product development to enhance and expand our existing and pipeline OBM product offering; and (ii) increasing the coverage and penetration of our distribution network in the PRC and overseas.

2.1. Enhance existing OBM products and develop new products that address patients' needs

We continuously seek new technologies for our products which we consider to have commercialisation potential. We intend to develop new products by our in-house research and development team, acquire technologies from third-parties, or cooperate with research partners with such technologies to develop products that fit within or are supplemental to our existing range of product offering. We intend to focus our OBM research and development efforts on (i) respiratory products for treatment of chronic obstructive pulmonary diseases and asthma, which are becoming more prevalent due to air pollution and an aging population in the PRC and some overseas countries, and infant bubble CPAP products for treatment of infants and CPAP products for patients with obstructive sleep apnea; (ii) rehabilitation robotic equipment for rehabilitation of stroke and paralysed patients, leveraging on the research and development capability of RRCL and its research partners; and (iii) home care medical systems and equipment to address the needs of patients with chronic diseases or ailments, which we believe have substantial potential as population ages and rising living standards make such products more affordable.

Respiratory systems and devices

Building on our production, technical and clinical experience, we intend to expand our respiratory product offering with more technological elements and electronic components, focusing on heated humidification products and systems for use in respiratory care and in treatment of obstructive sleep apnea. Through our research and development efforts, we are developing six major pipeline respiratory products under our "Inspired Medical" ("英仕醫療") brand as at the Latest Practicable Date (including three of which are developed by our in-house product development team and three in collaboration with our research partner) that are near final development stage or awaiting regulatory approvals for sales to the public. They include a home care ultrasonic nebuliser, embedded heater wire breathing circuit, oxygen bubble humidifier, infant bubble CPAP system and active disposable humidification system, for details of which please see the section "Our Products — Pipeline and Planned Products" below.

We have also entered into a cooperation agreement with, and acquired a 20% shareholding in, Ventific, an Australian company which owns CPAP related technology. We are cooperating with them on the development and manufacturing of a home care CPAP equipment. Leveraging on our strength in production and sales, we have obtained the right from Ventific to manufacture and sell this home care CPAP system under Ventific's brand in the PRC, Hong Kong and Japan. Under the cooperation agreement, we will purchase certain components required to manufacture the equipment from Ventific, and manufacture the equipment and directly sell or distribute the equipment in the PRC, Hong Kong and Japan; and we will manufacture and sell the equipment to Ventific for its sales in other regions.

As our OBM respiratory equipment product offerings expand, we expect that our sales of accessory products and consumables for such equipment, such as breathing circuits, filters chambers and masks, will also increase, and will provide long-term recurring income for us.

Orthopaedic and rehabilitation products

We collaborated with Nano and Advanced Materials Institute Limited, a company set up by the government of Hong Kong to conduct research in nanotechnology and advanced materials. We developed our OBM functional arm brace based on this collaboration, which is now in pilot production stage and is awaiting approval by CFDA for sales in the PRC.

After our acquisition of a 53.125% interest in RRCL in December 2015, we are consolidating our strengths in efficient production, established industry network and product commercialisation experience with RRCL's strong research and development capability. "Hand of Hope", its major product, is an EMG-driven robotic hand training device which aims to help stroke patients regain hand mobility through motor relearning. It has been produced in small scale and sold in Hong Kong and we plan to relocate the production of "Hand of Hope" to our Dongguan production facility to reduce its production costs and lead time. We have obtained CE certification for the product for sales in Europe. As a PRC domestic enterprise, we are able to apply for the registration of the "Hand of Hope" as a domestic product, and we expect that its registration for sales in the PRC will be obtained by 2017. Upon obtaining the registration, we intend to promote and market it with our established sales network in the PRC. We also intend to leverage on the research and development capability of RRCL to develop a home care version of the "Hand of Hope" device. In addition, we are in final discussion, but have not entered into any agreement as at the Latest Practicable Date, with RRCL's research partners who have invented the relevant exoskeleton robotic rehabilitation technology and hold the relevant patents, to obtain licences to develop and commercialise similar products such as exoskeleton robotic devices for ankle, knee and hip rehabilitation.

Home care medical systems and equipment

We aim to engage in the development of home care medical systems and equipment. While currently our OBM products are mostly sold to hospitals as end customers, we see significant growth opportunities in the home use markets for sales of simpler and more compact version of our respiratory devices and rehabilitation robotic devices for long term use by patients with chronic diseases or ailments.

Our pipeline products include a home care ultrasonic nebuliser under our "Inspired Medical" ("英仕醫療") brand for patients with respiratory diseases such as COPD or asthma, and we have obtained the right to manufacture and sell the home care CPAP equipment under Ventific's brand in the PRC, Hong Kong and Japan. We also plan to develop a home care version of the "Hand of Hope" device.

In evaluating the development of new home care products, we seek to identify medical devices which will improve the quality of life for patients with chronic ailments, and we will also focus on medical devices which enable us to leverage our existing strengths in research, production and sales channels.

We believe that our active and flexible approach in assimilating technological advances and our experience in commercialising new products will provide us with a strong platform to expand and develop our range of "Inspired Medical" ("英仕醫療") products. We believe our product pipeline will provide us with a foundation of sustainable growth, and an expanded product portfolio will enable us to achieve greater economy of scales by leveraging on our existing production facility and sales channels.

2.2 Strengthen our product development capability

To support our product development, we will continue to expand our in-house research and development team and co-operate with external research institutions.

Since 2009, we have established a research and development team which focuses on the development of respiratory devices with humidification heater functions, and our new type heater system VHB15A was awarded with the "High New Technology Product Certificate" by the Guangdong Hi-Tech Enterprise Association (廣東省高新技術企業協會). As at the Latest Practicable Date, we had obtained over 50 patents for our in-house developed products relating to significant technologies we utilise in our breathing circuits, nebulisers, CPAP products, humidifiers, breathing circuits, chambers and rehabilitation products.

We plan to continue the development of our OBM products through our strong in-house research and development team, which had 20 engineers as at the Latest Practicable Date. In order to strengthen our product research and development capability, we plan to increase the headcount of our research and development team by recruiting approximately 40 engineers or persons with relevant background in product research and development and quality assurance by the end of 2018.

In addition to our in-house research and development efforts, we also collaborate with external research partners. We are currently collaborating with external research partners including (i) the Guangzhou Institute of Respiratory Disease (廣州呼吸疾病研究所), a research institute which includes a state key laboratory of respiratory disease in the PRC; (ii) Ventific, an Australian company, which owns CPAP related technology for treating sleep apnea and other respiratory disorders, with whom we are cooperating on the development and manufacturing of a home care CPAP equipment; and (iii) 12th Man Technologies, Inc., an American company focusing on the development of drug and medical devices for pulmonary and critical care medicine and infectious diseases, to jointly develop an infant bubble CPAP equipment and an electrical air/oxygen blender based on its technologies.

We plan to look for further collaboration opportunities with other research partners with the appropriate expertise and experience to develop new OBM products with advanced or new technology, in particular in the respiratory and orthopaedic and rehabilitation categories. We believe that this strategy will enhance our brand image and broaden our product range and customer base.

2.3. Expand and strengthen our distributorship and sales network

In addition to further utilising our existing distributorship network with our enhanced OBM product offering, we intend to deepen the market penetration of our OBM sales in our existing markets and expand our distributorship network.

We plan to increase the coverage of hospitals by expanding our distribution network to increase penetration into cities in the PRC which our distributorship network currently does not cover, and to engage additional distributors with the appropriate resources and professional marketing capabilities in the PRC and overseas markets. We believe that in emerging markets such as Brazil, Saudi Arabia and Indonesia, there are sizeable population and growing demand for quality medical devices, including respiratory equipment and disposable products, which attain international standards and are offered at competitive prices. We have already engaged distributors with the relevant experience and established distribution network in these countries to promote our OBM products and will work closely with such distributors to supply them with products to meet the market demand and provide them with supporting services.

In order to promote our pipeline home care products, including our "Inspired Medical" ("英仕醫療") home care ultrasonic nebuliser, and Ventific's home care CPAP equipment which we have obtained the right to sell in China, Hong Kong and Japan, we intend to identify and engage distributors in the PRC and overseas, including some of our existing distributors, with experience in distributing home care medical devices, to promote such products. This includes a key distributor in Japan with such experience which operates product experience stores to provide first-hand experience to potential CPAP equipment customers, such as patients, health care workers and medical professionals. We also intend to promote our home care equipment through online e-commerce platform operated by third-parties.

2.4. Increase sales and marketing for OBM Business

We will continue our marketing efforts in promoting our "Inspired Medical" ("英仕醫療") brand and our products in the medical device industry.

Increase marketing and promotional activities

We will continue to market our OBM products through targeted promotional activities which aim to promote our brand and products to medical professionals. We will consider to participate in major international medical specialty trade fairs, such as the European Respiratory Society Congress in Europe and the International Respiratory Convention and Exhibition Congress in the U.S., and will continue to participate in other trade exhibitions and academic conferences, to meet with our existing and potential customers, promote our products and enhance our brand awareness. We also intend to sponsor and organise conferences and seminars on medical topics relating to our products for our distributors and medical professionals, and publish educational and marketing materials describing the benefits of our products and their functions. We also intend to cooperate with hospitals and research institutions which can provide clinical trial support, academic studies and research papers in relation to our new products, which help to introduce our products to hospitals and medical professionals.

For our OBM orthopaedic and rehabilitation products, upon obtaining the CFDA registration for the "Hand of Hope", an EMG-driven robotic hand training device, we will conduct marketing activities to promote its sales in the PRC and participate in exhibitions and product demonstration shows targeting medical professionals in the PRC and overseas, and promote it through online social media and advertisement in specialised magazine.

For our pipeline home care equipment, we intend to use online marketing, printed advertising materials and training video to promote the products, and work with distributors to introduce such products to hospitals and medical professionals. We intend to market them through hospitals with facilities such as sleep disorder laboratory for access to the target customers for CPAP equipment, and through home care medical device distributors in the PRC which operate sales offices with "product experience shops", generally located in hospitals, to introduce and promote such products to the target customers. We also intend to set up a home care equipment sales support team to provide technical support and customer service.

Promote our OBM respiratory disposable products to medical equipment manufacturers as parts and accessories of their respiratory equipment

Building on our track record of quality assurance and relationship with medical device companies, we intend to promote our OBM respiratory disposable products to such companies as our disposable products may be incorporated as part of their medical equipment and systems, which they will promote and sell to their customers as a single unit. For example, our anaesthesia circuits may be incorporated and sold as part of our customer's anaesthesia equipment. We believe this strategy will generate long-term recurring sales of disposable and accessory products for us.

Set up sales offices in the PRC and in-house market research team

We have set up a sales office in Shenzhen, where a large number of medical device companies are located, to further strengthen our marketing capability, develop our relationship with distributors and expand our customer base. We intend to set up sales offices in other locations in the PRC such as Beijing, Shanghai, Chengdu, Wuhan and Shenyang, in order to improve our after-sales service, maintain close contact with our distributors and cooperate with distributors to introduce and promote our products to hospitals.

We also intend to establish a technical support team to provide technical and engineering support to our key distributors, and gather their feedback on how to improve our product performance with technical improvements, and to provide seminars and training programmes for the frontline sales staff of our key distributors in order for them to provide better technical support and maintenance services for hospitals, which are the major end customers.

In addition, we intend to set up a market research team to better assess market potential and key growth drivers, and to review our development strategy for our sales and distribution networks.

3. Expand and Upgrade our Production Facility to Achieve Greater Efficiency and Increase Capacity

We will continue to upgrade and replace our production equipment by acquiring different new equipment, such as assembly, injection, blow-moulding, extrusion and testing equipment, including some high-precision and high-speed to achieve further automation of our production processes, which will increase our production capacity and efficiency and further improve quality control of our production. We plan to use approximately HK$55.5 million of the proceeds from the Global Offering to expand and upgrade our production facility, including the acquisition of the following major equipment and other equipment, and to set up new clean room production facility from 2016 to 2018.

The purpose of the expansion and upgrading of our production facility is not only for increasing our production capacity, for which please see the paragraph "Production — Production Capacity and Utilisation" below, but also for (i) enhancing the quality of products by using more advanced production equipment; (ii) improving quality control and testing processes by improved or additional quality control and testing equipment; (iii) increasing the level of automation of our production processes, which will enable us to achieve saving of labour cost and economies of scale; and (iv) providing production capacity for our rehabilitation products, the production of which was outsourced to VRHK and VRDG during the Track Record Period, and for other new product lines.

For our plastic injection-moulding, blow-moulding and extrusion processes for our respiratory and imaging disposable products, we intend to acquire (i) high-precision and high-speed injection equipment to increase capacity and enhance quality of the relevant products; (ii) a high-precision and high-speed extruder to increase the capacity for and quality of the relevant products; (iii) mould temperature controllers and four cooling modules to enhance efficiency and quality consistency of the products; (iv) desiccant dryers to increase our capability to process high standard resin and enhance quality of moulding of products; (v) automatic cutters for tubing and one material conveyor to increase production automation and increase efficiency; and (vi) one automatic high-speed in-line printing system for respiratory products, and to upgrade resin containers for energy saving.

For our respiratory product assembly line, we intend to upgrade our work station from manual operation to semi-automation or automatic operation to enhance operation efficiency, increase production capacity and better quality control, by acquiring equipment such as automatic connector assembly line, automatic embedding solvent equipment for production of heat and moisture exchange filters, automatic presser and automatic solvent dispenser. In addition, we intend to install new production equipment such as silicone liquid injection system for moulding soft silicone parts, and silicone extruder for making silicone tubing.

For our imaging disposable product assembly line, we intend to acquire additional automatic capping equipment to increase efficiency and capacity for capping operation and a new automatic form-filling packing equipment to provide packaging service for our customer.

For our orthopaedic and rehabilitation products manufacturing, we intend to set up new production lines for orthopaedic and rehabilitation products, which we subcontracted to VRHK and VRDG in the past, as set out in the paragraph "Subcontracting" below in this section. In this respect, we intend to (i) increase our production area for such processes by leasing an additional area of

5,000 sq.m.; (ii) set up one new production line for sewing and one for assembly of rehabilitation braces, and acquire equipment for semi-automation and automation of the processes to increase our production capacity for orthopaedic and rehabilitation products, including the "Hand of Hope", an EMG-driven robotic hand training device; and (iii) hire the relevant employees.

Furthermore, we will further enhance our quality control measurement capability by acquiring 3D coordinate measurement system and intend to purchase a 3D rapid prototyping equipment to enhance our product research and development capability.

BUSINESS MODEL

Our OEM Business comprises manufacturing of respiratory devices, imaging CMPI disposables, and orthopaedic and rehabilitation devices for our OEM customers based on their specifications and requirements. Our OBM Business comprises the research, development, manufacturing and sales of our own "Inspired Medical" ("英仕醫療") brand of respiratory devices and orthopaedic and rehabilitation products, which we mostly sell to distributors for their sale mainly to hospitals.

The table below sets out a breakdown of our turnover by business segments for the periods indicated.

	For the year ended 31 December					
	2013		2014		2015	
	HK$'000	%	HK$'000	%	HK$'000	%
Turnover						
OEM Business	283,388	87.3	341,271	87.7	391,062	87.3
OBM Business	41,104	12.7	47,706	12.3	57,107	12.7
Total	**324,492**	**100.0**	**388,977**	**100.0**	**448,169**	**100.0**

OEM Business

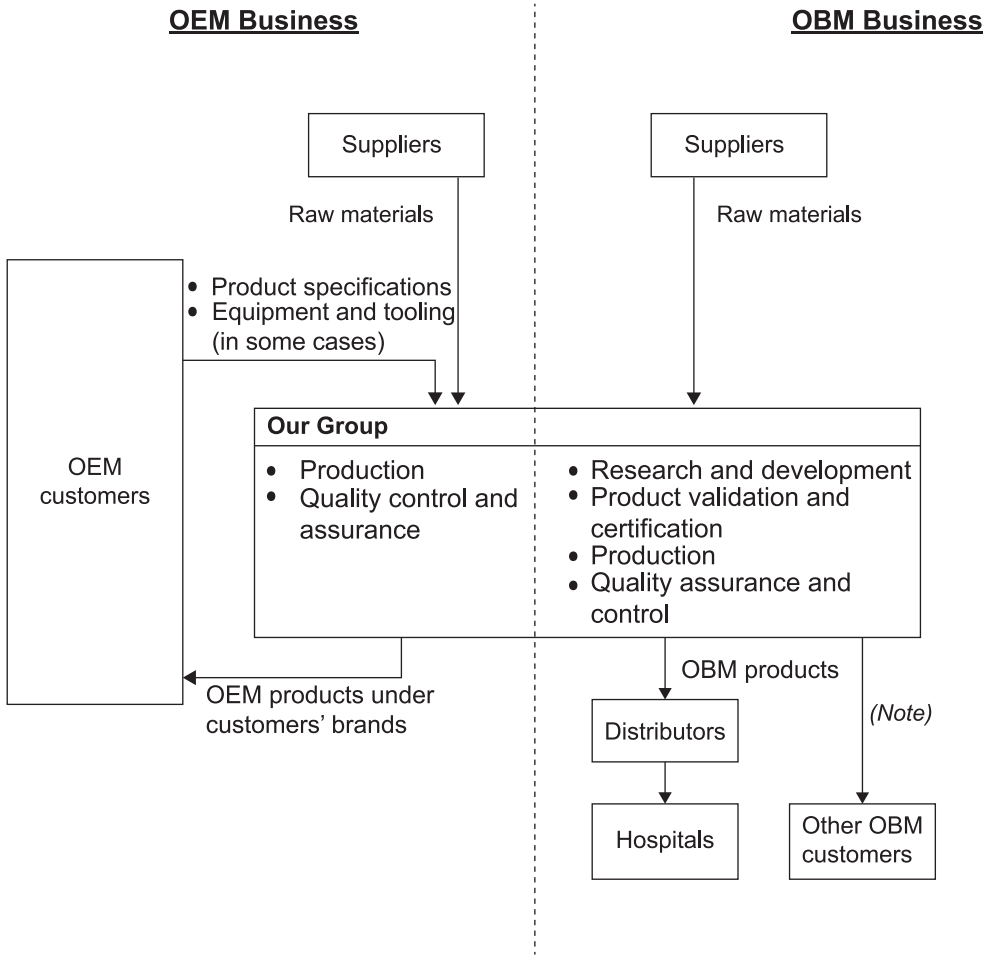
We manufacture medical devices, principally disposable products, for our OEM customers, including leading international healthcare and medical device companies such as "Bayer Group". We manufacture the medical devices in accordance with the OEM customers' design and specifications, which are registered, marketed and sold under their own brand names. Our OEM customers generally require us to procure raw materials that conform to their specifications. In some cases, they require us to purchase raw materials and components from them or from suppliers specified by them. Certain equipment and tooling for production may be supplied by the customers to us on lease or licence. We are also required to follow their specifications on the production processes and the quality control standards. The customer is the owner of the intellectual property and registration for the products, and is generally responsible for obtaining the product certifications or making regulatory filings for the sales of the products in the relevant jurisdictions. Please see the paragraph "Sales and Distribution— Sales to OEM Customers" below for further information.

OBM Business

We develop, manufacture and sell our proprietary "Inspired Medical" ("英仕醫療") brand of OBM respiratory devices, comprising respiratory equipment and disposable products, and orthopaedic and rehabilitation products. We sell most of our OBM products to distributors which sell them mainly to hospitals in the PRC and overseas and we also sell such products to medical equipment manufacturers. We offer 11 categories of OBM products, including anaesthesia circuits, ventilation circuits, breathing filters, heat and moisture exchange filters, masks and nebuliser kits, heater humidifiers and chambers, ultrasonic nebulisers and respiratory device components, as well as orthopaedic and rehabilitation braces. Please see the paragraph "Sales and Distribution — Sales to OBM customers" below for further information.

We manufacture some generic respiratory disposable products both for our OEM customers and under our "Inspired Medical" ("英仕醫療") brand. The overlapping products comprise principally generic items which do not contain any patented or proprietary technology or special design or customisation features that our OEM customers specify. Turnover from our OBM products which overlap with our OEM products was approximately HK$21 million in 2015, representing approximately 5% of our turnover from OEM Business or approximately 37% of our turnover from OBM Business. Products we manufacture for our OEM Business and OBM Business undergo similar production processes and quality control procedures (unless the relevant OEM customers specify otherwise), but they are generally targeted for different geographical regions, with all of our OEM products being sold to overseas OEM customers during the Track Record Period and the majority of our OBM products being sold in the PRC; and our OBM products generally target a lower price segment than the similar OEM products produced for the well-known international brands. As the overlapping OBM and OEM products are generally generic items and target different markets, we believe that this has not affected and will not affect our relationship with our OEM customers.

The diagram below illustrates the business model of our OEM Business and OBM Business.



Note:

We sold some of our OBM products to (i) medical equipment manufacturers, generally as accessories or parts of their equipment; (ii) medical device retailers; and (iii) medical institutions and other miscellaneous end-use customers during the Track Record Period.

OUR PRODUCTS

We manufacture a broad range of medical devices, comprising (i) respiratory products; (ii) imaging contrast media power injector disposable products; (iii) orthopaedic and rehabilitation products; and (iv) other products.

Medical devices are generally classified (with some variations in different jurisdictions) into one of three classes — Class I, II, or III — based on their risks and the regulatory controls necessary to provide a reasonable assurance of safety and effectiveness. Class I devices generally pose the lowest risk to patient and/or user and Class III devices pose the highest risk. Our products include 18 categories of OEM products, which include medical products in Classes I, II and III, and 11 categories of OBM products, which are generally Classes I and II products.

The following table sets forth the breakdown of our turnover from OEM Business by product category for the periods indicated.

	For the year ended 31 December					
	2013		2014		2015	
	HK$'000	%	HK$'000	%	HK$'000	%
Turnover from OEM Business						
— Respiratory products	90,114	31.8	109,142	32.0	120,188	30.7
— Imaging disposable products	116,383	41.1	153,181	44.9	155,675	39.8
— Orthopaedic and rehabilitation products	55,667	19.6	60,796	17.8	72,070	18.4
— Others (*Note*)	21,224	7.5	18,152	5.3	43,129	11.1
Total	**283,388**	**100.0**	**341,271**	**100.0**	**391,062**	**100.0**

Note: "Others" include infusion regulators, moulds, surgical tools, instruments and plastic disposable products.

The following table sets forth the breakdown of our turnover from OBM Business by product category for the periods indicated.

	For the year ended 31 December					
	2013		2014		2015	
	HK$'000	%	HK$'000	%	HK$'000	%
Turnover from OBM Business						
— Respiratory products	41,104	100.0	47,275	99.1	55,053	96.4
— Orthopaedic and rehabilitation products	—	0.0	431	0.9	2,054	3.6
Total	**41,104**	**100.0**	**47,706**	**100.0**	**57,107**	**100.0**

Respiratory Products

Our respiratory products cover a comprehensive range of disposable and reusable breathing circuits (e.g. ventilation circuits, anaesthesia circuits, coaxial circuits, heater wire circuits, smoothbore circuits, hytrel circuits and silicone circuits), different types of respiratory filters (e.g. bacteria and virus filters, heat and moisture exchange filters, high-efficiency particulate arrestance filters and respiratory filters), humidification chambers, humidification heaters, ultrasonic nebulisers, nebuliser kits, respiratory device accessories and components (e.g. breathing bags, masks, water traps, canisters and connectors). These products are generally designed and used for supplying, humidifying and controlling the temperature of gases that a patient receives during mechanical ventilation, oxygen therapy, invasive or non-invasive ventilation in operating theatres and ICU. Our breathing circuits and respiratory disposable products are generally made with resin, plastic, corrugated polyethylene or polypropylene tubing that are light, flexible and kink resistant.

During the Track Record Period, our sales of respiratory products comprised principally disposable products which we produced for our OEM Business and OBM Business. In recent years, we have developed and introduced certain respiratory equipment and devices with electronic elements to our OBM product offering, including breathing circuits with heater wire, heater humidifiers, and nebulisers for which we have obtained CFDA and CE certifications for sales of these products in the PRC and Europe.

Our "Inspired Medical" ("英仕醫療") heater humidifier is a controlled heating humidification system with humidity and temperature feedback control function for delivery of humidified gases at optimal temperature to patients irrespective of ambient room conditions. It has been awarded with the "High New Technology Product" certificate by Guangdong Hi-Tech Enterprise Association. We have jointly developed an ultrasonic nebuliser with the Guangzhou Institute of Respiratory Disease (廣州呼吸疾病研究所), which was also awarded with "High New Technology Product" certificate.

The table below sets forth some major categories of our OEM and OBM respiratory products.

Product category	Features and applications	Examples of product in the category
Disposable and reusable breathing circuits (e.g. ventilation circuits, anaesthesia circuits, coaxial circuits and heater wire circuits) (OEM)	Transfer inspiratory and expiratory gas between the ventilator or anaesthesia machine and the patient	 Disposable breathing circuit
Disposable respiratory filters (e.g. bacteria and virus filters, heat and moisture exchange ("**HME**") filters, high-efficiency particulate arrestance filters and respiratory filters) (OEM)	Connected to breathing circuits for anaesthesia and intensive care to filter particles, bacteria, viruses or other pathogens; HME filters help to prevent drying of the patient's respiratory mucosa	 Heat and moisture exchange filters
Humidification chambers (OEM)	Part of a breathing system and allow the system to interface with the heated humidifier base	 Humidification chamber

Product category	Features and applications	Examples of product in the category
Humidification heaters (OEM)	Provide heating to humidification chamber or nebuliser chamber in the ventilation system	 Active nebuliser heater
Disposable and reusable breathing circuits (OBM)	Transfer inspiratory and expiratory gas between the ventilator/ anaesthesia machine and patient	 Reusable breathing circuit
Respiratory filters (OBM)	Connected to breathing circuits for anaesthesia and intensive care to filter particles, bacteria, viruses or other pathogens; HME filters help to prevent drying of the patient's respiratory mucosa	 HME filters
Humidification management systems comprising: ● heated humidifier; ● auto-feed humidifier water chamber; and ● disposable heater wire circuit (OBM)	Heater humidifier is part of the humidification management system connected to ventilator to supply heated and humidified air or gases to patients, used with water chamber and heated or non-heated breathing circuit	 Heated humidifier

Imaging Disposable Products

Our imaging disposable products are CMPI syringes and accessory disposable on OEM basis products we manufacture for "Bayer Group", which mainly comprise injection syringes and low pressure and high pressure connector tube sets used with the contrast media power injector equipment sold by "Bayer Group" for the injection of contrast media to patients for CT and MRI imaging.

Product category	Features and applications	Example of product in the category
Low pressure connector tube for CT scanning (OEM)	It is a single-use disposable connecting tubing set used in CT scan imaging to deliver contrast media or fluid from syringe to patient.	 Low pressure connector tube
High pressure connector tube for angiography imaging (OEM)	It is used for X-ray angiography, cardiology, radiology and vascular surgery and interventional diagnostic angiography.	 High pressure connector tube
CT scanning injection syringes (OEM)	It is a single-use disposable CT scan imaging application to deliver contrast media or fluid through the connector tube to patient.	 CT scanning injection syringe

Orthopaedic and Rehabilitation Products

Our orthopaedic and rehabilitation products comprise mainly a variety of adjustable rehabilitation braces for support, protection and rehabilitation of different skeletomuscular parts after injury or surgery, which are used in place of traditional plaster cast. During the Track Record Period, our orthopaedic and rehabilitation products comprised braces and walkers that we sold to our OEM customers, and we have also introduced the functional arm brace and the "Hand of Hope", an EMG-driven robotic hand training device, to our OBM product offering.

Product category	Features and applications	Example of product in the category
Brace and walker (OEM)	Orthopaedic and rehabilitation brace is used for non-invasive fracture management care, engineered to be easily adjusted and controlled for correct bone alignment during the healing process without the need for surgery.	
Functional arm brace (OBM)	Adjustable arm brace is a pushbutton telescoping brace which allows customisation of humeral and forearm lengths for the patient's anatomy.	
"Hand of Hope" robotic hand training device (OBM)	EMG-driven exoskeleton robotic hand training device which aims to help patients regain hand mobility through motor relearning. It facilitates muscle re-education by amplifying and rewarding a patient desiring motion, indicated by patient's weak voluntary EMG signals to move, and it processes data to a motor on the brace to enable the desired motion.	

Other Products

We also offer a wide range of other medical use devices and products, mostly on OEM basis, including surgical tools, instruments and plastic disposable products, such as baby vests and bonnets for phototherapy cover, enema set for cleaning, autofeed burette system for regular monitoring and refilling of burettes in intravenous fluid infusion, infusion regulator, circumplast for circumcision, surgical scalpel, umbilical cord choppers, and portable vein locators.

Pipeline and Planned Products

We seek to develop and offer products that include improvements on existing products. Building on our existing medical device production and certifications, and technical and clinical experience, we intend to expand our product offering in the respiratory and orthopaedic and rehabilitation fields which offer significant growth opportunities, including respiratory devices, rehabilitation products, equipment involving more advanced technology and electronic components.

We intend to focus our OBM research and development efforts on (i) respiratory products that are used for treatment of chronic obstructive pulmonary diseases and asthma, which are becoming more prevalent due to air pollution and an aging population in the PRC and some overseas countries, infant bubble CPAP equipment for treatment of infants and CPAP products for patients with obstructive sleep apnea; (ii) rehabilitation robotic equipment for rehabilitation of stroke and paralysed patients,

leveraging on the research and development capability of RRCL and its research partners; and (iii) home care medical systems and equipment to cater for the needs of patients with chronic diseases or ailments, which we believe have substantial potential as population ages and rising living standards make such products more affordable.

Pipeline heated humidification products

Our pipeline products include OBM respiratory devices designed and used for the humidification and temperature control of air or gases supplied to patients, which protect the airway and lung tissues and optimise the exchange of gases that occurs in the lungs during respiration and are designed for patients' health and comfort.

Heated humidification improves patient care in the treatment of a variety of medical conditions which interferes with normal respiration, reduces airway moisture loss and the occurrence of adverse side effects of ventilation, oxygen therapy and CPAP therapy. We have developed expertise in heated humidification and has designed and developed OBM products that address the side effects caused by a lack of humidification and temperature control in the treatment of various respiratory conditions. Our more advanced OBM pipeline products feature technology to electronically monitor the temperature of gases passing through the humidifier and automatically adjust the heating element to maintain the desired humidity level. Our more advanced version of breathing circuits incorporating a spiral heated wire is designed to maintain a controlled gas temperature and level of humidity and reduce condensation in the circuit.

Pipeline CPAP system products

Our major OBM pipeline products include the CPAP therapy system products, which are designed for the treatment of obstructive sleep apnea to prevent temporary airway closure during sleep, and deliver humidified airflow to patients during CPAP therapy. Obstructive sleep apnea is a breathing disorder in which a person continuously experiences a cycle of temporary relaxation and partial or total closure of the upper airway during sleep, preventing normal breathing. During CPAP therapy, a patient sleeps with a nasal or facial mask connected by a tube to a small portable airflow generator that delivers room air at a predetermined continuous positive pressure. We believe that our pipeline CPAP products will enable us to take advantage of the opportunity for growth in this market.

Pipeline and planned orthopaedic and rehabilitation products

Our pipeline and planned OBM orthopaedic and rehabilitation products include a home care version of the "Hand of Hope", an EMG-driven robotic hand training device, and robotic leg training device. The "Hand of Hope" facilitates muscle re-education by amplifying and rewarding a patient desiring motion, indicated by patient's weak voluntary EMG signals to move, and processes data to a motor on the brace to enable the desired motion. The home care version focuses on portability, mobility and user friendliness. The robotic ankle, knee and hip training equipment utilises a similar technology, which we plan to co-develop with a university-affiliated entity in Hong Kong, and aims to help stroke patients regain lower limb mobility through motor relearning.

Pipeline home care medical equipment

While currently our products are mostly sold to hospitals as end customers, we see significant growth opportunities in the home care market for sales of simpler and more compact versions of our respiratory devices and rehabilitation robotic devices to patients with chronic diseases or ailments. As set out below, the pipeline and planned products include our home care ultrasonic nebuliser and home care version of the "Hand of Hope", an EMG-driven robotic hand training device, and the home care CPAP equipment under Ventific's brand.

The following table sets forth certain information of our major pipeline and planned products that we expect to launch by 2018.

Product	Application and functions	Expected time for CE certification/ CFDA registration	Expected time for sales	Expected expenditure (HK$ million)
Respiratory products				
Advanced version ultrasonic nebuliser *(Note 1)*	Ultrasonic nebuliser with temperature control and oxygen supply function, to be connected to ventilator to nebulise medicine into particles, and warm and moist them for delivery to patient's airway and lung; generally used in long-term ventilation treatment of COPD and asthma	CFDA: 2016 CE: 2016	2016	0.1
Embedded heater wire breathing circuit	Breathing circuit with embedded heater wire on the outer helix of the tubing, providing stable and even distribution of heat to prevent water condensation inside the tubing; the inner wall smoothbore design lowers air resistance compared with ordinary corrugated tubing; generally used together with humidification heater and humidification chamber as a system	CE: obtained CFDA: 2016	2016	0.5
Oxygen bubble humidifier *(Note 1)*	Oxygen bubble humidifier is generally used in high flow oxygen therapy to humidify supplemental oxygen supplied by hospital central oxygen supply system via a mask or nasal cannula to patient, to prevent drying of the patient's respiratory mucosa	CE: 2016 CFDA: 2017	2017	0.5
Active disposable humidification system	Active humidification system provides active electronically regulated humidification to administer additional heat and moisture to improve airway conditioning management in the operating room and in the ICU; this contrasts with heat and moisture exchange filters which passively trap the heat and moisture generated by the patient's breath	CE: 2017 CFDA: 2017	2017	0.9
Home care ultrasonic nebuliser *(Note 1)*	Ultrasonic nebuliser for humidification and administering medication to patient's airways in the form of a liquid mist, with temperature control and portable oxygen supply function, using zeolite molecular sieve technology to remove nitrogen from ambient air	CE: 2017 CFDA: 2017	2018	0.3

Product	Application and functions	Expected time for CE certification/ CFDA registration	Expected time for sales	Expected expenditure (HK$ million)
Infant bubble CPAP system	Infant bubble CPAP system is a non-invasive, positive airway pressure system that provides breathing support for neonatals with respiratory distress syndrome, and infants and paediatric patients under 14 years old. The system is composed of an oxygen/air blender, an active humidification heater, humidification chamber, neonatal breathing circuit with nasal interface, a bubble generator, a portable battery and other components, which can be sold individually or as stationed on a movable stand.	CE: 2016 CFDA: 2017	2017	0.7
Home care CPAP equipment *(Note 2)*	Home care continuous positive airway pressure equipment for treatment of patients with obstructive sleep apnea	CE: 2017 CFDA: 2017	2017	1.7
Orthopaedic and rehabilitation products				
Robotic ankle, knee and hip training equipment	Robotic ankle, knee and hip training equipment which aims to help stroke patients regain lower limb mobility through motor relearning, planned to be co-developed by RRCL and a university-affiliated entity in Hong Kong	CE: 2018 CFDA: 2018	2018	2.0
Home care robotic hand training equipment	Robotic hand training equipment which aims to help stroke patients regain hand mobility through motor relearning; home care version focuses on portability, mobility, user friendliness and data logging function	CE: 2018 CFDA: 2018	2018	2.5

Notes:

(1) Jointly developed with the Guangzhou Institute of Respiratory Disease (廣州呼吸疾病研究所) which was responsible for clinical study and trials.

(2) We are cooperating with Ventific (of which we are a 20% shareholder) to develop this product, which will be under Ventific's brand, and we have obtained the right to manufacture and sell this product in the PRC, Hong Kong and Japan. We will purchase certain components from Ventific to manufacture this product; and we will directly sell or distribute this product in the PRC, Hong Kong and Japan; and manufacture and sell this product to Ventific for its sales in other regions.

SALES AND DISTRIBUTION

Our sales comprise OEM and OBM sales. Our OEM products are sold and exported to our OEM customers. For our OBM Business, most of our own "Inspired Medical" ("英仕醫療") brand medical device products are sold to our distributors, which sell them mainly to hospitals, and/or sub-distributors, in order to maximise the reach of our products to hospitals across different regions in a cost-efficient manner.

Sales to OEM Customers

We manufacture and sell medical devices to over 70 OEM customers in 2015, which are all overseas customers, mainly located in the U.S. and Europe.

The following table sets forth the breakdown of our turnover by our OEM customers' location for the periods indicated.

	For the year ended 31 December					
	2013		2014		2015	
	HK$'000	%	HK$'000	%	HK$'000	%
Turnover from OEM Business						
U.S.	230,859	81.5	285,426	83.6	328,128	83.9
Germany	16,425	5.8	17,399	5.1	21,563	5.5
Australia	12,636	4.4	14,326	4.2	11,265	2.9
Japan	11,816	4.2	11,642	3.4	12,910	3.3
Others *(Note)*	11,652	4.1	12,478	3.7	17,196	4.4
Total	**283,388**	**100.0**	**341,271**	**100.0**	**391,062**	**100.0**

Note: Others include Finland, Netherlands and France.

Our OEM customers generally provide specifications on the production equipment and processes, the production and quality control procedures and standards and detailed technical product specifications. In some cases, they may also specify the suppliers from which we have to procure the raw materials.

We generally have to undergo a qualification process to become an approved supplier for our OEM customers, which typically takes six to 12 months depending on the requirements and size of the project, including site visits, audit and inspection of our production facilities, processes and capability by the supplier assurance personnel of the suppliers, for compliance with the quality and safety standards and review of our licences and certifications.

After the successful completion of the qualification process, the OEM customers will engage us as their approved supplier, and we will provide the price quotation for the relevant production projects. Upon confirmation of the terms of the production project, we will commence our project planning processes, which typically include prototyping, mould construction, mould validation, documentation preparation for compliance with the applicable regulatory and industry standards and product validation before we begin the production process.

In addition to manufacturing, we provide value-added services to our OEM customers, covering prototype production, design verification, mould building, validation on mould, injection moulding, assembly, testing and packaging, validation on EtO sterilisation, EtO sterilisation and logistics, as well as provision of engineering suggestions to assist the design, selection of materials, simplification and improvement of manufacturing and automation process.

As set out in the paragraph "Business Model" above, we manufacture some generic respiratory disposable products both for our OEM customers and under our "Inspired Medical" ("英仕醫療") brand. The overlapping products comprise principally generic items which do not contain any patented or proprietary technology or special design or customisation features that our OEM customers specify. While we intend to expand our OBM Business and enhance our OBM product offering, we intend to focus our OBM research and development efforts mainly on respiratory products for treatment of COPD and asthma, CPAP equipment and rehabilitation robotic equipment, as set out in the paragraph "Our Products — Pipeline and Planned Products" above in this section.

Despite the planned expansion of our OBM product offering, we do not foresee that our OEM Business, or our relationship with our OEM customers, would be affected in any material respect, because: (i) the pipeline and planned OBM products do not overlap with any of the OEM products which we are currently manufacturing for our OEM customers; in particular, we do not plan to expand into the imaging disposable product segment, which is our major OEM product segment, and our

OEM products do not cover CPAP equipment and rehabilitation robotic equipment; (ii) for our planned OBM respiratory products, we will generally focus on equipment-type devices instead of disposable-type devices which we manufacture for our OEM customers; (iii) while our pipeline and/or planned OBM respiratory equipment may be in the same category of respiratory equipment sold by our OEM customers (which are not manufactured by us, and therefore, not an overlap of our OEM and OBM products), we believe that our pipeline and/or planned OBM products and our OEM customers' products will generally be of different product types that are unlikely to compete with each other; they generally target different geographical regions, and our OBM products generally target a lower price segment than the similar OEM products produced for the well-known international brands; (iv) generally, we do not intend to develop OBM products that will directly compete with those of our major OEM customers, to the extent that we are aware, which will negatively affect our relationship with such OEM customers; and (v) we have not concealed our OBM expansion plan from our OEM customers, and up to the Latest Practicable Date, we have not received any complaint from our OEM customers or encountered any difficulty in commencing or renewing our OEM arrangement with our new or existing OEM customers due to the competition or perceived competition between our OBM products and our OEM customers' products.

Principal terms for OEM arrangements

We generally enter into OEM agreements with our OEM customers to provide for the specifications and requirements for the production of the OEM products. The terms of the OEM arrangements vary depending on the requirements of the customers and the relevant products, but typically include the following.

	Arrangements with major OEM customers
Term	• Generally one to three years or without specified duration
Exclusivity	• Generally non-exclusive based on the agreements, but in most cases, we are the sole supplier to the customers for such products
Pricing	• Unit prices are typically specified, subject to specified adjustment provisions (typically based on costs) or as approved by the customers
Purchase quantity	• Purchase quantity is generally specified in purchase orders issued by the customers • Typically, the formal quotations may specify the minimum purchase requirement
Delivery and acceptance	• We deliver the products as specified by customers, typically on FOB (Hong Kong or Yantian, the PRC) terms, meaning that we deliver products on board a vessel designated by the customer at the location • Acceptance by customers is generally subject to an inspection period, during which period customers may reject and return the products to us if any defect or non-compliance with their specifications is found
Equipment and tooling	• Customers may provide equipment and tooling to us on lease or licence, or customers may require us to purchase the relevant equipment or tooling
Non-recurring expenses	• In some cases, customers reimburse to us our non-recurring engineering expenses related to the development of the production processes as specified in the agreement
Raw materials	• Raw materials must conform to the specifications by the customers • In some cases, raw materials or components may be supplied by customers or their designated suppliers
Product information	• We typically provide production and inspection records for each batch of products • We may also provide all product-related information and documentation upon request

	Arrangements with major OEM customers
Production facility	• Production facility typically has to be approved by the customers, and may not be relocated or changed without their approval • Production facility shall conform to the specifications in the agreement and satisfy the quality assurance standards the customers require
Production	• Production processes for products must conform with the specifications and process validation requirements of the customers • We must follow the quality control and assurance standards specified by the customers • Packaging and labelling must follow customers' requirements as specified
Purchase plan or forecast	• Major OEM customers generally provide purchase plan or forecast, which is not binding
Inventory	• Some agreements require us to maintain certain level (generally three months) of inventory of the specified products
Site visit, inspections and audit	• We generally allow site visits, inspections and audit by customers upon their request
Insurance	• We typically agree to purchase insurance for general liability arising from the products
Credit term	• We typically provide major or long-term customers with credit term ranging from 30 to 90 days and require full payment in advance for other customers
Regulatory compliance	• Customers are generally responsible for regulatory filings at their jurisdictions
Intellectual property and proprietary information	• We typically agree to protect the intellectual property rights of the customers and not to disclose any confidential or proprietary information to third-party • We may not use any processes or technical know-how of our customers for the production of our own products or products of other customers
Termination	• Typically may be terminated (i) by either party with a notice period; (ii) by one party upon the breach of agreement by the other; or (iii) if product defects are not rectified within a specified period after notice is given by customers

Sales to OBM Customers

We sell most of our OBM products to distributors in the PRC and overseas, which then sell our products mainly to hospitals. We also sell some of our OBM products directly to medical equipment manufacturers or suppliers, generally as accessories or parts of their equipment and to medical device retailers. In addition, we sell an insignificant quantity of our OBM products directly to medical institutions and end-customers.

Our distributors make sales to their respective customers, deliver the products, collect payments and conduct their own marketing through their sales forces. The ultimate customers of our "Inspired Medical" ("英仕醫療") products include some of the leading hospitals in the PRC, which illustrates the recognition for the quality of our products and is sometimes used as reference by other hospitals in the PRC when they procure the relevant products.

The table below shows the major countries to which we sold our OBM products for the periods indicated.

	For the year ended 31 December					
	2013		2014		2015	
	HK$'000	%	HK$'000	%	HK$'000	%
Turnover from OBM Business						
PRC	27,719	67.4	34,137	71.6	37,635	65.9
U.S.	3,102	7.5	3,634	7.6	3,023	5.3
Korea	2,745	6.7	1,105	2.3	2,116	3.7
Others *(Note)*	7,538	18.4	8,830	18.5	14,333	25.1
Total	**41,104**	**100.0**	**47,706**	**100.0**	**57,107**	**100.0**

Note: Others include Japan, Indonesia, India, Chile, Brazil and Saudi Arabia.

Distributorship and sales network in the PRC

We sold our OBM products to over 380 distributors and other customers in the PRC in 2015. This included 355 distributors, which purchased our products from us and sold them to third-parties, and 26 other customers. Of the 355 distributors in 2015, we provided authorisation letters to, or entered into distributorship agreements with, 340 of them. They were therefore classified as our authorised distributors, and our sales to such authorised distributors represented around 99% of our total OBM sales in the PRC for 2015. Such authorised distributors included 60 major distributors with purchases over RMB100,000 in 2015, representing in aggregate around 75% of our OBM sales in the PRC in 2015. The other 15 distributors in 2015 were distributors for only a small range of component-type products, new distributors and distributors which made an insignificant amount of purchases from us during the Track Record Period; and our sales to them, in aggregate, were less than HK$100,000 for 2015, and represented only approximately 0.2% of our OBM sales in the PRC for 2015.

The 26 other customers in 2015 comprised (i) 20 medical equipment manufacturers or suppliers which included our products (such as breathing circuits, filters and connectors) as parts or accessories for the equipment which they sold; and (ii) six medical institutions and other miscellaneous end-use customers, which were end-customers for our products. Our sales to these 26 other customers, in aggregate, were less than HK$200,000 for 2015, and represented only approximately 0.5% of our OBM sales in the PRC for 2015.

Our 340 authorised distributors in the PRC in 2015, comprising the 60 major distributors with purchases over RMB100,000 in 2015 and 280 other authorised distributors, sell our products to hospitals which are covered by their sales network. Our products are mostly sold by the distributors to local hospitals, in particular Tier IIIA hospitals with operation theatres and ICU.

It is customary in the medical device industry for manufacturers to sell their products through distributors, and we believe that distributorship sales allow our products to capture a wide geographical area and customer base without significant amount of investment. In the PRC, the medical device distributors often have well-established relationships with hospitals, and it is important for medical device companies to have strong distributorship networks. Typically, our distributors will place purchase orders to us for our products in accordance with their sales to the hospitals and their own inventory level.

The map below illustrates the number of our distributors for 2015 in each Province and Region in the PRC.

Overseas distribution and sales network

We sold our "Inspired Medical" ("英仕醫療") products to 42 overseas distributors and other customers in 2015, including Australia, Japan, Korea, Indonesia, India, Chile, Brazil, Saudi Arabia and some other countries in Asia, the E.U. and Oceania. This included 40 distributors, which purchased our products from us and sold them to third-parties, and two other customers.

Of the 40 distributors for 2015, we provided authorisation letters to, or entered into distribution agreements with, 31 of them. They were therefore classified as our authorised distributors, and our sales to such authorised distributors represented approximately 94.4% of our total overseas OBM sales for 2015. The other nine distributors in 2015 were distributors for only a small range of component-type products, new distributors and distributors which made an insignificant amount of purchases from us during the Track Record Period, and our sales to them, in aggregate, were less than HK$1 million for 2015, representing approximately 5.0% of our overseas OBM sales for 2015.

The two other customers in 2015 were medical equipment suppliers which included our products (such as breathing circuits, filters and connectors) as parts or accessories for the equipment which they sold. Our sales to these two other customers, in aggregate, were less than HK$200,000 for 2015, representing only approximately 0.6% of our overseas OBM sales for 2015.

Distributors during the Track Record Period and as at the Latest Practicable Date

As at the Latest Practicable Date, we had 382 distributors in the PRC and 41 distributors overseas.

The table below shows the changes in the number of our distributors and the number of our authorised distributors and other distributors in the PRC and overseas for the periods or as at the dates indicated.

	2013			2014			2015		
Number of Distributors	*PRC*	*Overseas*	**Total**	*PRC*	*Overseas*	**Total**	*PRC*	*Overseas*	**Total**
Beginning of the period	227	18	245	258	25	283	303	40	343
Added during the period	52	7	59	78	18	96	71	5	76
Ended during the period	(21)	0	(21)	(33)	(3)	(36)	(19)	(5)	(24)
End of the period	**258**	**25**	**283**	**303**	**40**	**343**	**355**	**40**	**395**
Authorised distributors	233	21	254	280	32	312	341	31	372
Other distributors	25	4	29	23	8	31	14	9	23
Total	258	25	283	303	40	343	355	40	395

For 2013, 2014 and 2015, our turnover from sales to our five largest distributors, each of whom is an Independent Third Party, represented 24.4%, 21.9% and 20.4% of our turnover from OBM Business, respectively, and turnover from sales to our largest distributor represented 4.1%, 4.2% and 5.1% of our turnover from OBM Business, respectively. We had in total 258, 303 and 355 distributors in the PRC and 25, 40 and 40 distributors overseas as at 31 December 2013, 2014 and 2015, respectively. The number of our distributors increased due to the continuous expansion of our OBM Business, covering more countries or regions during the Track Record Period. In 2013, 2014 and 2015, we discontinued our relationship with (i) 21 distributors in the PRC ; (ii) 33 distributors in the PRC and three distributors overseas; and (iii) 19 distributors in the PRC and five distributors overseas, respectively, as these distributors failed to deliver satisfactory performance in procuring sufficient customers or demand for our products and we would like to focus more on distributors with better sales performance and wider hospital coverage.

Selection and monitoring of distributors

We typically select distributors based on factors including their sales experience, knowledge of medical devices, coverage of hospitals, reputation, credit worthiness, record of regulatory compliance and market coverage. Our distributors in the PRC are typically distributors of medical devices, which are required to hold a valid medical device operation licence or filing certificate for sales of certain types of medical devices in the PRC according to the relevant PRC laws and regulations. Please see the paragraph "Management and Control of Distributors" below for our internal control measures in respect of the legal and regulatory compliance of our distributors.

We manage our distribution networks and regularly review our sales performance to maximise our penetration of target markets and our sales opportunities. Our distributors generally only purchase products from us when there is a corresponding order from the hospitals, and generally do not hold any excess inventory. We review the performance of our sales to the distributors on a monthly basis. We also contact our distributors and follow up with them on the feedback from hospitals in order to provide appropriate customer services to improve our sales performance and evaluate our quality of service and product to make improvement for further growth. We generally require full payment in advance from our distributors, and we do not allow any product refund or exchange by our distributors except for defective products. Our Directors confirm that we have not repurchased any product from our distributors and there has not been any material product refund or exchange during the Track Record Period and up to the Latest Practicable Date.

To assist our distributors in the PRC on their sales to hospitals, we prepare the necessary information and documentation for the products, including our authorisation letter and the medical device registration certificate, which are required by the hospitals for the relevant distributors to sell to them, and we have a record of the hospitals to which our products are sold by the relevant distributors. We manage the risk of potential cannibalisation among our distributors based on such

record, and do not appoint more than one distributor for the same type of product for a hospital in the PRC. For overseas sales, we typically only have one distributor for each country or region, which generally needs to apply for product registration locally and therefore cannot sell our products to other countries. For some countries, where we have more than one distributors, such distributors cover different product types, different regions or different hospitals, and therefore, we consider that there is no cannibalisation among such distributors in the same countries.

While most of our distributors in the PRC and overseas sell our products directly to the hospitals, we understand that some of them sell our products to their respective sub-distributors. In 2015, 25 of our 60 major PRC distributors sold our products to such sub-distributors. They generally sold to one to three sub-distributors and the sales to such sub-distributors were approximately 5% of our sales to these 60 major PRC distributors in 2015. We understand that our distributors will issue authorisation letter(s) (the scope of which will not exceed the specified geographical area and product categories as specified in our authorisation letters to these distributors) to their respective sub-distributors (the "**Distributor's Authorisation Letter(s)**"). The sub-distributors then sell our products to hospitals. We understand that hospitals will typically require the provision of both our authorisation letter(s) and the Distributor's Authorisation Letter(s) in order to assess the authorisation of the provision of such products by these sub-distributors. Our Directors confirm that in such cases, we do not enter into any contract with these sub-distributors, and we only sell to our distributors. We believe that it is in the distributors' interest to monitor and manage the sales by their respective sub-distributors. We believe that our distributors are able to monitor the sales of their distributors as the sub-distributors will also have to provide the relevant documentation, including the Distributor's Authorisation Letter and the medical device registration certificate, before they can sell to the hospitals.

Principal terms of distributorship arrangements

For our 355 distributors in the PRC for 2015, we provided written authorisation letters to, or entered into distributorship agreement with, 340 of them. For our 40 overseas distributors for 2015, we provided written authorisation letters to, or entered into written distributorship agreements with, 31 of them. We classify these distributors as our authorised distributors.

Our authorisation letter is typically a short letter stating that we authorise the relevant distributor to sell certain specified categories of our products in the specified geographical region and that the distributor will be responsible for the sales, tendering and after-sales services in respect of those products; whereas a typical distributorship agreement, in addition to the provisions governing geographical exclusivity, sales, tendering and after-sales arrangements, generally includes purchase order requirements (e.g. product model, quantity, specification and delivery instructions), payment terms, sales target and apportionment of the transportation and insurance cost. No compulsory minimum purchase requirement is imposed on our distributors through such written authorisation letters and/or distributorship agreements.

The other distributors to which we did not provide any authorisation letter or enter into distributorship agreement generally (i) sold our products as retailers; (ii) distributed or sold only a small range of component-type products; or (iii) were new distributors which had only started to purchase a small quantity of products from us on a trial basis before we decide whether to formally appoint them as our distributors. These other distributors only made insignificant purchases from us during the Track Record Period, which in aggregate only represented approximately 1.8% of our OBM sales for 2015.

We usually enter into distributorship agreement with a distributor when we intend to establish a long-term relationship with such distributor, and this usually happens when the distributor has made substantial purchases from us (for example, RMB50,000 to RMB100,000 per year); has illustrated its capability of selling to the hospitals (for example, by successful tender); and we consider the distributor to be reliable, in terms of its payment and performance. There are also instances where the distributors would require us to enter into a distributorship agreement where they have an internal policy with such requirement (generally for more well-established distributors), and/or where they wish

to establish a long-term relationship with us (for example, when they have established sales network to hospitals and want to secure stable supply from us).

We generally provide our distributors with the product specifications, the price, and the payment and delivery terms for sales of our products when we provide our fee quotations to them. The distributors will provide us with the list of hospitals to which they plan to sell our products. Once the above are agreed, the distributors place purchase orders with us, confirming the quantity of the products required and the prices. The following table sets forth the typical principal terms of our distributorship arrangements.

	Distributors in the PRC	Overseas distributors
Duration	Generally unspecified or for one to two years	Generally unspecified or for one to two years
Geographic exclusivity	Generally non-exclusive	Generally non-exclusive
Relationship with distributor	Seller/buyer	Seller/buyer
Minimum annual purchase	No	No
Sales and pricing policy	Distributors are generally allowed to determine selling price to hospitals	Distributors are generally allowed to determine selling price to hospitals
Credit periods	Payment in advance for most distributors; and 30 days for some long-term distributors	Payment in advance for most distributors; and 30 or 60 days for some distributors
Product return/exchange	We do not accept product return or exchange unless products are found to be defective	We do not accept product return or exchange unless products are found to be defective
Sales to sub-distributors	Allowed	Allowed
Transportation and delivery	We are generally responsible for delivery of products to locations specified by distributors	FOB, meaning that we are required to deliver products on board a vessel at a location specified by distributors, typically in Hong Kong or Yantian, Shenzhen, the PRC

We recognise turnover when our customers take ownership and assume risk of loss, which for sales to distributors, occurs when we ship our products to the distributors based on the sales terms.

While our authorisation letters or distributorship agreements typically do not explicitly set out detailed termination provision, we may terminate our arrangement with them by suspending or ceasing our sales to the relevant distributor, without any penalty on our part, in the event we discover that it has committed any non-compliance, misconduct or conduct that may materially affect our reputation or business. During the Track Record Period and up to the Latest Practicable Date, we had not terminated our relationship with any of our distributors due to such reasons.

Management and Control of Distributors

In order to strengthen our control and management of our distributors and to align our distributor management measures with what our Directors understand to be the industry norm in the medical

device industry of entering into written agreements with distributors, we have adopted the policy to enter into written distributorship agreements with our distributors to govern our relationship with them. Our standard distributorship agreement includes general terms such as product specification, logistic arrangement, credit period, geographic exclusivity; provisions requiring our distributors (i) to avoid any cannibalisation conduct, (ii) to strictly comply with all applicable laws and regulations, including anti-corruption laws and regulations, (iii) to monitor and manage their sub-distributors, if any, and (iv) to report to us on any issue in respect of non-compliance or misconduct of their employees or sub-distributors; and provision that we will have the right to terminate their appointment as our distributors and hold them liable for any loss we suffer as a result of them failing to meet the above requirements. Since May 2016, we started negotiating and persuading those existing PRC and overseas distributors without any distributorship agreement with us to enter into such standard distributorship agreements.

For those existing PRC and overseas distributors who have entered into distributorship agreements with us, the existing distributorship agreements may not contain detailed provisions for our control over their legal compliance regarding their sales of our products. We have been in discussion with these distributors since May 2016, requiring them to enter into a supplemental agreement to cover particular obligations such as compliance with all applicable laws and regulations, including anti-corruption laws and regulations, reporting to us on any issue in respect of non-compliance or misconduct of their employees or sub-distributors and that they will be liable to us for any loss we suffer as a result of breach any such obligations.

Our Directors expect that we will enter into the standard distributorship agreements or the supplemental agreements (as the case may be) with most of our major distributors with purchases over RMB100,000 for 2015 in the PRC and overseas distributors by July 2016.

We have also adopted an internal control policy to prevent our distributors from engaging in corruption or bribery activities or non-compliance with relevant laws and regulations, including a distributor selection policy which requires our management to (i) conduct background checks on potential distributors; and (ii) assess and periodically review the distributors' qualifications.

In order to strengthen our internal control over the legal and regulatory compliance of our distributors, we have adopted a policy:

(i) to explicitly provide in our distributorship agreements, as set out above, that they must comply with all applicable laws and regulations, in particular anti-corruption laws and regulations; to require our distributors to undertake not to engage in any corrupt conduct, including giving kickbacks to hospitals or any employee at hospitals to facilitate sales of the products that we offer, engaging in improper actions to obtain commercial advantage or opportunity, bribing public officials when selling our products; and our distributors shall undertake to instruct their sub-distributors, if any, to undertake to do the same;

(ii) to provide our existing distributors with our written policies and guidelines that they must follow in selling our products, failing which we will have the right to terminate their appointment as our distributors, without penalty on our part, and hold them liable for any loss suffered by us as a result;

(iii) to vet the qualifications and track record of distributors by reviewing their licences and permits and records, if any, for non-compliance with laws and regulations, fraudulent or improper conduct at least annually;

(iv) where practicably, to obtain feedback from the relevant hospitals on the performance and service of the distributors, and whether they have engaged in any activity that may not comply with applicable anti-corruption laws and regulations;

(v) to require our sales and marketing management team to communicate with our distributors from time to time and understand how they conduct daily operations, in order to monitor their compliance with relevant anti-corruption laws and regulations;

(vi) to set up a hotline for our staff, distributors or customers to report their complaints or concerns. If we have any concern over the conduct of a distributor, we will promptly request the responsible distributor to look into the matter and rectify the conduct of such distributor, if the concern turns out to be valid;

(vii) to evaluate our distributors every six months based on a number of criteria including their compliance with the terms of the distributorship agreement and their sales performance;

(viii) to obtain their sales record for checking on a sampling basis and to conduct site visits, where practicable, to check whether they may be involved in legal or regulatory non-compliance or misconduct in respect of their sales of our products; and

(ix) to terminate our relationship with any distributor which is suspected for conducting activities that do not comply with the applicable anti-corruption laws and regulations.

We have designated Mr. To, our executive Director and chief executive officer, as our officer responsible for overseeing the implementation of our anti-corruption measures. Mr. To shall report to the Board upon discovery of any corruption case. Upon receiving such reports or becoming aware of any corruption or suspicious corruption behaviours of our employees or distributors, our Board will conduct an investigation and report to the regulatory authority where appropriate.

During the Track Record Period and up to the Latest Practicable Date, (i) we had not been informed of and we were not aware of any cannibalisation issue in respect of our distributors or their respective sub-distributors; and (ii) we were not aware of our distributors having committed any non-compliance with applicable laws and regulations which had materially affected our reputation or business.

Based on the above, our Directors are of the view, and the Sole Sponsor agrees, that our internal control over the legal and regulatory compliance of our distributors are adequate and effective.

To monitor the inventory level of our distributors, our sales representatives had phone communications with our distributors from time to time to understand their respective sales performance and business plans and had meeting with some of them in their offices or during trade fairs and exhibitions. To enhance our monitoring measures, we will (i) conduct background checks on the distributors to understand their business scale, product offering and customer network; (ii) request the distributors to submit their monthly inventory report for our inspection; (iii) conduct phone discussions on a monthly basis to evaluate the sales performance and arrangements; and/or (iv) perform on-site visit to distributors with significant transaction volumes and amounts from time to time.

Marketing and Promotion

We have a well-trained sales team who is familiar with our products and possess the relevant technical expertise. Our OEM sales staff are experienced in serving our international OEM customers and are familiar with their specific and detailed requirements. We also have an experienced sales team for promoting our OBM products mainly to our distributors in the PRC and overseas.

Our sales and marketing strategy involves a variety of initiatives to increase our penetration of target markets, including participation in trade shows, sponsorship and attendance at conferences, and developing and distributing educational and marketing materials describing the benefits and functions of our products. We regularly participate in and sponsor medical conferences and seminars, particularly in the respiratory and anaesthesia areas, such as the annual respiratory conference and anaesthesia conference in the PRC, and attend trade exhibitions such as the PRC Medical Equipment

Fair held twice a year, Arab Health in Dubai, Medica in Germany and Hospitalar in Brazil to promote our "Inspired Medical" ("英仕醫療") brand of products, gather market intelligence and meet with our existing or potential customers.

We believe that our co-operation with well-known research institutions also enhances our brand awareness, and these partners also serve as marketing channels for products we jointly develop with them. Our other promotion channels include printed brochures, product catalogues and our corporate website.

Pricing Policy

For our OEM products, we generally determine the price on a cost-plus basis subject to factors such as technical requirements for the production, production volume, expected sales volume of the product and market conditions.

We determine the selling prices of our OBM products by taking into account factors including production cost, market demand and economic conditions of the relevant market, product type and pricing of comparable products in the relevant market.

Customer Service

We provide our customers with quality service and support. For our OEM customers, in addition to manufacturing, we provide value-added services, including provision of engineering suggestions to assist the design, selection of materials, simplification and improvement of manufacturing and automation process. For our OBM Business, we provide our distributors with training materials, repair manuals and technical support, including training in the basic technologies of our products, participating in presentations to potential end-customers. We also assist our distributors in preparing documents for contracts awarded by hospitals through competitive bidding and tenders.

Customer Feedback and Complaint Handling

We consider customer feedback a valuable tool for improving our service. We take customer feedback seriously and have established a set of procedures for handling customer complaints. During the Track Record Period and up to the Latest Practicable Date, we had not received any complaint that had any material effect on our business or results of operation.

Product Returns and Warranty

We generally do not provide any warranty on our products, except for equipment with electric components, which are covered by a warranty period of two years for product defects. We generally do not allow product return or refund for our products except for product defects. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material product return, and we had not recalled any product due to quality or other issue.

During the Track Record Period and up to the Latest Practicable Date, our products had not been subject to any material claims, litigation or investigation, and there had not been any product recalls or material accidents related to our products.

Seasonality

We experience some seasonality in our OBM sales of respiratory products, which have historically been higher in the second half of a year as, we believe, the rate of occurrence of respiratory diseases is relatively higher in autumn and winter.

OUR CUSTOMERS

Our customers comprise generally our OEM customers, and distributors and some medical equipment manufacturers for our OBM products. We have established a stable relationship with our OEM customers. Our OEM customers include major international medical device companies, and we

have maintained over 10 years of business relationships with many of our major OEM customers. Please see the paragraph "Sales to OBM Customers" above for details on our relationship with our distributors.

Top Five Customers

For 2013, 2014 and 2015, our five largest customers, all of whom are customers for our OEM Business, accounted for 71.5%, 71.6% and 72.3%, respectively, of our total turnover, and the largest customer accounted for 37.8%, 39.5% and 36.0%, respectively, of our total turnover for the corresponding period.

Other than "Bayer Group", which includes Bayer Medical Care, a 19.9% shareholder of VMHK and therefore a connected person of our Company, our five largest customers during the Track Record Period are Independent Third Parties. To the best of our Directors' knowledge, none of our Directors or their respective close associates or any person who, to the knowledge of our Directors, owns more than 5% of our issued share capital or of any of our subsidiaries, had any interest in any of our five largest customers during the Track Record Period.

The table below set out information of our top five customers for the periods indicated.

For 2013

Customer	Background and business nature	Principal business relationship	Years of relationship	Transaction amount (HK$ million) and % of our turnover	Credit and payment terms
"Bayer Group"	U.S.-based international diagnostic imaging equipment provider	OEM for imaging disposables	15	122.7; 37.8%	up to 90 days; Telegraphic transmission ("**TT**")
Sidner	A sales and marketing company providing contract manufacturing and product sourcing services for medical products industry in the U.S.	Sales agent and customer for OEM products	Over 9	34.3; 10.6%	up to 60 days; TT
Customer B	A U.S.-based global medical technology company offering a portfolio of products in the areas of medication management, infection prevention, operating room and procedural effectiveness, and respiratory care. It began public trading on the New York Stock Exchange in 2009. Based on its regulatory filings in the U.S. in 2015, it developed technologies include infusion pumps and intravenous sets, intravenous connectors and sets, automated dispensing and patient identification systems, ventilation and respiratory products, services for data mining surveillance, surgical instruments, and an extensive line of products that support interventional medicine. It was acquired in 2015 by another U.S.-based company engaged in diagnostics, biosciences and a wide range of medical devices, providing solutions focused on improving drug delivery, enhancing the diagnosis of infectious diseases and cancers, supporting the management of diabetes and advancing cellular research	OEM for respiratory and other medical products	10	30.9; 9.5%	up to 90 days; TT

Customer	Background and business nature	Principal business relationship	Years of relationship	Transaction amount (HK$ million) and % of our turnover	Credit and payment terms
	The acquiring company had nearly 30,000 associates in 50 countries and is publicly traded on the New York Stock Exchange and is a component of the Standard & Poor's 500 stock index; based on its regulatory filings in the U.S., the combined group generated revenue of US$10.3 billion for the fiscal year ended 30 September 2015				
GE Healthcare	An international group of companies engaged in medical imaging and information technologies, medical diagnostics, patient monitoring systems, drug discovery, biopharmaceutical manufacturing technologies, performance improvement and performance solutions services, with revenue of approximately US$18 billion for 2015	OEM for respiratory products	11	28.6; 8.8%	90 days; TT
Customer D	A U.S.-based company, established in 1989, which manufactures and markets sports medicine products and services for orthopaedic patient care, offering knee braces, cold therapy products, hip braces, shoulder braces, elbow/wrist braces, spine braces, foot/ankle braces, and home therapy kits; canes, crutches, and walkers; and orthopaedic practice solutions, selling its products through more than 100 distributors in 36 countries	OEM for orthopaedic and rehabilitation products	Over 11	15.4; 4.7%	30 days; TT

For 2014

Customer	Background and business nature	Principal business relationship	Years of relationship	Transaction amount (HK$ million) and % of our turnover	Credit and payment terms
"Bayer Group"	Please see above.	OEM for imaging disposables	15	153.8; 39.5%	up to 90 days; TT
Customer B	Please see above.	OEM for respiratory and other medical products	10	43.0; 11.1%	up to 90 days; TT
GE Healthcare	Please see above.	OEM for respiratory products	11	35.5; 9.1%	90 days; TT
Customer E	A U.S.-based company, formed in 2000, engaged in the design, development and marketing of upper and lower spinal orthotics, with distributors in over 40 countries	OEM for orthopaedic and rehabilitation products	10	28.1; 7.2%	30 days; TT
Customer D	Please see above.	OEM for orthopaedic and rehabilitation products	Over 11	17.9; 4.6%	30 days; TT

For 2015

Customer	Background and business nature	Principal products purchased	Years of relationship	Transaction amount (HK$ million) and % of our turnover	Credit and payment terms
"Bayer Group"	Please see above.	OEM for imaging disposables	15	161.3; 36.0%	up to 90 days; TT
Customer B	Please see above.	OEM for respiratory and other medical products	10	73.4; 16.4%	up to 90 days; TT
Customer E	Please see above.	OEM for orthopaedic and rehabilitation products	10	38.2; 8.5%	30 days; TT
GE Healthcare	Please see above.	OEM for respiratory products	11	30.7; 6.8%	90 days; TT
Sidner	Please see above.	Sales agent and customer for OEM products	Over 9	20.4; 4.6%	up to 60 days; TT

Our Relationship with "Bayer Group"

"Bayer Group" has been our OEM customer for imaging CMPI disposable products since 2000. We set up VMHK and VMDG, our subsidiaries, as joint venture companies which are held as to 19.9% and 3.98%, respectively, by Bayer Medical Care. "Bayer Group" was our largest customer and sole customer for our imaging disposable products during the Track Record Period. For 2013, 2014 and 2015, sales to "Bayer Group" were HK$122.7 million, HK$153.8 million and HK$161.3 million, respectively, representing 37.8%, 39.5% and 36.0%, respectively, of our total turnover for the respective periods. It has also been one of our top five suppliers during the Track Record Period, as we purchased resin, PVC tube and plastic components for manufacturing of the OEM products we sold to it. During the Track Record Period, all of our imaging CMPI disposable products were sold to "Bayer Group" on OEM basis.

"Bayer Group" is a major international diagnostic imaging equipment provider, whose product portfolio includes medical devices, contrast media, integrated dose-management software (radiation dose and contrast dose), and equipment service.

Our OEM arrangement with "Bayer Group" is governed by an OEM supply agreement dated 1 August 2013 among VMHK, VRHK, VMDG, Medrad and Imaxeon Pty Ltd., as amended by a supplemental agreement dated 7 June 2016, the term of which will expire on 31 December 2017.

We consider it is unlikely, barring any significant and unforeseeable changes in circumstances, that "Bayer Group" will terminate its business relationship with us, on the basis that: (i) Bayer Medical Care is a shareholder of our subsidiaries, as set out above; (ii) we have developed a strategic and strong business relationship with "Bayer Group" since 2000 and we believe the length of our relationship illustrates its satisfaction with our production and quality assurance standards; (iii) we have become familiar with their detailed specifications and requirements for their products and

experienced with the relevant production processes, and we believe it will be difficult for another OEM supplier to learn the process from the beginning and supply the products to "Bayer Group" as efficiently, at least for the initial start-up period; and (iv) Bayer Medical Care has set up and installed production lines, owned by Bayer Medical Care, at our production base in Dongguan, the PRC, which we believe will be costly to relocate.

While we consider our stable business relationship with "Bayer Group" as one of our strengths and intend to maintain and strengthen this relationship, we do not consider that our business is overly reliant or dependent on "Bayer Group". We intend to further reduce our reliance on "Bayer Group" by expanding and diversifying our customer base, for both our OEM Business and OBM Business, and have adopted the following strategies:

Strategies for our OEM Business

(i) We sold our products to over 70 OEM customers in 2015. We have taken steps to promote and will continue to promote our OEM capability to other potential OEM customers through various channels such as (a) attending overseas trade exhibitions in the United States and Europe to market our OEM capability to potential customers; and (b) regularly participating in and sponsor medical conferences and seminars, particularly in the respiratory and anaesthesia areas.

(ii) While we only produce imaging disposable products for "Bayer Group" and we intend to continue such business, we have continued our efforts in actively expanding the other segments of our OEM Business. We have taken steps to diversify our respiratory product offering by launching new OEM products such as heater wire circuits and infusion regulators. While our OEM respiratory products have been relatively uncomplicated disposable products in the past, we have started to enhance our OEM capability, focusing more on manufacturing of medical device with more technological elements such as heater wire circuits and multi-patient-use connecting set.

(iii) In 2013, 2014 and 2015, we entered into business relationship with four, seven and eight new OEM customers, respectively. We believe that our OEM sales staff, who are experienced in serving our international OEM customers and are familiar with their specific and detailed requirements, will be able to procure more OEM business in the future.

(iv) We have been engaged, and believe we will continue to be engaged, in additional production projects for our OEM customers. We will continue to market our OEM Business including our orthopaedic and rehabilitation products to other international healthcare and medical device companies. In 2013, 2014 and 2015, we were engaged in 7, 13 and 11 new projects with our existing or new OEM customers, respectively. Please see the paragraph "Business — Our Strategies — 1. Develop OEM Business by Enhancing our OEM Capability and Services" above for further details.

Strategies for our OBM Business

(i) Expansion of our OBM Business will be our major strategy in the next few years. We have been striving to expand our OBM Business by conducting market driven product development and we were successful in expanding our existing and pipeline OBM product offering by launching new products such as HME filters, neonatal water chambers and ultrasonic nebulizers.

(ii) Our pipeline OBM products include respiratory systems and equipment and orthopaedic and rehabilitation equipment, including some home care medical equipment. We have been dedicated in OBM research and development through collaboration with research partners and our in-house research and development team, which allows us to further diversifying our product offering and thus customer base.

(iii) We have been broadening the coverage and penetration of our distribution network in the PRC and overseas, which can be demonstrated by the increasing total number of our distributors during the Track Record Period. We will continue to strengthen our distribution networks through our strong sales team for our OBM products who promotes our products mainly to our distributors in the PRC and overseas.

Based on the above, we believe that our reliance on "Bayer Group" will decrease as our business develops. Despite the foregoing, however, we cannot assure you that we will be able to maintain or strengthen our relationships with our major customers, including "Bayer Group", and we may not be able to sell our products to these customers at the current levels or at all. Please see the paragraph "Risk Factors — Our customer concentration exposes us to risks and factors affecting the performance of our major customers and may subject us to fluctuations or decline in our turnover. The termination of our relationship with our major customers, in particular "Bayer Group", our largest customer, will have a material and adverse impact on our business and results of operation." for the relevant risk.

Our Relationship with Sidner

Sidner is a sales and trading company in the U.S. providing sourcing services for the medical product industry. It is one of our five largest customers for 2013 and 2015. Our sales to Sidner were HK$34.3 million, HK$14.9 million and HK$20.4 million, representing 10.6%, 3.8% and 4.6% of our turnover for 2013, 2014 and 2015, respectively. It is an Independent Third Party, and to the best of our Directors' knowledge, none of our Directors or their respective close associates or any person who, to the knowledge of our Directors, owns more than 5% of our issued share capital or of any of our subsidiaries, had any interest in Sidner.

In 2000, we engaged Sidner as our sales and marketing agent in the U.S., Puerto Rico, the Caribbean and Canada to promote the sales of, and solicit customers for, our products. Sidner charges commission on our sales to OEM customers which are introduced to us by Sidner, which was calculated at a fixed percentage of sales prior to 2014. The commission rate was adjusted in 2014 to introduce progressive percentage rates depending on the purchase amount, to more closely reflect the services performed by Sidner and to provide incentive to Sidner to procure purchases in larger amounts. After the adjustment, lower percentage rates are chargeable for sales to the ultimate customers in smaller amounts.

In addition, as some OEM customers in the U.S., such as Customer E, were not familiar with, or did not find it efficient to engage in, the processes of importing supplies from overseas such as logistics and custom clearance, Sidner has taken up the relevant processes. As Sidner is a U.S. company, it is generally more administratively convenient for the OEM customers in the U.S. to purchase from Sidner. Under this arrangement, which started in 2005, Customer E, and subsequently a few other OEM customers, placed purchase orders to Sidner, which then placed corresponding purchase orders to us. In 2013, 2014 and 2015, Sidner sold our products under such arrangement to five, four and four customers, respectively, including Customer E in 2013. Please see below and also the paragraph "Our Customers — Top Five Customers" above for information on Customer E and our relationship with it. The other four ultimate OEM customers comprised (i) a global supplier of filtration, separations and purification products, including products and systems in biotechnology, pharmaceutical and transfusion medicine (the "**Company P**"); (ii) a global health care products company and manufacturer of medical devices and supplies, operating in more than 150 countries, and being publicly traded on the New York Stock Exchange before it was acquired in 2015; (iii) a U.S.-based manufacturer of medical device supporting cardiac and thoracic surgery; and (iv) an international manufacturer of breathing and protection equipment, gas detection and analysis systems, and non-invasive patient monitoring technologies. While we have regarded Sidner as our sales agent in practice, it is treated as our customer in contractual terms for such transactions. For such transactions, Sidner charges us a specified percentage of sales amount as commission, as described above. Sidner does not mark up the price for its on-sale to Customer E and Company P,

and mark up the price, which, to the best of our knowledge, generally ranges from 20% to 30%, to cover its costs for handling the processes of importing the products to the U.S. for the other three ultimate OEM customers. The sales to Customer E and Company P through Sidner accounted for 91.8% of our sales to Sidner in 2013. Customer E started to purchase directly from us in 2013, and the sales to Company P through Sidner accounted for 78.5% and 82.8% of our sales to Sidner in 2014 and 2015, respectively.

While the prices for different OEM products are different depending on the type of products and thus are not directly comparable, we consider that there is generally no material difference in the selling price for products we sold directly to our OEM customers and the selling price of products sold by Sidner to its ultimate customers. For the sales to the three ultimate customers (other than Customer E and Company P) during the Track Record Period, we sold the products to Sidner at a relatively lower price to allow Sidner to mark up its selling price to cover its costs. As Sidner places a purchase order to us when there is a confirmed purchase order from the corresponding ultimate customer, Sidner generally does not bear any inventory risk. Sidner bears credit risk in respect of the ultimate customers, as Sidner is the party placing the purchase order to us under its own name, and legally we have recourse against it if the ultimate customer fails to pay. This scenario, however, had not happened during the Track Record Period. In the event that any product is defective, we, instead of Sidner, will be responsible for returned product or the liability for the defective products.

In some cases where the OEM customers became familiar with the importing processes, they have started to purchase directly from us. For example, Customer E started to purchase directly from us in 2013 and became one of our five largest customers for 2014 and 2015, and as a result, our sales to Sidner has substantially decreased from 2013 to 2014.

PRODUCTION

Production Facility

Our production base is located in Dongguan, Guangdong, the PRC, with a GFA of approximately 20,250 sq.m., which includes Class 100,000 clean rooms for injection, blow moulding, extrusion and assembling of our products, and EN550 and ISO11135 certified EtO Sterilisation systems imported from the U.S. and France.

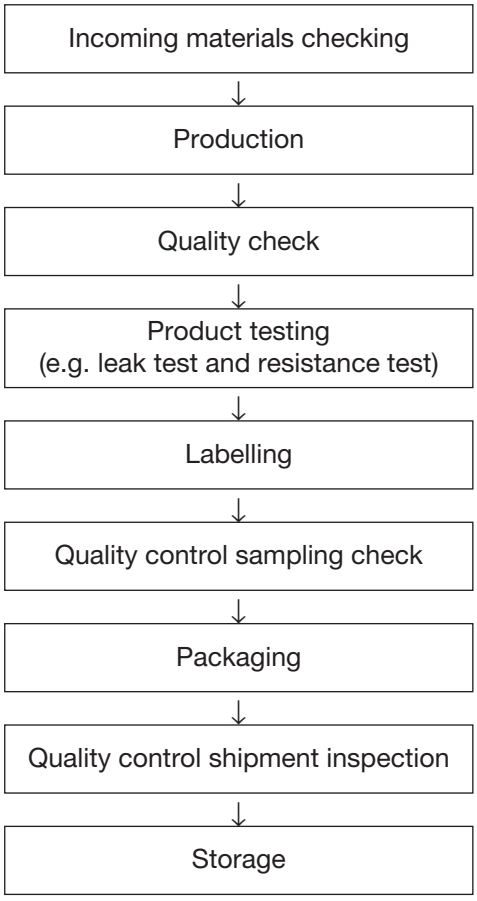
Our Class 100,000 clean rooms, which house our machinery for injection moulding, blow moulding, assembling and packaging, have been validated and periodically re-validated by recognised third-party laboratory.

There are certain production lines and areas in our production facility that are designated and used exclusively for the production of OEM products for our OEM customers, including "Bayer Group", as required under the relevant OEM agreements. Some of the production equipment, mainly moulding for the products, are owned by our OEM customers.

Production Processes

With over 19 years of operating history, we believe we have become efficient and specialised in the numerous production processes for different types of medical products, including clean room plastic injection moulding, plastic tubing extrusion, ultrasonic, high frequency and heat welding, laser cutting, vacuum form packaging and EN550 and ISO11135 certified EtO product sterilisation. In particular, we specialise in producing fluoropolymer tubing for catheter applications, capillary tubing, multilumen tubing, microtubing with close tolerances, needle sheaths, and corrugated tubing for oxygen, gas and fluid transfer to patients.

We produce a variety of products which have different production processes. The following flowchart illustrates the typical production processes for the majority of our products.



Our major production processes include the following processes carried out in our Class 100,000 clean room environment: (i) plastic injection moulding for plastic components of our products; (ii) plastic extrusion and corrugation for smoothbore, corrugated and expandable plastic tubing; (iii) blow moulding for plastic components; (iv) assembling and testing; (v) laser cutting; (vi) ultrasonic, high frequency and heat welding for filter casing and bag welding; (vii) electronic assembling for medical devices with electronic components; (viii) automated assembling; and (ix) vacuum form packaging. Other production processes include injection mould construction, product functional laboratory testing and on-site EtO sterilisation.

We believe we have implemented an effective maintenance system for our production machinery. During the Track Record Period, we had not experienced any material interruption to our production due to problem with our production facility.

Production Capacity and Utilisation

The following table sets out the theoretical maximum production capacities, actual production volume and utilisation rate of our principal production lines for our major products during the Track Record Period.

Product	For 2013			For 2014			For 2015		
	Theoretical capacity *(Note 1)*	Actual production	Utilisation rate *(Note 2)*	Theoretical capacity *(Note 1)*	Actual production	Utilisation rate *(Note 2)*	Theoretical capacity *(Note 1)*	Actual production	Utilisation rate *(Note 2)*
	('000 units)	('000 units)	(%)	('000 units)	('000 units)	(%)	('000 units)	('000 units)	(%)
Respiratory products									
Breathing circuits *(Note 3)*	3,360	2,751	82%	4,480	2,719	61%	4,480	3,319	74%
Filters	12,720	8,413	66%	12,720	10,072	79%	12,720	9,926	78%
Total/overall	**16,080**	**11,164**	**69%**	**17,200**	**12,792**	**74%**	**17,200**	**13,245**	**77%**
Imaging disposable products									
LPCT *(Note 4)*	40,000	23,186	58%	40,000	28,388	71%	40,000	34,792	87%
Syringes *(Note 5)*	1,800	752	42%	1,800	1,007	56%	1,800	687	38%
Total/overall	**41,800**	**23,938**	**57%**	**41,800**	**29,395**	**70%**	**41,800**	**35,479**	**85%**

Notes:

(1) Theoretical production capacity for our products during any period refers to the theoretical maximum number of products our production facilities can produce, estimated based on the number of production employees and other relevant conditions of the production lines, assuming production is carried on 8 hours a day and 250 working days per year.

(2) Utilisation rate equals actual production volume of products divided by theoretical maximum production capacity.

(3) We had three production lines for breathing circuits for 2013, and installed an additional production line in the second half of 2014.

(4) Low pressure connector tube for CT scanning.

(5) The utilisation rate of the production line for syringes increased from 42% for 2013 to 56% for 2014, and decreased to 38% for 2015, which corresponds to the changes in production volume, because our customer increased its order in 2014 for a new model of syringe that was launched in 2015.

There was a stable increase in our overall utilisation rate of the production lines for both our respiratory products and imaging disposable products from 2013 to 2015. In respect of our breathing circuits, as a result of the addition of a production line in 2014 which led to an increase in the theoretical capacity, the utilisation rate of the production lines decreased from 82% for 2013 to 61% for 2014 while the actual production volume during the two years remained stable. As the actual production volume of breathing circuits increased from approximately 2.7 million units in 2014 to approximately 3.3 million units in 2015, the utilisation rate for the production lines increased to 74% for 2015. The utilisation rate of the production line for syringes increased from 42% for 2013 to 56% for 2014, and decreased to 38% for 2015, which corresponded to the changes in production volume, because our customer increased its order in 2014 for a new model of syringe that was launched in 2015. As regards our filters and LPCT products, there was in general an increasing trend in the utilisation rates of the production lines for each of them from 2013 to 2015 due to an increase in the actual production volume as a result of more orders from our customers.

Planned Expansion and Upgrading of Production Facility

We plan to use approximately HK$55.5 million of the proceeds from the Global Offering to expand and upgrade our production facility, including acquisition of equipment (as set out in the paragraph "Our Strategies — 3. Expand and Upgrade our Production Facility to Achieve Greater Efficiency and Increase Capacity" above), and to set up new clean room production facility from 2016 to 2018, of which approximately HK$12.8 million, HK$24.2 million and HK$18.5 million is expected to be incurred after Listing in 2016, and in 2017 and 2018, respectively. We expect that the expansion and upgrading of our production facility will (i) increase our production capacity, as set out in the table below; (ii) enhance the quality of products with more advanced production equipment; (iii) improve quality control and testing processes by improved or additional quality control and testing equipment; (iv) increase the level of automation of our production processes, which will enable us to achieve saving of labour cost and economies of scale; and (v) provide production capacity for our

rehabilitation products, the production of which was outsourced to VRHK and VRDG during the Track Record Period, and other new product lines.

The table below sets out our expected investment and expected increase in production capacity of our production facility for the periods indicated.

	For 2016 *(Note 8)*		For 2017		For 2018	
Product category	**Theoretical capacity**	**Increase in capacity *(Note 7)***	**Theoretical capacity**	**Increase in capacity *(Note 7)***	**Theoretical capacity**	**Increase in capacity *(Note 7)***
	('000 units)	**(%)**	**('000 units)**	**(%)**	**('000 units)**	**(%)**
Respiratory products						
Breathing circuits *(Note 1)*	4,480	0%	5,600	25%	6,720	20%
Filters *(Note 2)*	12,720	0%	15,264	20%	17,808	17%
Total/overall	17,200	0%	20,864	21%	24,528	18%
Investment (HK$ million) *(Note 3)*	5.8		15.8		11.3	
Imaging disposable products						
LPCT *(Note 4)*	40,000	0%	45,000	13%	50,000	11%
Syringes	1,800	0%	1,800	0%	2,000	11%
Total/overall	41,800	0%	46,800	12%	52,000	11%
Investment (HK$ million) *(Note 4)*	3.1		4.5		3.2	
Orthopaedic and rehabilitation products *(Note 5)*						
Rehabilitation braces	3,000	N/A	3,300	10%	3,300	N/A
Investment (HK$ million)	3.6		0.6		2.9	
Others						
Investment (HK$ million) *(Note 6)*	0.3		3.3		1.1	
Total Investment	**12.8**		**24.2**		**18.5**	

Notes:

(1) We currently have four production lines for breathing circuits, and intend to add one production line in 2017, and another in 2018.

(2) We currently have five production lines for filters, and intend to add one production line in 2017, and another in 2018.

(3) Other improvements to production facility for respiratory products include improvement of our work station from manual operation to semi-automation or automatic operation to enhance operation efficiency and improve quality control, and we intend to add three injection machines in the fourth quarter of 2016, which are expected to become productive in 2017. We also intend to add new production equipment such as injection system for precision moulding and extruder for producing high quality tubing in 2017 and 2018 to support production of existing respiratory production line and new production line.

(4) We currently have three pieces of automated equipment for production of LPCT products, and we intend to add three pieces of new equipment and three injection machines to increase production capacity by 13% for 2017, and another three automated equipment and three injection machines to further increase production capacity by 11% for 2018. We also intend to add six injection machines to support new production lines in 2017 and 2018. We expect to incur HK$3.1 million in 2016 on the production facility for imaging disposable products, but as it takes time to install and validate the equipment, the product capacity for these products will not be increased until 2017.

(5) For our orthopaedic and rehabilitation products manufacturing which was outsourced to VRHK and VRDG during the Track Record Period, we intend to (i) increase our production area for such processes by leasing an additional area of 5,000 sq.m.; (ii) set up one new production line for sewing and one for the assembly of rehabilitation braces, and acquire equipment for semi-automation and automation of the production processes for our orthopaedic and rehabilitation products, including the "Hand of Hope", an EMG-driven robotic hand training device; and (iii) hire the relevant employees.

(6) Other investment includes purchase of computer systems, display monitors, general equipment and tools and leasehold improvements.

(7) The increase in capacity is calculated as a percentage with reference to the theoretical capacity for the previous year.

(8) From the Listing Date to 31 December 2016.

We estimate as a result of our expansion and upgrading of production facility with the investment amount set out above, we will incur additional depreciation expenses and related costs of HK$1.5 million, HK$8.5 million and HK$14.3 million for 2016, 2017 and 2018, respectively.

Subcontracting

For our orthopaedic and rehabilitation products, we had subcontracted the manufacturing processes for such products to VRHK and VRDG (the "**Subcontracting Arrangement**"), which are controlled by our Controlling Shareholders and are connected persons of our Company, during the Track Record Period, which carried out the manufacturing processes in accordance with our design and specifications and subject to our quality assurance and control. For 2013, 2014 and 2015, we paid HK$45.3 million, HK$48.9 million and HK$54.6 million to VRHK and VRDG for such subcontracting services, respectively, representing 19.2%, 17.8% and 17.7% of our cost of sales for the respective periods, and VRHK and VRDG were together one of our five largest suppliers during the Track Record Period. We expect to purchase the relevant equipment and hire the relevant employees in order to carry out these processes within our Group and we intend to gradually reduce and terminate the Subcontracting Arrangement by end of 2016. As the Subcontracting Arrangement involved uncomplicated cutting, sewing and assembling processes, with our substantial experience in production and planned expansion in the production capacity for the orthopaedic and rehabilitation products, as set out in the paragraph "Our Strategies — 3. Expand and Upgrade our Production Facility to Achieve Greater Efficiency and Increase Capacity" above in this section, we do not consider that there will be any difficulty in the transition from the Subcontracting Arrangement to our in-house production of our orthopaedic and rehabilitation products as set out above. After the termination of the Subcontracting Arrangement, we will only engage VRDG, a connected person of our Company, for the supply of certain plastic and metal components and the provision of painting and embossing services. Please see the section "Connected Transactions — Non-exempt Continuing Connected Transactions — (b) Production and Processing Agreements" for details.

Production Planning

We plan our production of OEM products based on the purchase orders of our OEM customers, and the purchase plans or forecasts that some of our major OEM customers provide. For OBM products, we plan our production volume based on a rolling projections of sales based on purchase orders from distributors and our inventory level.

QUALITY ASSURANCE AND CONTROL

We believe that an effective quality management system is critical to ensure the quality of our products and maintain our reputation and success. We have attained and adhered to internationally recognised standards for production of medical devices, and obtained the certificates necessary to satisfy the strict requirements of our OEM customers which include internationally leading medical device companies.

We have adopted comprehensive quality assurance and quality control systems in accordance with these international standards covering our production and operations for our OEM and own brand products. Our quality assurance department, led by our quality assurance manager who has over 13 years of industry experience and attended extensive quality assurance related training, is responsible for quality control of our production processes, quality engineering and regulatory compliance.

With our well-established quality management system in place, we have not experienced any material safety issues with our products reported by our customers or relevant government authorities

or any material product liability or legal claims due to the quality of our products and have not been subject to any material adverse findings in any inspection or audit by any government authority or customers during the Track Record Period.

Quality Assurance Standards

We place a strong emphasis on adopting quality control and assurance systems that meet the international and industry standards for medical devices, which is illustrated by the fact that we were the first Hong Kong-headquartered medical device group to obtain the ISO14971 certificate for the application of risk management to medical devices. We obtained the ISO 9001:2000 and ISO 9001: 2010 standards in 2000 and 2010, respectively. We did not renew the ISO 9001 certification upon its expiry in 2015 as the relevant quality management system for the design and manufacture of medical devices is covered by the ISO 13485 standard, which we obtained in 2004.

The table below summarises the certificates that we currently hold.

Standards	Specifications	Issuing entity	Year first obtained	Year of expiry
ISO 14971	Process for a manufacturer to identify the hazards associated with medical devices, estimate and evaluate the associated risks, control these risks, and monitor the effectiveness of the controls	SGS S.A.	2009	2018
Medical device manufacturing licence	Certificate for manufacturing of medical devices	CFDA	2005	2020
ISO 11135	Development, validation and routine control of an ethylene oxide sterilisation process for medical devices	TÜV Rheinland AG	2004	2018
ISO 13485	Comprehensive quality management system for design and manufacture of medical devices	TÜV Rheinland AG	2004	2018
Certification of assessment — EC	Product compliance with the applicable requirements of the European Directive 93/42/EEC	TÜV Rheinland AG	2003	2020
CMDCAS ISO 13485 *(Note)*	Comprehensive quality management system for design and manufacture of medical devices for products sold in Canada	TÜV Rheinland AG	2008	2016

Note: We intend to renew the ISO 13485 certification for CMDCAS, which is required for sale of products in Canada, by July 2016, prior to its expiry in December 2016. The relevant audit and review works have been conducted and we are awaiting the issuance of the certificate.

We have obtained "CE" certifications with respect to our products issued by TÜV Rheinland AG, which are granted to applicants who have satisfied, among other factors, the applicable quality control standards laid down in the European Directive 93/42/EEC, which are granted to applicants who have satisfied, among other factors, the applicable quality control standards laid down in the European Directives, and the JGMP standards under the Ministry of Health, Labour and Welfare Ministerial Ordinance 169, 2004 for our products to be exported to Japan. These certifications are generally valid for a period of two or three years and have to be renewed subject to continuing compliance with the relevant requirements and some of the certificate issuing bodies conduct annual site visits and audit of our production facility to confirm our compliance with the relevant requirements. These show that our products and production processes are able to meet the regulatory standards internationally, and enable us to market and sell our products to overseas customers.

Quality Assurance Systems

We have established and maintained a systematic quality assurance system and strict standard operating procedures for our quality control and assurance functions, in accordance with the standards set out above.

Our quality control and assurance department had over 75 employees as at the Latest Practicable Date, most of whom have educational backgrounds in engineering or science. Our quality assurance team is primarily responsible for formulating and implementing procedures under our quality management system in accordance with the legal and regulatory requirements and ensuring that our product supply chain and production processes are in compliance with stipulated standards and procedures. Our regulatory affairs team which is led by one supervisor and two regulatory affairs engineers are required to be familiar with the relevant legal and regulatory requirements applicable to our products, applicable ISO standards and industry standards. They are required to receive training before performing the relevant quality assurance tasks. The quality control team is primarily responsible for inspection of incoming raw materials, semi-finished products and final products.

Our quality control and assurance department establishes the procedures to be followed in respect of each of our production and operation processes set out in the paragraphs below, and monitors the implementation of and compliance with these procedures.

The implementation of our quality control system depends on our production and operation employees, and in this respect, we conduct regular training so that the employees understand the quality control requirements applicable to our production and operation.

Quality Control Processes

Our quality assurance measures cover all aspects of our production processes and operations, including design installation and maintenance of production facilities, procurement of raw materials and packaging materials, monitoring and quality checks of raw materials, semi-finished products and finished products and verification of documentation to comply with product registration certification standards and requirements. In every production process, dedicated quality inspectors are assigned to inspect each process according to the pre-determined standards and inspection conditions and to record inspection results.

Production process validation procedure

Our quality assurance system implements a comprehensive procedure for validation of our production processes, which includes planning, installation qualification, design qualification, operational qualification, performance qualification, process control and management and revalidation.

Raw materials quality control

We purchase raw materials only from approved suppliers, which our supplier audit team has assessed based on a set of criteria, as set out in the paragraph "Supplies" below. Our quality control team inspects the quality of each batch of supplies based on their documentation, specifications and qualities on a sampling basis in accordance with the relevant industry or agreed standards. Only raw materials satisfying all of our specifications and requirements will be accepted and used for our production.

Production in-process quality control

Our quality control team consistently monitors our production processes to verify that our manufacturing processes continue to comply with our standards. We require our production staff to adhere to the standard operating and equipment operation procedures. Our quality control team

regularly inspects our production processes on-site and conducts checking on certain semi-finished products at certain stages of production on a sampling basis as required by the approved procedures.

Finished product quality control

Our quality control team conducts inspection on each piece of our medical equipment products, and our in-house laboratory conducts inspection and testing on the functionality and durability of each of such product. We inspect and test disposable products on a sampling basis, in accordance with our quality control procedures. We conduct various testing, such as leakage test, air flow resistance test, breathing bag volume test, breathing circuit pull test and compliance test, moisture loss test, on a sampling basis, on our finished products.

Before we deliver our finished products to customers, our quality control team inspects the documentation relating to the quality of a product, including its batch record, production process record and other information that may impact product quality.

We dispose of finished products that do not meet our quality standards and only release and sell finished products that have passed all specifications and requirements.

Our laboratories

Microbiological and analytical testing laboratory

We operate an in-house microbiological and analytical testing laboratory, which performs sample checking on our disposable products, in particular on the level of viruses and bacteria, in order to ensure strict adherence to our customers' products requirements. It also performs testing on the cleanliness level of the Class 100,000 clean room environment of our production facilities on a weekly basis. The laboratory has capability of conducting product sterility testing, bioburden testing, environmental monitoring, bacterial endotoxin testing and biological indicator sterility testing.

Measurement and performance test laboratory

We also operate a measurement and performance test laboratory which conducts various physical and functionality testings, including dimension measurement, accelerated aging test, temperature and humidity environment test, ISO conical connector test, breathing circuit pull test, air flow resistance test, compliance test, and moisture loss test, air leakage test, flow resistance test for heat and moisture exchanger, on first article samples, components, semi-finished products or finished products. It also conducts testing on the functioning of each piece of our respiratory equipment with electronic components.

RESEARCH AND DEVELOPMENT

We believe our research and development capabilities will be the driving force for our long-term competitiveness, as well as our future growth and development. Our market-driven research and development efforts focus on developing products that address growing clinical needs in the PRC and overseas, as well as improving the effectiveness and quality of our existing products. We conduct our research and development activities through our internal research and development team, as well as in collaboration with external research partners from time to time to pursue specific research topics. Our research and development expenditure accounted for (i) 2.2%, 1.9% and 1.6%, respectively, of our total turnover; and (ii) 17.7%, 15.1%, 12.6%, respectively, of our OBM sales in 2013, 2014 and 2015.

Our Internal Research and Development

We have a strong in-house research and development team, including an engineering team of approximately 20 members as at the Latest Practicable Date, who have been trained in mechanical, electrical and biomedical engineering, with in-house design capability, rapid prototyping machines, and risk analysis with "Design Failure Mode Effect Analysis". We started to develop our OBM respiratory products since 2003. Our focus was on respiratory disposables including breathing circuits and accessories, such as connectors, water traps, breathing bags, filters and humidifier chambers. We have expanded our respiratory disposable product offering with our engineering team with in-depth understanding in plastic parts design, rapid prototyping, moulding, extrusion, assembly and testing. In addition to the technical core competencies, we place emphasis on staff training in intellectual property, project management and medical device regulations and standards.

In recent years, we further expanded our OBM respiratory product offering to include medical electronic devices. In this respect, we have hired professional hardware and software engineers to develop technology in sensors, heating control and ultrasonic nebuliser. Design quality is assured with systematic design review in electrical safety, electromagnetic compatibility, software validation and risk management in accordance with the requirements of ISO14971.

During the Track Record Period, we focused our in-house research and development efforts on developing respiratory products with additional functions such as electronic heating and humidity control, and we have obtained CFDA and CE certification for sales of these products in the PRC and Europe, respectively. Our "Inspired Medical" ("英仕醫療") new type heater system (VHB15A) and ultrasonic nebuliser were awarded with "High New Technology Product" certificates by Guangdong Hi-Tech Enterprise Association. As at the Latest Practicable Date, we had obtained over 50 patents for such in-house development.

Acquisition of RRCL

In December 2015, we have further strengthened our research and product development capability for orthopaedic and rehabilitation products by our acquisition of a 53.125% interest in RRCL. RRCL is committed to advance technologies in the rehabilitation profession to help patients achieve maximum recovery outcomes. It is dedicated to provide the integration of robotics into training activities of daily living, continuous education and professional support. RRCL has developed and promoted the "Hand of Hope", an EMG-driven robotic hand training device for stroke patients, a fusion of technology with advance muscle re-education concepts to improve motor recovery. RRCL has well-established relationship with its research partners, including a research team in a university in Hong Kong which invented the exoskeleton robotic rehabilitation technology and a university-affiliated entity holding the relevant patents, from which it had obtained the relevant licence and co-developed the relevant technology included in the "Hand of Hope".

The employees of RRCL encompass a broad range of disciplines with expertise in biomechanics, electrical, mechanical and materials engineering and production, computer software development and quality control as well as experienced therapists, and business management that work together to accomplish the company vision.

Collaboration with Research Partners

We have entered into collaboration arrangements with research partners, including research institutions and overseas medical device companies, to jointly carry out research and development of new medical device products, as well as to enhance our own research and development capabilities. With this strategy, we aim to further broaden our access to proprietary products and leverage their established research and development platforms, thereby minimising the upfront costs and risks associated with early stage product development.

The terms of our collaboration arrangements for research projects vary, depending on the subject and nature of the research and our commercial arrangements with our research partners. Our research and development team may participate in the design and execution of the research projects conducting the research work, preparation and submission of applications for clinical trials, information collation and application for regulatory approvals. In addition to our participation in such research and development work, we generally provide the funding for these joint research and development projects. We are typically entitled to the joint ownership of the intellectual property rights developed in such research projects, and the rights to produce and sell the developed products.

We set out below some examples of our collaboration with research partners to develop new products which have been or are being commercialised.

In 2011, we entered into a cooperation agreement with Guangzhou Institute of Respiratory Disease (廣州呼吸疾病研究所) ("**GIRD**") to jointly develop thermostat atomising oxygen medical device, including an ultrasonic nebuliser with heater and oxygen supply functions under our "Inspired Medical" ("英仕醫療") brand, a medical device for respiratory diseases.

Under our cooperation agreement with GIRD,

- We are generally responsible for the design, prototype production, testing, product registration, production, sales and marketing of the product and the relevant costs, and GIRD is generally responsible for the research, clinical trial and risk assessment and the relevant costs.

- We will be entitled to 60% of profits generated from sales of the relevant products, and GIRD will be entitled to the remaining 40%, with a minimum of 5% of the selling price of the products.

- We and GIRD will jointly own the intellectual property rights from the research and development project under the agreement.

In 2012, we began to collaborate with Nano and Advanced Materials Institute Limited ("**NAMI**"), a company set up by the government of Hong Kong to conduct research in nanotechnology and advanced materials, and we developed our OBM functional arm brace based on our collaboration, which is now in pilot production stage and is awaiting approval by CFDA for sales in the PRC.

Under our collaboration agreement with NAMI,

- We and NAMI were responsible for 51% and 49% of the research and development costs of the projects.

- We were generally responsible for the engineering design, prototype production, evaluation and commercialisation of the product, and NAMI was generally responsible for the research and development of the product. We shall commercialise the product under our own name.

- We solely own the intellectual property rights subsisting in the project deliverables under the agreement, and agreed to licence to NAMI the use of the intellectual property rights for educational, research, training and other non-commercial purposes.

- We shall pay royalty to NAMI which is calculated based on a fixed percentage of the total gross revenue we receive in the commercialisation of the product.

In 2014, we entered into cooperation agreements with, and acquired a 20% shareholding in, Ventific, an Australian technology company which owns relevant technology for CPAP system, and we cooperated in the development and manufacture of a home care CPAP machine for treatment of

sleep apnea, which we expect to launch in 2017. Leveraging on our strength in production and sales, it is agreed that we will be responsible for manufacturing and sales of the CPAP system in the PRC, Hong Kong and Japan.

Under the cooperation agreements with Ventific,

- We will purchase certain components required to manufacture the equipment from Ventific, and will manufacture the equipment and directly sell or distribute the equipment in the PRC, Hong Kong and Japan; and we will manufacture and sell the equipment to Ventific for its sales in other regions.
- Ventific agrees to pay us specified fees for our research and development under the agreement.
- Ventific will be the sole owner of any intellectual property rights which arise as a result of the research and development under the agreement.

Please also see the section "History, Reorganisation and Corporate Structure — Our Corporate History — VMC" for further information on the subscription and shareholders agreement for our investment in the shareholding of Ventific.

In April 2015, we entered into two agreements with 12th Man Technologies, Inc. ("**12th Man**") located in the United States to jointly develop a bubble CPAP equipment and an electronic air/oxygen blender.

Under the consulting agreement for the bubble CPAP equipment with 12th Man,

- 12th Man is responsible for providing consulting, advisory and related services to us, including the product requirements, testing setup support and assistance on other product development processes.
- We agree to pay consulting fees to 12th Man for the consulting services.
- We will be responsible for funding the development of the equipment other than the salary of 12th Man personnel, and filing of patent applications and maintaining any patent on the equipment in countries except for U.S., and 12th Man is responsible for that in the U.S..
- We will own the intellectual property rights for the product under the agreement.
- We shall pay 12th Man a royalty calculated based on a fixed percentage of our sales of the equipment.

Under our joint development agreement for the electronic air/oxygen blender with 12th Man,

- 12th Man is responsible for the product specification, product design, assisting us with the regulatory filings, and we are responsible for the purchase of parts and equipment for design and development, manufacturing and testing of the blender, obtaining regulatory approval and marketing and sale of the blender.
- We are responsible for funding the development of the blender other than the salary of 12th Man personnel, and filing of patent applications and maintaining the patents on the blender in countries except for the U.S., and 12th Man is responsible for that in the U.S.
- 12th Man will own the intellectual property rights for the blender and license to us exclusively for Asia, and non-exclusively for the rest of the world.
- We shall pay 12th Man a royalty calculated based on a fixed percentage of our sales of the blender.

We are in final stage of discussion, but have not entered into any agreement as at the Latest Practicable Date, with our research partners, which are a research team in a university in Hong Kong inventing the relevant exoskeleton robotic rehabilitation technology and a university-affiliated entity holding the relevant patents, and intend to obtain the relevant licence from such partners to develop and commercialise robotic rehabilitation training devices for ankle, knee and hip rehabilitation.

We plan to look for further collaboration opportunities with other research partners with appropriate expertise and experience to develop new products with advanced or new technology, in particular in the respiratory and orthopaedic and rehabilitation categories. We believe that this strategy will enhance our brand image and broaden our product range and customer base.

SUPPLIES

The principal raw materials used for our products are resin, plastic parts and tubing. We purchase our raw materials only from approved suppliers which meet our evaluation criteria and are listed on our approved supplier list, although there are alternative suppliers available for such materials. We had over 270 approved suppliers for raw materials from Europe, the U.S. and the PRC as at 31 December 2015. We select our 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 our OEM Business, we are often required to purchase the relevant raw materials from suppliers as specified by our OEM customers.

Under the OEM arrangement with "Bayer Group", we purchased resin, PVC tube and plastic components from "Bayer Group" during the Track Record Period. We will purchase most of the relevant raw materials and components directly from third parties and will also manufacture some of such components, and therefore, we expect that our purchases from "Bayer Group" will decrease in the future.

We believe we have built up strong relationship with our major suppliers, and leveraging on our large volume of purchase which provides us with significant bargaining power we are able to purchase raw materials at competitive prices. We maintain close relationships with them to ensure stability of supply.

Although we generally do not enter into long-term supply agreement with our suppliers, we have long-term and stable relationship with our major suppliers and have not experienced any supply shortage during the Track Record Period and we have not been subject to material price increases by our suppliers during the Track Record Period. We do not anticipate difficulty procuring raw materials necessary for our production, and we believe that in the event of price increases, we have the ability to respond to a portion of the price increase by raising the prices of our products.

Top Five Suppliers

For 2013, 2014 and 2015, our purchases from our five largest suppliers represented 47.3%, 51.0% and 37.6%, respectively, of our total cost of sales, and purchases from our single largest supplier accounted for 19.9%, 24.6% and 17.6%, respectively, of our total cost of sales in the respective years.

Other than VRHK, VRDG and "Bayer Group", our five largest suppliers during the Track Record Period are Independent Third Parties. To the best of our Directors' knowledge, none of our Directors or their respective close associates or any person who, to the knowledge of our Directors, owns more than 5% of our issued share capital or of any of our subsidiaries, had any interest in any of our five largest suppliers during the Track Record Period other than VRHK and VRDG.

The table below set out information of our top five suppliers for the periods indicated.

For 2013

Supplier	Background and business nature	Principal items supplied	Years of relationship	Transaction amount (HK$ million)	% of our cost of sales	Credit and payment terms
"Bayer Group" *(Note 2)*	U.S.-based international diagnostic imaging equipment provider	Resin, PVC tube and plastic components	15	47.1	19.9%	60 days; Telegraphic transmission ("**TT**")
VRHK and VRDG *(Note 1)*	Manufacturing and sale of electronic appliances and beauty products	Subcontracted manufacturing process	19	45.3	19.2%	30 days; TT
Nolato MediTor AB ("**Nolato**")	Manufacturing of components in thermoplastic elastomers, silicone and latex rubber	Breathing bags	Over 10	8.9	3.8%	45 days; TT
Supplier A	Production of polymer and elastomer products	PVC tube	Over 4	6.0	2.5%	60 days; TT
Supplier B	Provider of packaging materials, including sterilisable medical device packaging materials	Packaging materials	Over 5	4.4	1.9%	30 days; TT

For 2014

Supplier	Background and business nature	Principal items supplied	Years of relationship	Transaction amount (HK$ million)	% of our cost of sales	Credit and payment terms
"Bayer Group" *(Note 2)*	Please see above.	Resin, PVC tube and plastic components	15	67.2	24.6%	60 days; TT
VRHK and VRDG *(Note 1)*	Please see above.	Subcontracted manufacturing process	19	48.9	17.8%	30 days; TT
Supplier A	Please see above.	PVC tube	Over 4	9.1	3.3%	60 days; TT
Nolato	Please see above.	Breathing bags	Over 10	7.6	2.8%	45 days; TT
Supplier B	Please see above.	Packaging materials	Over 5	6.8	2.5%	30 days; TT

For 2015

Supplier	Background and business nature	Principal items supplied	Years of relationship	Transaction amount (HK$ million)	% of our cost of sales	Credit and payment terms
VRHK and VRDG *(Note 1)*	Please see above.	Subcontracted manufacturing process	19	54.6	17.6%	30 days; TT
"Bayer Group" *(Note 2)*	Please see above.	Resin, PVC tube and plastic components	15	42.8	13.9%	60 days; TT
Supplier A	Please see above.	PVC tube	Over 4	7.2	2.3%	60 days; TT
Supplier B	Please see above.	Packaging materials	Over 5	6.2	2.0%	30 days; TT
Nolato	Please see above.	Breathing bags	Over 10	5.4	1.8%	45 days; TT

Notes:

(1) VRHK and its subsidiary, VRDG, being connected persons of our Company, conduct the subcontracted manufacturing processes for our orthopaedic and rehabilitation products. Please see the paragraph "Production — Subcontracting" for further information.

(2) "Bayer Group" included Bayer Medical Care, Bayer Healthcare LLC, Imaxeon Pty Ltd. and a company which was an indirect wholly-owned subsidiary of Bayer AG.

INVENTORY

Our inventory consists of raw materials (including mainly resin, plastic parts and tubing, metal and electronic parts and packing materials), semi-finished products and finished products. We have established an inventory management system that monitors each stage of the warehousing process.

We generally maintain an inventory level of two to three months' supply of our raw materials which varies according to the demand of our OEM customers and distributors, sales and production plans after taking into account, among other things, lead time of raw material procurement and production lead time of our major products. We generally maintain a minimal level of finished goods in our inventory, as we plan our production based on purchase orders we receive.

Our products typically have an effective period of three to five years. We generally sell our products on a first-in-first-out basis. To minimise the risk of building up inventory, we adopt inventory management policies, pursuant to which we regularly review our inventory level through our information technology system and by carrying out physical stock counts and stock inspections internally, generally on a monthly basis, to monitor inventory movements of each type of product and raw material, and adjustments are made to the procurement or production plan as necessary to maintain a reasonable inventory level for each type of product and raw material, and to ensure on time delivery of our finished products to our OEM customers and distributors.

QUALIFICATIONS, AWARDS AND RECOGNITIONS

Our achievements over the years have been recognised by numerous awards, including the following:

Award	Year	Issuer of Award
High New Technology Product (for our new type ultrasonic nebuliser (新型超聲霧化裝置))	2014	Guangdong Hi-Tech Enterprise Association (廣東省高新科技企業協會)
High New Technology Product (for our new type heater VHB15A (新型加熱器 VHB15A))	2014	Guangdong Hi-Tech Enterprise Association (廣東省高新科技企業協會)
"Inspired Medical" ("英仕醫療") was named as a Guangdong Famous Trademark (廣東省著名商標)	2014	Guangdong Provincial Famous Trademark Evaluation Committee* (廣東著名商標評審委員會)
High New Technology Enterprise	2013	Guangdong Provincial Department of Science and Technology (廣東省科學技術廳), Guangdong Provincial Department of Finance* (廣東省財政廳), Guangdong Provincial Office of State Administration of Taxation* (廣東省國家税務局) and Guangdong Provincial Local Taxation Bureau* (廣東省地方税務局)

MARKET AND COMPETITION

In 2015, our sales of (i) respiratory products; (ii) imaging disposable products; (iii) orthopaedic and rehabilitation products; and (iv) other products represented 39.1%, 34.7%, 16.5% and 9.7% of our turnover, respectively.

Respiratory Products

The global respiratory and anaesthesia equipment and disposables market in terms of sales turnover grew from USD10.0 billion in 2011 to USD14.8 billion in 2015 with a CAGR of 10.2%. Future growth of the market is very likely to be driven by increasing incidences of respiratory illnesses, aging population and environmental pollution.

Respiratory disposable products

Respiratory disposables are generally sold together with equipment, and leading global respiratory equipment manufacturers are also recognised as major players in the global respiratory disposables market. Global respiratory and anaesthesia disposables market size in terms of sales turnover increased from approximately USD2.5 billion in 2011 to approximately USD4.0 billion in 2015 at a CAGR of approximately 12.5%, mainly driven by the increased demand coming from fast adoption of anaesthesia information management systems, growth in number of surgeries conducted, rising incidences of respiratory diseases and rising population. It is expected that the global respiratory and anaesthesia disposables market size will increase further from approximately USD4.0 billion in 2015 to approximately USD6.2 billion in 2020, representing a CAGR of approximately 9.1%. Respiratory disposables manufacturers in the PRC that provide OEM services for overseas brands are exporters of such products to the global market. Among them, we were the second largest respiratory and anaesthesia disposables exporter in the PRC.

The PRC's respiratory and anaesthesia disposables market size in terms of sales revenue increased from approximately RMB1.4 billion in 2011 to approximately RMB2.4 billion in 2015 at a CAGR of approximately 14.4% and such increase was mainly driven by aging population, high replacement needs from planned surgeries, and rising incidences of respiratory illnesses. It is expected that the PRC's respiratory and anaesthesia disposables market size in terms of sales revenue will increase from approximately RMB2.4 billion in 2015 to approximately RMB3.8 billion in 2020 at a CAGR of approximately 9.6%. In the domestic PRC market, international brands are leading in terms of sales of respiratory disposables in the PRC due to their established reputation and advanced production technology, with a large number of domestic brands sharing the remaining market.

Respiratory equipment

According to the CIC Report, it is expected that global respiratory and anaesthesia equipment market size will reach USD16.0 billion in 2020 with a CAGR of 8.2% between 2015 and 2020. While we have focused on respiratory disposables during the Track Record Period, we have developed and introduced a number of respiratory equipment as our OBM products.

Imaging Disposable Products

Global imaging CMPI disposables market in terms of sales revenue grew from approximately USD1,803.6 million in 2011 to approximately USD2,376.2 million in 2015, with a CAGR of approximately 7.1%. According to the CIC Report, it is expected that the global imaging CMPI disposables market size will increase further from approximately USD2,546.0 million in 2016 to approximately USD3,359.2 million in 2020, representing a CAGR of approximately 7.1%. CMPI imaging manufacturers comprise (i) medical disposables manufacturers who sell their own branded products; and (ii) OEM manufacturers that sell their products to their OEM customers, such as our Group. According to the CIC Report, two market participants dominate the global CMPI and imaging CMPI disposables markets, including "Bayer Group" which had approximately 40% market share in 2015. "Bayer Group" was the sole customer of our imaging disposable products on an OEM basis.

Orthopaedic and Rehabilitation Products

The global orthopaedic braces and supports market has seen a stable growth in recent years, attributing to factors such as rising awareness of using orthopaedic braces and supports in rehabilitation treatment, increasing number of accidents and sports injuries, rising number of patients with arthritis or other orthopaedic disorders and more people suffering from pains in spine or limbs due to work stress or unhealthy living habits. The sales revenue, in terms of ex-factory price, of this market is estimated to be approximately USD3.0 billion in 2015, and is expected to grow at a CAGR of 5% from 2015 to 2020, reaching approximately USD4.0 billion by 2020.

The orthopaedic and rehabilitation product market in the PRC, in terms sales revenue at hospital purchasing price, grew from approximately RMB683.4 million in 2011 to approximately RMB1,596.1 million in 2015, representing a CAGR of approximately 23.6%, and is expected to further increase to approximately RMB4,750.2 million in 2020, at a CAGR of approximately 24.4%. The increase was mainly driven by the increasing usage of orthopaedic braces and supports, the use of new materials such as thermoplastic materials that provides better plasticity and flexibility and the increasing number of orthopaedic and rehabilitation patients. The orthopaedic and rehabilitative product market in the PRC is very fragmented with about 600 to 700 companies.

In 2015, turnover from our sales of orthopaedic and rehabilitation products represented 16.5% of our turnover. After our acquisition of the 53.125% interest in RRCL in 2015, we have expanded our OBM product offering to rehabilitation robotic equipment, which will be included as part of our pipeline products in the future.

EMPLOYEES

We had a total of 881 employees as at the Latest Practicable Date, of which 51 are in Hong Kong and 830 are in the PRC. Sets forth below is a breakdown of the number of our employees by functions as at the Latest Practicable Date.

Number of employees	
Administrative and finance	31
Production	645
Research and development	34
Quality control and assurance	77
Engineering department	26
Sales and marketing	25
Procurement	9
Logistics and transportation	28
Information technology and supporting	6
TOTAL	**881**

In 2015, some of the labour staff engaged in our production operation was hired by VRDG (a company wholly-owned by our Controlling Shareholders), which was responsible for the human resources management of the general staff of the group of companies controlled by our Controlling Shareholders. In light of the Reorganisation for the Listing, such arrangement has ceased since 28 March 2016 and we directly employ such staff.

Employee Training

We believe our employees are the most valuable resources to achieve our success. To ensure the quality of our employees at all levels, we have a standardised in-house training programme to train our staff. New employees at our production facility receive trainings pertinent to their job duties, which cover topics including medical device related regulations, production safety knowledge, and procedures and protocols relating to quality control.

INSURANCE

Our Directors consider our insurance coverage to be customary for businesses of our size and type and in line with the industry practice. We primarily maintain insurance for property all risks, product liability, public liability, employee compensation, and transportation risks.

We purchase (i) product liability insurance for our OEM products as our OEM customers require; and (ii) general product liability insurance. During the Track Record Period and up to the Latest Practicable Date, we had not made any material claims on our product liability insurance.

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

Our business is subject to certain health, work safety, social and environmental laws and regulations. The regulatory affairs team of our quality assurance department monitors compliance with legal requirements and our internal standards in respect of such matters. Our Directors consider that the annual cost of compliance with the applicable health, work safety, social and environmental laws and regulations was not material during the Track Record Period and we do not expect the cost of such compliance to be material going forward.

We had not been subject to any material claim or penalty in relation to health, work safety, social and environmental protection, had not been involved in any accident or fatality and had been in compliance with the relevant PRC and Hong Kong laws and regulations in all material aspects during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we had not encountered any fatal accidents involving our employees or our products.

PROPERTIES

As at the Latest Practicable Date, we leased all our premises for our business operation of our Group. We leased a total of 14 properties, including 10 in Dongguan, one in Shenzhen, one in Guangzhou and two in Hong Kong. The following table sets out the details of our leased properties.

Dongguan

	Address	Approximate GFA	Current Usage by our Group
1.	Qiaolong, Shuiaotou Industrial Zone, Tangxia Town, Dongguan City, the PRC) 4 號工人宿舍 (Staff Dormitory No. 4, Shuiaotou Industrial Zone, Qiaolong, Tangxia Town, Dongguan City (東莞市塘廈橋隴水坳頭工業區)	1,700 sq.m.	Dormitory
2.	Plant No. 1, Shuiaotou Industrial Zone, Qiaolong, Tangxia Town, Dongguan City (東莞市塘廈橋隴水坳頭工業區1號廠房)	6,400 sq.m.	Production facilities
3.	Staff Dormitory No. 9, Shuiaotou Industrial Zone, Qiaolong, Tangxia Town, Dongguan City (東莞市塘廈橋隴水坳頭工業區9號員工宿舍)	2,380 sq.m.	Dormitory
4.	Staff Dormitory No. 6, Shuiaotou Industrial Zone, Qiaolong, Tangxia Town, Dongguan City (東莞市塘廈橋隴水坳頭工業區6號職員宿舍)	1,200 sq.m.	Dormitory
5.	Worker's Canteen No. 5, Shuiaotou Industrial Zone, Qiaolong Administrative District, Tangxia Town, Dongguan City (東莞市塘廈橋隴管理區水坳頭工業區 5 號工人食堂)	720 sq.m.	Canteen
6.	No. 19, Shuiaotou Industrial Zone, Qiaolong Administrative District, Tangxia Town, Dongguan City (東莞市塘廈橋隴管理區水坳頭工業區19號樓消毒房)	440 sq.m.	Sterilisation room
7.	The Complex, Qiaolong Administrative District, Tangxia Town, Dongguan City# (the "**Dongguan Complex**") (東莞市塘廈橋隴管理區綜合大樓)	7,015/2,315/1,900 sq.m.	Warehouse/ office/ production facilities
8.	The Second Factory Storage, Qiaolong Administrative District, Tangxia Town, Dongguan City# (the "**Second Factory Storage**") (東莞市塘廈橋隴管理區二廠倉庫)	1,400 sq.m.	Warehouse
9.	Extension B of Second Factory, Qiaolong Administrative District, Tangxia Town, Dongguan City# (the "**Second Factory Extension**") (東莞市塘廈橋隴管理區外加建築)	400/200 sq.m.	Warehouse/ production facilities
10.	Room 1001, Unit 2, Yongjiang Building, Fenggang Town, Dongguan City (東莞市鳳崗鎮永江大廈2單元1001號)	180 sq.m.	Office

Note: # *properties with title defect*

Shenzhen

	Address	Approximate GFA	Current Usage by our Group
1.	Room A1701, A1705-A1706, A1708,17th Floor, Block A, Xinghe World, No. 1 Yabao Road, Longgang District, Shenzhen City (深圳市龍崗區雅寶路1號星河WORLD A棟大厦17層A1701、A1705、A1706、A1708号)	1,440 sq.m.	Office

Guangzhou

	Address	Approximate GFA	Current Usage by our Group
1.	202-3, No. 5 Tianfeng Road, Science City, Development Zone, Guangzhou (廣州開發區科學城天豐路5號202-3)	300 sq.m.	Office/ Warehouse

Hong Kong

	Address	Approximate GFA	Current Usage by our Group
1.	Work Shop B2 on 7th Floor, Hang Fung Industrial Building Phase 2, No. 2G Hok Yuen Street, Kowloon, Hong Kong	2,686 sq.ft.	Office
2.	Unit 307 of the 3rd floor of building 12W at Phase Three of Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong (Tai Po Town Lot No. 204)	1,768 sq.ft.	Research and working centre of RRCL

The landlord of the Dongguan Complex, the Second Factory Storage and the Second Factory Extension, VRDG, did not have the relevant building ownership certificates for the said buildings as it did not apply for the relevant construction permits and completion inspection at the relevant time when it erected the said buildings.

As advised by our PRC Legal Advisers, the maximum potential effect on our Group as a tenant of the Dongguan Complex, the Second Factory Storage and the Second Factory Extension, would be being evicted from the said buildings and a potential monetary penalty of approximately RMB40,000 to RMB60,000. As stated above, we use a majority of the occupied area of our Dongguan Complex, Second Factory Storage and Second Factory Extension as our warehouse and/or office, and therefore, our Directors do not see great difficulty in identifying appropriate premises for relocation when required. Currently, the affected production area is approximately 2,100 sq.m. and the production output of such affected area accounted for 16%, 14% and 16% of our total turnover for 2013, 2014 and 2015, respectively.

Our Directors currently expect the cost and time required for relocation of our Dongguan Complex, Second Factory Storage and Second Factory Extension, if required, would be HK$1.7 million and two to three months time, respectively, mainly for the preparation and set up of the clean room production environment of our production facilities.

Our Directors confirm that our Dongguan Complex, Second Factory Storage and Second Factory Extension are not individually or collectively crucial to our Group's operations.

In light of the above, our Controlling Shareholders, collectively as the indemnifiers, have entered into the Deed of Indemnity in favour of our Company, under which the indemnifiers jointly and severally covenant and undertake with our Company to indemnify our Group in relation to the property title defects in relation to our Dongguan Complex, Second Factory Storage and Second Factory Extension.

Based on the above, our Directors believe that, in the event that we are required to vacate from our Dongguan Complex, Second Factory Storage and Second Factory Storage Extension, we could relocate our operations to new properties without significant impact or disruption to our business.

As at the Latest Practicable Date, we did not own any property. We use our leased properties for non-property activities as defined under Rule 5.01(2) of the Listing Rules. According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

As at the Latest Practicable Date, most of our leased properties in Dongguan are leased from VRDG, an indirect wholly-owned subsidiary of VRI, our Controlling Shareholder, and the rental payable was determined with reference to the prevailing market price and the terms of the rental agreements were negotiated on an arm's length basis.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we have filed applications for the registration of our material marks in the PRC, Hong Kong and with the World Intellectual Property Organization, namely, "Vincent Medical", "Inspired Medical", "英仕醫療", "Hand of Hope" and "希望之手". For details of our intellectual property rights, please see the section "Statutory and General Information – Further Information about the Business of our Group — 8. Intellectual property rights of our Group" in Appendix IV to this prospectus.

To protect our proprietary rights, we have entered into confidentiality agreements with our senior management and employees of the research and development department and other employees who have access to secrets or confidential information of our Group. We require our senior employees and employees who work in our research and development department and other technical departments to sign agreements acknowledging that we own the rights to all inventions, technology know-how and trade secrets generated in connection with their employment with us or their use of our resources or relating to our business or our property.

Sidner, who was our sales agent and a major customer for our OEM products, had used the name "Vincent Medical" in its marketing. In April 2016, we requested Sidner to remove, and it has removed the incorrect or misleading contents on the internet relating to our "Vincent Medical" trade name.

We have adopted the following measures to actively protect our trademarks and other intellectual property rights: (i) we will register our trademarks in countries where we have material operations and market presence and register our other intellectual property rights which are material to our business; (ii) we have designated Mr. Koh Ming Fai, our executive Director, as the person responsible for management and control the use of our trademarks and other intellectual property rights; (iii) we have engaged an intellectual property consultant to advise us on the registration and renewal of registration of our intellectual property rights and related matters; (iv) Mr. Koh Ming Fai will regularly review and monitor the use of any brand names and other intellectual property rights that may be infringing ours;

(v) where we intend to expand into any new geographical regions, we will conduct studies to determine whether there may be any intellectual property rights issues; (vi) we have included specific provisions in our standard distributorship agreements that prohibit our distributors from using our trademarks (other than for the promotion of our products) without our prior written consent or take any action that may negatively affect our brand or trademarks; and (vii) where we discover any infringement of our trademarks or other intellectual property rights, we will actively take actions to prohibit the relevant parties from such infringement, and we will take legal actions against such parties where we consider that the infringement is material.

To the best of our Directors' knowledge and belief, during the Track Record Period, there was no material instance of infringement of intellectual property rights or disputes between our Group, our customers and other third parties in respect of intellectual property rights.

LEGAL AND COMPLIANCE MATTERS

Certificates, Licences and Approvals

Companies engaged in the production of medical devices in the PRC and sales of medical devices in different jurisdictions are required to obtain the requisite certificates, approvals and licences from the relevant government authorities.

The main certificates, licences and approvals required for our business operations are set out below.

Certificate/Licence	Certificate/ Licence No.	Issuing authority	Company	Validity period	Conditions attached
Business licence (營業執照)	914419007578964866	Administration of Industry and Commerce of Dongguan Municipality (東莞市工商行政管理局)	VMDG	N/A	N/A
Certificate of approval for establishment of enterprises with foreign investment in the PRC (中華人民共和國外商投資企業批准證書)	Shang Wai Zi Yue Dong Wai Zi Zheng Zi No. [2004]1015 商外資粵東外資證字 [2004]1015 號	People's Government of Guangdong Province (廣東省人民政府)	VMDG	N/A	N/A
Medical device manufacturing licence (醫療器械生產許可證) for production of Class II medical devices	Yue Shi Yao Jian Xie Sheng Chan Xu No. 20000021 粵食藥監械生產許 20000021 號	GFDA	VMDG	2 June 2015 to 1 June 2020	N/A
Registration certificates for medical device (醫療器械註冊證) for:					
• Ultrasonic nebuliser	Yue Shi Yao Jian Xie (Zhun) Zi 2013 No. 2230428 粵食藥監械（准）字第 2013 2230428 號	GFDA	VMDG	12 April 2013 to 11 April 2017	N/A
• Respiratory humidifier	Yue Shi Yao Jian Xie (Zhun) Zi 2013 No. 2540656 粵食藥監械（准）字 2013 第 2540656 號	GFDA	VMDG	9 June 2013 to 8 June 2017	N/A
• Humidifier	Yue Shi Yao Jian Xie (Zhun) Zi 2014 No. 2540063 粵食藥監械（准）字 2014 第 2540063 號	GFDA	VMDG	14 January 2014 to 13 January 2018	N/A
• Reusable breathing circuit	Yue Shi Yao Jian Xie (Zhun) Zi 2014 No. 2660134 粵食藥監械（准）字第 2014 2660134 號	GFDA	VMDG	26 January 2014 to 25 January 2018	N/A

Certificate/Licence	Certificate/ Licence No.	Issuing authority	Company	Validity period	Conditions attached
• Humidifier	Yue Shi Yao Jian Xie (Zhun) Zi 2014 No. 2660275 粵食藥監械（准）字第 2014 2660275 號	GFDA	VMDG	13 March 2014 to 12 March 2018	N/A
• CPAP equipment	Yue Shi Yao Jian Xie (Zhun) Zi 2014 No. 2541307 粵食藥監械（准）字第 2014 2541307 號	GFDA	VMDG	10 September 2014 to 9 September 2019	N/A
• Anaesthesia breathing circuit	Yue Xie Zhu Zhun No. 20152660921 粵械注准 20152660921	GFDA	VMDG	25 August 2015 to 24 August 2020	N/A
• Breathing circuit	Yue Xie Zhu Zhun No. 20152660922 號 粵械注准 20152660922	GFDA	VMDG	25 August 2015 to 24 August 2020	N/A
Registration certificate of the PRC Customs for Customs Declaration Entities (海關報關單位註冊登記證書)	4419943905	Fenggang Office of Huangpu Customs (黃埔海關駐鳳崗辦事處)	VMDG	Long-term effective	N/A
Business licence (營業執照)	914419005516605666	Administration of Industry and Commerce of Dongguan Municipality (東莞市工商行政管理局)	VRMD	N/A	N/A
Certificate of approval for establishment of enterprises with investment of Taiwan, Hong Kong, Macao and overseas Chinese in the PRC (中華人民共和國台港澳僑投資企業批准證書)	Shang Wai Zi Yue Dong Wai Zi Zheng Zi No. [2010]0110 商外資粵東外資證字 [2010]0110 號	People's Government of Guangdong Province (廣東省人民政府)	VRMD	N/A	N/A
Filing certificate for the business operations of Class II medical device (第二類醫療器械經營備案憑證)	Yue Dong Shi Yao Jian Xie Jing Ying Bei No. 20140371 粵東食藥監械經營備 20140371 號	Dongguan Food and Drug Administration (東莞市食品藥品監督管理局)	VRMD	N/A	N/A
Registration certificate of the PRC Customs for Customs Declaration Entities (海關報關單位註冊登記證書)	4469940099	Fenggang Office of Huangpu Customs (黃埔海關駐鳳崗辦事處)	VRMD	Long-term effective	N/A
Business licence (營業執照)	440108400012089	Economic and Technological Development Zone Branch of Administration of Industry and Commerce of Guangzhou Municipality (廣州市工商行政管理局經濟技術開發區分局)	VMRD-GZ	N/A	N/A
Certificate of approval for establishment of enterprises with investment of Taiwan, Hong Kong, Macao and overseas Chinese in the PRC (中華人民共和國台港澳僑投資企業批准證書)	Shang Wai Zi Sui Kai Wai Zi Zheng Zi No. [2011]0085 商外資穗開外資證字 [2011]0085 號	People's Government of Guangzhou Municipality (廣州市人民政府)	VMRD-GZ	N/A	N/A
Business licence (營業執照)	91440300341550000J	Market Supervision Administration of Shenzhen Municipality (深圳市市場監督管理局)	VMSZ	N/A	N/A
Certificate of approval for establishment of enterprises with investment of Taiwan, Hong Kong, Macao and overseas Chinese in the PRC (中華人民共和國台港澳僑投資企業批准證書)	Shang Wai Zi Yue Shen Long Wai Zi Zheng Zi No. [2015]0507 商外資粵深龍外資證字 [2015]0507 號	People's Government of Shenzhen Municipality (深圳市人民政府)	VMSZ	N/A	N/A
Filing certificate for the business operations of Class II medical device (第二類醫療器械經營備案憑證)	Yue Shen Shi Yao Jian Xie Jing Ying Bei No. 20160937 粵深食藥監械經營備 20160937 號	Market and Quality Supervision Commission of Shenzhen Municipality (深圳市市場和質量監督管理委員會)	VMSZ	N/A	N/A

Further details are set out in the section "Regulatory Overview" in this prospectus.

Our Directors confirm that as at the Latest Practicable Date, to the best of their knowledge and belief, we had obtained all necessary approvals, permits, licences and certificates that are material to our business operations from the relevant government authorities.

Our management reviews our business practices regularly to ensure our compliance with all regulatory requirements and the successful annual renewal of our certificates and licences. To the best knowledge and belief of our Directors, our Directors do not foresee any major legal impediment for our continual renewal of the above licences.

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any non-compliance matters which resulted or may result in a material impact on our business operation, financial condition or reputation.

In September 2013, we received a warning letter from the Office of Compliance, Center for Devices and Radiological Health of the U. S. Food and Drug Administration (the "**2013 Letter**") stating that certain of our devices were adulterated within the meaning of a provision of the Federal Food, Drug, and Cosmetic Act, in that the methods used in, or the facilities or controls used for, our manufacture, packing, storage, or installation are not in conformity with the current good manufacturing practice requirements of the Quality System regulation under the U.S. Code of Federal Regulations, including failure to establish and maintain procedures for implementing corrective and preventive action, failure to ensure, when the results of a process cannot be fully verified by subsequent inspection and test, that the process shall be validated with a high degree of assurance and approved according to established procedure, and failure to establish and maintain procedures to ensure that participants at each design review include representatives of all functions concerned. In response to the 2013 Letter, we had taken corrective measures, and in March 2015, we received a letter from the U. S. Food and Drug Administration stating that it has completed an evaluation of our corrective actions in response to the 2013 Letter. Our corrective actions had addressed the violations contained in the 2013 Letter.

Business Activities in Sanctioned Countries

Certain countries or organisations, including the U.S., the E.U., the U.N. and Australia, maintain economic sanctions and trade restrictions targeting certain sectors within the Sanctioned Countries and certain activities with Sanctioned Persons.

Sales to Sanctioned Countries

We generate a small amount of our turnover from our sales to customers in Russia, Egypt and Iran (the "**Affected Countries**"), each of which is a country subject to certain International Sanctions. The total amount of turnover generated from sales to customers in the Affected Countries for each of 2013, 2014 and 2015 accounted for less than 0.2% of our turnover for the same periods. Other than the Affected Countries, we did not sell our products to customers in Sanctioned Countries. As advised by Herbert Smith Freehills, our legal adviser as to International Sanctions laws, based on the following procedures conducted by them, our sales to customers in the Affected Countries during the Track Record Period give rise to a very low risk of penalties or other measures being imposed under the International Sanctions laws on our Group, our Shareholders, the Stock Exchange, HKSCC or HKSCC Nominees, the Listing Committee, or any other person involved in the Global Offering:

(a) reviewing documents provided by us that evidence our completed and potential sales transactions to customers in the Affected Countries during the Track Record Period;

(b) reviewing the list of customers in the Affected Countries to whom sales have been made during the Track Record Period against the lists of persons and organisations subject to International Sanctions, and confirming that none of these customers is on such lists; and

(c) receiving written confirmation from us that except as otherwise disclosed in this prospectus, neither our Group nor any of our affiliates (including any representative office, branch, subsidiary or other entity which forms part of our Group) conducted during the Track Record Period any business dealings in or with any other countries or persons that are subject to International Sanctions.

In relation to our sales to customers in the Affected Countries during the Track Record Period, we are not aware of any violations of sanctions and have not been notified that any sanctions will be imposed on us and none of the contracting parties are Sanctioned Persons. In the absence of any information to the contrary, we have no reasonable grounds to believe that any of the owners, controllers or directors of the contracting parties are on such lists either. Further, our sales did not involve industries or sectors that are currently subject to specific sanctions by the U.S., the E.U., the U.N. or Australia. Therefore, none of our sales to parties located in the Affected Countries are deemed to be prohibited activities under the relevant sanctions laws and regulations.

Our undertakings and internal control procedures

We undertake to the Stock Exchange that we will not use the proceeds from the Global Offering, 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 by the U.S., the E.U., the U.N. or Australia, including, without limitation, any government, individual or entity that is subject to any OFAC-administered sanction. Nor will we use the proceeds from the Global Offering, or other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, any wider activities or business in any Sanctioned Country which is prohibited or otherwise restricted pursuant to International Sanctions. In addition, we undertake not to conduct any prohibited activities under the relevant sanctions laws and regulations that would expose our Group, our Shareholders, the Stock Exchange, HKSCC or HKSCC Nominees, the Listing Committee, or any other person involved in the Global Offering to risk of being sanctioned. We will disclose on the respective websites of the Stock Exchange and our Company if we believe that any transaction our Group has entered into in the Sanctioned Countries or with Sanctioned Persons would expose our Group or our Shareholders, or any other person involved in the Global Offering, to any risk of being sanctioned, and in our annual reports or interim reports our efforts on monitoring our business exposure to sanctions risk and our business intention relating to the Sanctioned Countries and with Sanctioned Persons. If we breach such undertakings to the Stock Exchange, we are aware that we risk the possible delisting of our Shares on the Stock Exchange.

As we intend to continue to sell our products to customers in Sanctioned Countries after Listing, we have adopted enhanced internal control and risk management measures to help us continuously monitor and evaluate our business and take measures to protect the interest of our Group and our Shareholders from economic sanctions risks. The following measures have been fully implemented as at the Latest Practicable Date:

- We have established a risk management committee. Their responsibilities include, monitoring our exposure to sanction law risks and our implementation of the related risk management procedures. For the composition of our risk management committee, please see the paragraph "Internal Control and Risk Management — Corporate Governance". Our risk management committee will hold at least two meetings each year.

- We will evaluate the International Sanctions risks prior to determining whether we should embark on any business opportunities in the Sanctioned Countries or with Sanctioned Persons. According to our internal control procedures, the risk management committee needs to review and approve all relevant business transaction documentation connected with Sanctioned Countries and/or Sanctioned Persons. In particular, the risk management committee will review the information (such as identity and nature of business) relating to the counterparty to the contract along with the draft business transaction documentation. The

risk management committee will check the counterparty against the various lists of Sanctioned Countries and Sanctioned Persons and determine whether the counterparty is, or is owned or controlled by, a person located in a Sanctioned Country or a Sanctioned Person. If any potential sanction risk is identified, we will seek advice from a reputable external international legal counsel with the necessary expertise and experience in international sanction law matters.

- Our Directors believe that the measures we are implementing will prevent any prohibited or otherwise restricted sales to Sanctioned Countries and Sanctioned Persons.

- In order to ensure our compliance with those undertakings to the Stock Exchange, our risk management committee will continuously monitor the use of proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Sanctioned Countries or Sanctioned Persons.

- If necessary, external international legal counsel will provide training programmes relating to the sanctions laws to our Directors, our senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations. Our external international legal counsel will provide current list of Sanctioned Countries and Sanctioned Persons to our Directors, senior management and other relevant personnel, who will in turn disseminate such information throughout our operations.

Our Directors are of the view that although we will continue to sell our products to customers in Sanctioned Countries after Listing, these enhanced measures will provide a reasonably adequate and effective framework to assist us in identifying, monitoring and mitigating any material risk relating to International Sanctions laws. Subject to the full implementation and enforcement of these measures, the Sole Sponsor is also of the view that these measures will provide a reasonably adequate and effective framework to assist our Group in identifying, monitoring and mitigating any material risk relating to International Sanctions laws.

Material Disputes and Litigation

During the Track Record Period and as at the Latest Practicable Date, there were no litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors.

INTERNAL CONTROL AND RISK MANAGEMENT

Our Directors and risk management committee are responsible for the formulation of and overseeing the implementation of the internal control measures and the effectiveness of risk management system, which is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance.

In accordance with the applicable laws and regulations, we have established procedures for developing and maintaining internal control systems. Such systems cover corporate governance, operations, management, legal matters, finance and auditing, as appropriate for our needs. We believe that our internal control systems and current procedures are sufficient in terms of comprehensiveness, practicability and effectiveness.

In preparation for the Listing and to ensure that our internal control procedures are sufficient for management of external and internal risks, we engaged an independent internal control consulting firm (the "**Internal Control Consultant**") to perform an overall assessment on certain of our procedures, systems and internal controls, including the review of our internal controls to prevent

corruption and in relation to our sales to distributors. The Internal Control Consultant has performed follow-up assessment in February to March 2016. During the internal control review, the Internal Control Consultant has provided some recommendations for our management's consideration to enhance our internal control system, which include certain anti-corruption related and distributor management measures. Our Company has implemented such recommendations. As our business continues to expand, we will refine and enhance our internal control systems to respond to the evolving requirements of our expanded operations as appropriate.

We have adopted the following internal control measures to enhance our corporate governance:

(1) our Board includes three independent non-executive Directors to ensure transparency in management and fairness in business decisions and operations. The independent non-executive Directors contribute to the enhancement of corporate value by providing advice and oversight based on their extensive administrative experience and specialised knowledge;

(2) we have established a risk management committee under the management of our Company, comprising Mr. Koh Ming Fai, our executive Director, Mr. Kwok Kam Ming, our quality assurance manager, Ms. Hu Fang, our sales and marketing manager and Mr. Zhang Changqing, our sales and marketing manager. The primary duties of our risk management committee are to deliberate risk management related policies and procedures, review the effectiveness and adequacy of risk management activities and to report such findings to the Board;

(3) we have strengthened our auditing system to ensure the appropriate functioning of the risk management and operation oversight systems. We have established the audit committee which comprises three independent non-executive Directors to review and monitor the effectiveness of our financial controls, internal control and risk management systems;

(4) our Directors have attended a training session in March 2016 conducted by our Hong Kong legal adviser on, among other things, the obligation, on-going corporate governance requirements and the duties of directors of a company listed on the Stock Exchange; and

(5) we have appointed BOSC International Company Limited as our compliance adviser to advise us on compliance matters in relation to the Listing Rules.

Having considered the above enhanced internal control measures, our Directors and the Sole Sponsor are of the view that the internal control systems are adequate and sufficient in the circumstances.

Protection of Intellectual Property Rights of our OEM Customers

In order to protect the intellectual property rights of our OEM customers, we have adopted the following measures:

(i) we require our relevant employees to sign confidentiality agreements with us which provide that the employees shall not use or disclose to third-party confidential information, including intellectual property of our Group and of our OEM customers;

(ii) we have arranged PRC lawyer to hold seminar for our employees on the protection of intellectual property rights;

(iii) our computer system data security and computer usage policy are adopted to prevent insecure copying confidential information; and

(iv) we have included guidelines on protection of confidential information and intellectual property rights in our employee handbook and training materials for our employees.

We have also adopted a policy to continue to implement such measures in the future.

Compliance with Laws and Regulations by our Employees and Distributors

In order to prevent any violation of the anti-corruption laws and regulations by our employees, we have adopted a policy to implement the following measures to regulate the conduct of our employees, including (i) establishing internal policies to increase our employees' awareness of relevant anti-corruption laws and regulations, as well as bribery-related acts; (ii) establishing a code of conduct for our employees; (iii) providing related training to our employees; (iv) providing anti-corruption activity training for our sales employees to explain to them the penalties involved for conducting corruption activities and their duty to report such activities; and (v) providing a clear definition on the scope of corruption activities, setting out the measures for prevention and control of such activities and establishing a whistle-blowing procedure for handling reports on corruption and bribery activities.

With respect to implementation timeframe, we have formulated and issued the relevant internal policies, code of conduct and whistle-blowing procedure (namely, measures (i), (ii) and (v) mentioned above) in May 2016 and provided related trainings to our employees (namely, measures (iii) and (iv) mentioned above) in June 2016. We will also provide updated trainings to our employees annually.

Based on the above, our Directors are of the view that our internal control policy over anti-corruption or bribery conduct of our employees are effective.

For our internal control measures in relation to the legal and regulatory compliance of our distributors, please see the paragraph "Management and Control of Distributors" above.

During the Track Record Period and up to the Latest Practicable Date, we had been in compliance with the anti-corruption laws and regulations, and we were not aware of any regulatory investigation or conviction for non-compliance with such requirements or improper payments by our Directors, employees or distributors.

Upon Listing, our risk management committee will assist our Company in reviewing and assessing from time to time the sufficiency and effectiveness of our anti-corruption measures as part of its responsibilities. We will also seek external legal advice on compliance with the anti-corruption and related laws and regulations where necessary.

Credit Control

We generally require payment in advance for our OBM sales. For our OEM Business, we offered credit term of 30 to 90 days to our customers, which are corporate customers with whom we have generally established long-term business relationship. Our accounts department and marketing department review the credit terms for each existing and prospective customer. We determine the settlement and credit term for our customers with reference to, among other things, (i) the length of the business relationship with us; (ii) the payment history of the customer; and (iii) the financial strength and creditability of the customer. In respect of new customers, we will normally assess their credit worthiness by obtaining their background information and reference in the industry. We monitor closely our outstanding trade receivables and only recorded impairment of HK$235,000 for trade receivables in 2014 during the Track Record Period.

CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering and the Capitalisation Issue, VRI, which is wholly-owned by Mr. Choi and Ms. Liu, will be beneficially interested in approximately 59.87% of the Shares in issue (assuming that the Over-allotment Option is not exercised and without taking into account Shares that may be allotted and issued upon the exercise of any options which may be granted under the Share Option Schemes). Accordingly, VRI, Mr. Choi and Ms. Liu will be our Controlling Shareholders within the meaning of the Listing Rules.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Our Directors consider that our Group is capable of carrying on its business independent of, and does not place undue reliance on, our Controlling Shareholders and their close associates for the following reasons.

Management independence

Our Board comprises four executive Directors, two non-executive Directors, one alternate Director to a non-executive Director and three independent non-executive Directors. Mr. Choi, our chairman and executive Director, and Ms. Liu, our non-executive Director, are also our Controlling Shareholders who hold directorial positions in their other companies which are principally engaged in investment holding, property investment and the manufacture and sale of beauty products and electrical appliances. Mr. To, our executive Director and chief executive officer, also holds directorial positions in other companies owned by our Controlling Shareholders which hold investments and properties and sell beauty products and electrical appliances. In addition, Mr. Choi has a 28% interest in and Mr. To has a 12% interest in, and both of them are also directors of, the companies operating a web-based platform (comprising a website and a mobile application as at the Latest Practicable Date) which mainly provides healthcare information and general consultation services on chronic obstructive pulmonary diseases and allows readers to make medical appointments online with affiliated hospitals and doctors in the PRC. Each of Mr. Choi, Ms. Liu and Mr. To does not participate in the day-to-day management, and will only require a limited amount of time to attend to the affairs, of these other companies of our Controlling Shareholders.

In addition, all of our executive Directors possess relevant management and/or industry experience to act as our Directors and are capable of making management decisions independent of our Controlling Shareholders. With six other Directors on our Board (excluding our alternate Director) in addition to Mr. Choi, Ms. Liu and Mr. To, our Directors believe that there will be a sufficiently robust and independent voice within our Board to counter-balance any situation involving a conflict of interest between our Controlling Shareholders and our Company and protect the interests of our independent Shareholders. In addition, we have a senior management team who are capable of making business decisions independently to assist in the day-to-day management of our Group. Please see the section “Directors, Senior Management and Employees” for details of our Directors and senior management.

Furthermore, each of our Directors is aware of his/her fiduciary duties as a Director of our Company which requires, among other things, that he/she acts for the benefit and in the best interests of our Group and does not allow any conflict between his/her duties as a Director and his/her personal interests. In the event that there is a potential conflict arising out of transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum. Our independent non-executive Directors will also bring independent judgment to the decision-making process of our Board.

Based on the aforementioned, our Directors are of the view that our Board, as a whole, together with our senior management team, are capable of managing our business independent of our Controlling Shareholders and their close associates.

Operational Independence

Our Directors consider that our operations do not depend on our Controlling Shareholders or their close associates after Listing for the following reasons:

(i) we hold all relevant licences necessary to carry on our business, save for the manufacturing of our orthopaedic and rehabilitation products and the supply of plastic and metal components and related processing services which we will continue to subcontract to VRDG after Listing, and we have sufficient resources, equipment, employees, intellectual properties and access to customers and suppliers to operate our businesses independently;

(ii) in respect of the manufacturing of our orthopaedic and rehabilitation products which we will continue to subcontract to VRDG after Listing, as we are in the process of setting up our own sewing and assembling facility to carry out the manufacturing of such products, our Directors expect that such continuing connected transactions will cease by the end of 2016 and we will conduct the manufacturing of such products within our Group starting from 1 January 2017. Please see the section "Connected Transactions — Continuing Connected Transactions — Non-exempt Continuing Connected Transactions — (b) Production and Processing Agreements" for details of the manufacturing services required by us;

(iii) during the Track Record Period, VRDG supplied certain plastic and metal components and provided painting, embossing, repairing and moulding services to us. Although we will continue to subcontract the supply of such plastic and metal components and related processing services to VRDG after Listing, our Directors confirm that we should be able to replace VRDG with other subcontractors who are Independent Third Parties without difficulty. Please see the section "Connected Transactions — Continuing Connected Transactions — Non-exempt Continuing Connected Transactions — (b) Production and Processing Agreements" for details of the such subcontracting services required by us;

(iv) during the Track Record Period, we shared certain staff catering services with VRDG which will continue following the Listing. Our Directors expect the amount payable for the provision of such staff catering services to be approximately RMB900,000 for the year ending 31 December 2016. Our Directors confirm that we should be able to replace VRDG with another catering service provider who is an Independent Third Party without undue difficulty;

(v) we have established our own organisational structure comprising individual departments, each with specific areas of responsibilities. Save for the sharing of catering services set out in (iv) above, we do not share our operational resources with our Controlling Shareholders and/or their close associates;

(vi) all of the premises which we leased from our Controlling Shareholders and/or their close associates for office, production and/or warehousing use as set out in the section "Connected Transactions — Continuing Connected Transactions — Non-fully Exempt Continuing Connected Transactions — Lease Agreements" can be replaced by leases with Independent Third Parties if needed without difficulty as there are similar premises available in the vicinity;

(vii) save for the continuing connected transactions mentioned above and set out in the section "Connected Transactions — Continuing Connected Transactions", there is no other connected transaction between our Controlling Shareholders or their associates and any member of our Group; and

(viii) we have established and implemented various internal control procedures to ensure that our business operations are being run effectively and efficiently.

During the Track Record Period, we shared certain services such as administrative support and finance and accounting services with VRHK and VRDG, being companies wholly-owned by our Controlling Shareholders, amounting to HK$8.4 million, HK$8.9 million and HK$4.2 million, respectively. Our Directors confirm that such service sharing arrangement has ceased since January 2016.

In 2015, certain labour staff of VRDG (a company wholly-owned by our Controlling Shareholders) also provided some general staff management services to us amounting to HK$16.7 million. Our Directors confirm that such arrangement has ceased in March 2016 and we directly employ such labour staff for the provision of such services to our Group.

Based on the aforementioned, our Directors are of the view that our Group is capable of operating our business independently from our Controlling Shareholders and their close associates after Listing.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. We have established our own internal control and accounting systems and accounting and finance department to perform independent treasury function for cash receipts and payments, independent accounting and reporting functions and independent internal control functions. We are able to obtain financing from third parties or from our internally generated funds without reliance on our Controlling Shareholders and/or their respective close associates.

During the Track Record Period, there were a number of guarantees given to/by our Group from/to our Controlling Shareholders and their close associates. Details of these financial arrangements are summarised below.

	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015
	HK$ million	HK$ million	HK$ million
Amount of guarantee provided by our Controlling Shareholders and their close associates which are utilised by our Group	1.8	0.6	Nil
Amount of guarantee provided by our Group which are utilised by our Controlling Shareholders and their close associates	Nil	Nil	19.0

All of the aforementioned guarantees will be released prior to or upon Listing. Saved as disclosed above, our Controlling Shareholders and their close associates have not entered into any financial arrangements with our Group during the Track Record Period.

Based on the aforementioned, our Directors are of the view that we are financially independent of our Controlling Shareholders and/or their close associates.

NON-COMPETITION UNDERTAKING

Apart from our Group's business, our Controlling Shareholders also have interests in or participate in other businesses, including but not limited to investment holding, property investment, the manufacture and sale of beauty products and electrical appliances. In addition, Mr. Choi, who is one of our Controlling Shareholders, has a 28% interest, and participates, in the business of operating a web-based platform (comprising a website and a mobile application as at the Latest Practicable Date) ("**Web-based Platform**") which mainly provides healthcare information and general consultation

services on chronic obstructive pulmonary diseases and allows readers to make medical appointments online with affiliated hospitals and doctors in the PRC. The Web-based Platform may also be used for selling respiratory medical devices purchased from our Group or other manufacturers in the future. As at the Latest Practicable Date, the Web-based Platform had not yet commenced the trading and distribution of medical devices. Our Directors are of the view that (i) the Web-based Platform does not compete with our Group's existing business as it only provides healthcare information and a means of accessing medical services online; and (ii) it is unlikely that the trading and distribution of medical devices on the Web-based Platform will compete with our Group's existing business as the Web-based Platform will serve as a distributor of our Group's products and its trading and distribution activities are distinguishable from the manufacturing and selling activities of our Group.

As at the Latest Practicable Date, none of our Controlling Shareholders or our Directors was interested in any business (except for our Group's business), which, directly or indirectly, competes or is likely to compete, with our Group's business and which would require disclosure pursuant to Rule 8.10 of the Listing Rules.

Notwithstanding the aforementioned, in order to ensure that our Controlling Shareholders will not engage in any business undertaking in competition with our Group, our Controlling Shareholders (namely VRI, Mr. Choi and Ms. Liu (collectively the "**Covenantors**", and each a "**Covenantor**")) have entered into the Deed of Non-competition pursuant to which the Covenantors have, on a joint and several basis, given an irrevocable and unconditional non-competition undertaking in favour of our Company (for itself and as trustee for its subsidiaries from time to time) that, among others, at any time during the Relevant Period (as defined below), each of them shall:

(i) save for engaging in the Restricted Business (as defined below) through our Group, not, and shall procure that none of his/her/its close associates (other than our Group) shall, directly or indirectly, carry on, invest in, participate or be engaged in any business which competes or may compete with the Restricted Business; and

(ii) promptly provide our Company with any relevant information in respect of any new business opportunity ("**New Business Opportunity**"), which competes or may compete with the Restricted Business, of which he/she/it or his/her/its close associates may have knowledge and will give our Company an option, exercisable by our Company within 30 days upon receipt of the written notification of relevant information to take up such New Business Opportunity and he/she/it and/or his/her/its close associates may only take up such New Business Opportunity after the independent non-executive Directors have separately reviewed and decided that our Group should decline such New Business Opportunity after having considered (a) the financial resources of our Group and that required for the New Business Opportunity; (b) whether such New Business Opportunity would compete with our prevailing business; (c) the viability of and risks involved in such New Business Opportunity; and (d) whether it is in the interest of our Company and our Shareholders as a whole to pursue such New Business Opportunity.

For the above purposes:

(i) "**Restricted Business**" means the principal business of our Group which is the manufacturing, sale and research and development of medical devices;

(ii) "**Relevant Period**" means the period commencing from the Listing Date and shall expire upon the earliest of the dates below;

  (a) the date on which the relevant Covenantor ceases to be our controlling shareholder for the purpose of the Listing Rules; or

  (b) the date on which the Shares cease to be listed on the Stock Exchange.

Notwithstanding the aforesaid, the non-competition undertaking as set out above shall not prevent the Covenantors and their respective close associates from acquiring a direct or indirect shareholding interest of not more than 5% in a company listed on any stock exchange anywhere in the world and engaged in any Restricted Business.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from our Controlling Shareholders and to safeguard the interests of our Shareholders:

(i) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provide that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

(ii) our independent non-executive Directors will review, on an annual basis, the compliance with the undertaking by the Covenantors under the Deed of Non-competition;

(iii) the Covenantors undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;

(iv) our Company will either disclose in the annual reports of our Company or issue a public announcement in relation to any decisions made by our independent non-executive Directors relating to compliance and enforcement of the undertaking of the Covenantors under the Deed of Non-competition, and where applicable, the reason(s) why any New Business Opportunity referred to us by our Controlling Shareholders was not taken up;

(v) if our independent non-executive Directors consider it necessary or desirable, they may also engage professional advisors (including an independent financial advisor) at the costs of our Company to advise them on matters relating to the Deed of Non-competition; and

(vi) pursuant to Rule 3A.19 of the Listing Rules, we have appointed BOSCI as our compliance advisor with effect from the Listing Date and ending on the date of despatch of our annual report in respect of our financial results for the first full financial year commencing after the Listing Date to provide us with advice and guidance for compliance with the applicable laws and the Listing Rules, including but not limited to directors' duties and corporate governance.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions with our connected persons which will continue following the Listing and will constitute non-fully exempt and non-exempt continuing connected transactions within the meaning of the Listing Rules (the "**Transactions**").

Non-fully Exempt Continuing Connected Transactions

Lease Agreements

We, as tenants, have entered into the following lease agreements (the "**Leases**"):

	HK lease agreement	**PRC lease agreements**	
Tenant	VMHK	VMDG	VRMD
Landlord	VRDL	VRDG	VRDG
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 in 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.	24,608.53 sq.m.	1,500.00 sq.m.
Term	1 January 2016 to 31 December 2018	1 January 2016 to 31 December 2018	1 January 2016 to 31 December 2018
Historical transaction value	During the Track Record Period, the annual rent paid by VMHK to VRDL amounted to HKD24,000 *(Note 1)*	During the Track Record Period, the annual rent paid by VMDG to VRDG amounted to approximately HKD5.0 million (equivalent to RMB4.2 million), HKD5.4 million (equivalent to RMB4.5 million) and HKD5.1 million (equivalent to RMB4.3 million), respectively	During the Track Record Period, the annual rent paid by VRMD to VRDG amounted to RMB120,000 *(Note 1)*
Annual rent payable / Annual caps	HKD456,000 *(Note 2)*	RMB4,824,000 *(Note 3)*	RMB288,000 *(Note 3)*
Use of property	Our office	Our production plant warehouse, office, staff quarters and canteen	Our warehouse

Notes:

(1) As the landlord is a wholly-owned subsidiary of VRI, our Controlling Shareholder, the annual rent paid during the Track Record Period did not reflect the then prevailing market rates. In preparation for the Listing, we have entered into a new lease agreement which reflects the prevailing market rate of similar properties in the locality.

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

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

The annual rent payable by our Group in each of the aforementioned leases has been determined with reference to the prevailing market rates of leasing similar properties in the locality from Independent Third Parties. Grant Sherman Appraisal Limited, a firm of professional surveyors and valuers independent of our Group, has reviewed the annual rent payable by our Group under each of the aforementioned leases and has confirmed that it is fair, reasonable and is consistent with the prevailing market rates of similar properties in the locality.

Listing Rules Implications

VRDL is a direct wholly-owned subsidiary of and VRDG is an indirect wholly-owned subsidiary of VRI, our Controlling Shareholder. Accordingly, each of VRDL and VRDG is a connected person of our Company under the Listing Rules and the lease of the premises under the Leases constitute continuing connected transactions of our Company after Listing.

Based on the aggregate amount of the annual rent payable by our Group under the Leases, each of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) calculated for the purpose of Chapter 14A of the Listing Rules will be less than 5%. By virtue of Rule 14A.76(2) of the Listing Rules, the transactions contemplated under the Leases are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements, but are subject to the announcement, reporting and annual review requirements under Chapter 14A of the Listing Rules.

Non-exempt Continuing Connected Transactions

(a) Bayer Supplier Agreement

VMHK, VRHK and VMDG have entered into the following supplier agreement with Medrad and Imaxeon Pty Ltd. as amended by a supplemental agreement made by the same parties (the "**Supplier Agreement**") which will continue after the Listing:

	Supplier Agreement
Parties	VMHK, VRHK and VMDG as suppliers (the "**Supplier**") Medrad (now known as Bayer Medical Care) and Imaxeon Pty Ltd. as customers (the "**Customer**")
Effective period	1 August 2013 to 31 December 2017
Nature of transaction	The Supplier will manufacture and supply certain components, assemblies and related services to the Customer.
Principal terms	The Supplier will manufacture, assemble, test, package and sterilise (where applicable) and sell to the Customer plastic injection moulded components and assemblies (the "**Products**"). Certain components necessary for the manufacture of the Products (the "**Components**") are provided to the Supplier from the Customer. In consideration for the performance by the Supplier under the Supplier Agreement, the Customer agrees 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 Supplier. The Supplier will be responsible for the maintenance and service of the Equipment. The Customer will pay and settle the invoices for the Products supplied under the Supplier Agreement within 45 days of each monthly statement.
Pricing basis	The price for the Products under the Supplier Agreement will be determined by reference to the Supplier's cost plus a profit margin agreed on an arm's length basis. The profit margin for the Products supplied to the Customer varies depending on the Customer's requirements and specifications in relation to each project. Our Directors take into account (i) the complexity and technicality of the relevant project; and (ii) the estimated cost to the Supplier of leasing the Equipment from an Independent Third Party or purchasing the Equipment from an Independent Third Party and amortising

	Supplier Agreement
	the cost of such Equipment over the Equipment's estimated useful life, when determining the price. Our Directors believe that such agreed prices are on normal commercial terms, or no less favourable, to the prices charged by us to other customers who are Independent Third Parties.
Historical transaction value	During the Track Record Period, the total amount paid by the Customer to the Supplier under the Supplier Agreement amounted to approximately HK$122.7 million, HK$153.8 million and HK$161.3 million, respectively. During the Track Record Period, the total amount paid by the Supplier to the Customer under the Supplier Agreement amounted to approximately HK$43.2 million, HK$63.5 million and HK$38.1 million, respectively.
Annual caps	Proposed annual caps for the supply of the Products by the Supplier for the year ending 31 December: 2016: HK$200 million 2017: HK$240 million In arriving at the above annual caps for the supply of the Products, our Directors have considered (i) the expected demand for the Products by the Customer with reference to the historical transaction value; and (ii) a year-on-year increase of 20% for the supply of the Products by the Supplier for each of the years ending 31 December 2016 and 2017 to cater for the expected growth of our business. Proposed annual caps for the purchase of the Components from the Customer for the year ending 31 December: 2016: HK$8 million 2017: HK$10 million In arriving at the above annual caps for the purchase of the Components, our Directors have considered (i) the expected demand for the Components by the Customer with reference to the historical transaction value; (ii) the fact that our Group has begun to manufacture some of the Components; (iii) the fact that we will purchase most of the Components directly from Independent Third Parties; and (iv) a corresponding year-on-year increase of 20% based on the expected increase in supply of the Products by the Supplier to the Customer for each of the years ending 31 December 2016 and 2017.
Reasons for and benefits of the transaction	In view of our long-term business relationship with Bayer Medical Care and given that the manufacture and supply of the Products under the Supplier Agreement is an integral part of the business of our Group, our Directors consider that the Supplier Agreement is necessary to maintain the stability of the business development of our Group.

Listing Rules Implications

VRHK is a direct wholly-owned subsidiary of VRI, our Controlling Shareholder. Imaxeon Pty Ltd. is an indirect wholly-owned subsidiary of Bayer Medical Care. Bayer Medical Care holds 19.9% of the shares in VMHK and by virtue of the Listing Rules, is a substantial shareholder of VMHK. Accordingly, each of VRHK, Bayer Medical Care and Imaxeon Pty Ltd. is a connected person of our Company under the Listing Rules and the transactions contemplated under the Supplier Agreement constitute continuing connected transactions of our Company after Listing.

As each of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) calculated for the purpose of Chapter 14A of the Listing Rules will be more than 5% and the total consideration will be more than HK$10,000,000, the transactions contemplated under the Supplier Agreement constitute non-exempt continuing connected transactions and are subject to the announcement, circular, independent shareholders' approval, reporting and annual review requirements under Chapter 14A of the Listing Rules.

(b) Production and Processing Agreements

We have entered into the following production of orthopaedic and rehabilitation products agreement with VRDG (the "**Production Agreement**") which will continue after the Listing:

	Production Agreement
Parties	VMC and VMHK as purchasers VRDG as producer
Effective period	1 January 2016 to 31 December 2016
Nature of transaction	VRDG agreed to manufacture and supply our orthopaedic and rehabilitation products to VMC and/or VMHK according to our designs and specifications. In producing such orthopaedic and rehabilitation products, VRDG will also provide certain necessary plastic and metal components and painting and embossing services.
Principal terms	Either party to the Production Agreement may terminate the agreement by giving the other party not less than one month's notice.
Pricing basis	The cost of production under the Production Agreement will be determined by reference to VRDG's cost plus a gross profit margin of approximately 10% agreed on an arm's length basis. The gross profit margin varies slightly depending on the complexity of the relevant model of orthopaedic and rehabilitation products being manufactured. The gross profit margin recorded by VRDG from its sales to our Group for each of 2013, 2014 and 2015 is comparable to the overall gross profit margin recorded by VRDG for the same periods.
Historical transaction value	During the Track Record Period, the total amount paid by VMC and VMHK to VRHK and VRDG pursuant to the Production Agreement amounted to approximately HK$45.3 million, HK$48.9 million and HK$54.6 million, respectively.
Annual cap	Proposed annual cap for the year ending 31 December 2016: HK$46 million In arriving at the above annual cap, our Directors have considered (i) the historical transaction amount; (ii) our expected demand for our orthopaedic and rehabilitation products in 2016; and (iii) the fact that our Group expects to set up our own manufacturing facility by June 2016 and to gradually reduce and terminate our production arrangement with VRDG by the end of 2016.

We have entered into the following plastic and metal supply and processing services framework agreement with VRDG (the "**Plastic and Metal Services Agreement**", together with the Production Agreement, the "**Production and Processing Agreements**") which will continue after the Listing:

	Plastic and Metal Services Agreement
Parties	VMDG as purchaser VRDG as supplier
Effective period	1 January 2016 to 31 December 2018
Nature of transaction	VRDG agreed to supply certain plastic and metal components and provide painting, embossing, repairing and moulding services to VMDG.
Principal terms	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.
Historical transaction value	During the Track Record Period, the total amount paid by VMDG to VRDG pursuant to the Plastic and Metal Services Agreement amounted to approximately HK$0.8 million, HK$1.8 million and HK$1.1 million, respectively. Such historical transaction values did not include the amount paid by VMDG for similar services provided by VRDG under the Production Agreement for the manufacture of our orthopaedic and rehabilitation products, which services will as from June 2016 be gradually moved from the Production Agreement to this Plastic and Metal Services Agreement.
Annual cap	Proposed annual cap for the year ending 31 December: 2016: HK$5 million 2017: HK$6 million 2018: HK$7.2 million In arriving at the above annual caps, our Directors have considered (i) a year-on-year increase of 20% over our demand for 2015 to cater to the expected growth of our business; and (ii) our expected additional demand for such services arising from the orthopaedic and rehabilitation products of approximately HK$3.7 million, HK$4.4 million and HK$5.3 million for each of the years ending 31 December 2016, 2017 and 2018, respectively, due to (a) our Group's plan to terminate the Production Agreement and to carry out our own manufacturing of the orthopaedic and rehabilitation products, which would still require VRDG to provide certain necessary plastic and metal components and painting and embossing services; and (b) an expected year-on-year increase of 10% in our sales of orthopaedic and rehabilitation products for the years ending 31 December 2017 and 2018, respectively.
Reasons for and benefits of the transaction	Our Directors consider that the Plastic and Metal Services Agreement maximises our Group's cost efficiency and management effectiveness without any adverse impact on our operation.

Listing Rules implications

VRDG is an indirect wholly-owned subsidiary of VRI, our Controlling Shareholder. Accordingly, VRDG is a connected person of our Company under the Listing Rules and the transactions contemplated under the Production and Processing Agreements constitute continuing connected transactions of our Company after Listing.

Based on the aggregate annual caps under the Production and Processing Agreements, as each of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) calculated for the purpose of Chapter 14A of the Listing Rules will be more than 5% and the total consideration will be more than HK$10,000,000, the transactions contemplated under the Production and Processing Agreements constitute non-exempt continuing connected transactions and are subject to the announcement, circular, independent shareholders' approval, reporting and annual review requirements under Chapter 14A of the Listing Rules.

APPLICATION FOR WAIVERS

As the non-fully exempt continuing connected transactions will continue after the Listing on a recurring basis and are expected to extend over a period of time, our Directors consider that strict compliance with the announcement requirement under the Listing Rules would be burdensome and add unnecessary administrative costs on our Company each time such transactions arise. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules once our Shares are listed on the Stock Exchange in respect of such non-fully exempt continuing connected transactions, subject to the aggregate amount of each of the non-fully exempt continuing connected transactions for each financial year not exceeding the relevant annual cap amount as stated above.

As the non-exempt continuing connected transactions will continue after the Listing on a recurring basis and are expected to extend over a period of time, our Directors consider that strict compliance with the announcement and independent shareholders' approval requirements under the Listing Rules would be unduly burdensome and add unnecessary administrative costs on our Company each time such transactions arise. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Rules 14A.35 and 14A.36 of the Listing Rules respectively, once our Shares are listed on the Stock Exchange in respect of such non-exempt continuing connected transactions, subject to the aggregate amount of each of the non-exempt continuing connected transactions for each financial year not exceeding the relevant annual cap amount as stated above.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including independent non-executive Directors), having reviewed the Leases, the Supplier Agreement, the Production and Processing Agreements and the property valuation certificates prepared by Grant Sherman Appraisal Limited, are of the view that (i) the Transactions described above for which waivers are sought have been entered into and will be carried out in the ordinary and usual course of business of our Group and on normal commercial terms or better, and that the respective terms of the Transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) the respective proposed annual caps for the Transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor, having reviewed the Leases, the Supplier Agreement, the Production and Processing Agreements and the property valuation certificates prepared by Grant Sherman Appraisal Limited, is of the view that (i) the Transactions described above for which waivers are sought have been entered into and will be carried out in the ordinary and usual course of business of our Group and on normal commercial terms or better, and that the respective terms of the Transactions are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and (ii) the respective proposed annual caps for the Transactions are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

DIRECTORS

Our Board consists of four executive Directors, two non-executive Directors, one alternate Director to a non-executive Director and three independent non-executive Directors. Our Board is responsible for and has general powers for the management and conduct of our business.

The following table sets out certain information with respect to our Directors.

Name	Age	Position in our Group	Date of joining our Group	Date of appointment as a Director	Main roles and responsibilities
Mr. Choi Man Shing (蔡文成) *(Note)*	63	Chairman, executive Director, chairman of the Nomination Committee and member of the Remuneration Committee	Founder	19 November 2015	Formulating long-term development and marketing strategies
Mr. To Ki Cheung (陶基祥)	49	Executive Director, chief executive officer and general manager	1 February 2000	19 November 2015	Overseeing the corporate management of our Group, formulating our business and product development strategies
Mr. Koh Ming Fai (許明輝)	42	Executive Director and assistant general manager	25 September 2000	7 March 2016	Managing the operations of our Group, including quality assurance production, engineering and procurement
Mr. Fu Kwok Fu (符國富)	45	Executive Director and engineering manager	16 June 1997	7 March 2016	Overseeing the research and development, initiating product development through integrating technologies and techniques
Ms. Liu Pui Ching (廖佩青) (*Note*)	61	Non-executive Director	1 May 1998	7 March 2016	Participating in the formulation of corporate and business strategies
Mr. Amir Gal Or	53	Non-executive Director	26 February 2016	26 February 2016	Participating in the formulation of corporate and business strategies
Mr. Poon Lai Yin Michael (潘禮賢)	44	Alternate Director to Mr. Amir Gal Or	26 February 2016	26 February 2016	Participating in the formulation of corporate and business strategies
Mr. Chan Ling Ming (陳令名)	56	Independent non-executive Director, chairman of the Remuneration Committee and member of the Audit Committee and Nomination Committee	24 June 2016	24 June 2016	Participating in meetings of the Board to bring an independent perspective and judgment on issues of strategy, performance, accountability, resources, key appointments and standards of conduct and transactions which are material to our Group as and when required; taking the lead where potential conflicts of interest arise
Mr. Mok Kwok Cheung Rupert (莫國章)	57	Independent non-executive Director, member of audit committee, Remuneration Committee and Nomination Committee	24 June 2016	24 June 2016	
Mr. Au Yu Chiu Steven (區裕釗)	57	Independent non-executive Director and chairman of the Audit Committee	24 June 2016	24 June 2016	

Note: Mr. Choi and Ms. Liu are spouses.

Executive Directors

Mr. Choi Man Shing (蔡文成), aged 63, is our founder, chairman and executive Director. He is primarily responsible for formulating long-term development and marketing strategies of our Group. He is a director of VRI, VMMH, VMCH, VMHK, VHPL, VMC, VMT, RDHK, RRCL and VRDC. He is also a director and the legal representative of VMDG, VRMD, VMRD-GZ and VMSZ.

Mr. Choi has over 37 years of management experience in the manufacturing industry in Hong Kong and the PRC. Other major working experience of Mr. Choi include:

Name of entity	Principal business activities	Period of service	Position and major responsibilities
Favour Electronics Co. Ltd.	Manufacture of electronic devices	September 1979 to May 1981	Personnel/ administration manager, responsible for supervising personnel and administration department
Wah Ngai Industrial Co. Ltd.	Manufacture of plastic packaging materials	June 1981 to July 1982	Personnel manager, responsible for supervising the personnel department
		July 1982 to August 1984	Factory manager, responsible for overseeing daily operation of the factory
VRHK	Investment leasing and sale of beauty products and electrical appliances	January 1985 to present	Director, responsible for overseeing corporate management
VRDL	Property investment	July 1992 – Present	Director, responsible for overseeing the investment management decisions
VRDG	Manufacture of electrical appliances and beauty products	November 1992 – Present	Director, responsible for overseeing the corporate management
Vincent Hive Asia Beauty Co., Limited	Manufacture and sale of beauty products	May 2002 – Present	Director, responsible for overseeing the corporate management
Dongguan Raya Beauty Co., Ltd.* (東莞瑞雅美容有限公司)	Sales and marketing of beauty products	May 2012 – Present	Director, responsible for overseeing corporate management

Mr. To Ki Cheung (陶基祥), aged 49, is our executive Director, chief executive officer and general manager. He is primarily responsible for overseeing the corporate management of our Group, formulating our business and product development strategies. Mr. To joined our Group as the company secretary of

VMHK in February 2000. He is the company secretary of VMHK, VHPL, VMC, VMT, RDHK and VRDC. He has been appointed as a director and general manager of VMHK since May 2001. He is also a director of VRI, VMMH, VMCH, VHPL, VMC, VMT, RDHK, RRCL, VRDC, VMDG, VRMD, VMRD-GZ and VMSZ.

Mr. To was awarded a bachelor's degree in commerce from 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 is 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.

Before joining our 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. He worked as the financial controller of VRHK from April 1996 to March 2006 and was responsible for managing finance and accounting. He has been a director of VRHK since May 2001 and a director of Dongguan Raya Beauty Co., Ltd.* (東莞瑞雅美容有限公司) since March 2016, responsible for overseeing overall management of these companies.

Mr. Koh Ming Fai (許明輝), aged 42, is our executive Director and assistant general manager. He is primarily responsible for managing the operations of our Group, including quality assurance, marketing, engineering and production of our Group. Mr. Koh joined our Group as a project engineer of VMHK in September 2000. He was promoted to a senior project engineer of VMHK in July 2003 and has been a marketing manager of VMHK since February 2008. Since August 2015, he has been the assistant general manager of VMHK.

Mr. Koh received a bachelor's degree in science in mechanical engineering from 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.

Mr. Fu Kwok Fu (符國富), aged 45, is our executive Director and engineering manager. He is primarily responsible for overseeing the research and development, initiating product development through integrating technologies and techniques. He has over 18 years of experience in the medical device manufacturing industry. He joined our Group as an engineer of VRHK in June 1997. He was promoted to a lead project engineer of VRHK in January 2000 and an assistant engineering manager in April 2003. He has been an engineering manager of VMHK since April 2006.

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.

Non-executive Directors

Ms. Liu Pui Ching (廖佩青), aged 61, is our non-executive Director. She joined our Group in May 1998 as a director of VMHK and is a director of VRI, VMHK, VHPL, VMC, VMT, VMDG, VRMD and VMSZ.

Between 1973 and 1974, Ms. Liu attained the (i) a higher stage certificate in accounting, a intermediate stage certificate in book-keeping and an intermediate stage certificate in costing with distinction from the London Chamber of Commerce and Industry; and (ii) a certificate in higher costing from the City College of Commerce, Hong Kong.

Ms. Liu has been a director of VRHK and VRDG since June 1989 and April 2003, respectively, responsible for managing the overall administration of both companies.

Mr. Amir Gal Or, aged 53, is our non-executive Director. He obtained a bachelor's degree in arts in economics from University of Haifa, Israel in June 1992 and a master's degree in business administration from Tel Aviv University, Israel in June 1996.

Mr. Gal Or has been the founder member, director and managing partner of Infinity Equity Management Company Limited since June 2009. He is also a director of IGF, Infinity Capital (Cayman Islands) Limited, Infinity Capital (Hong Kong) Limited, Infinity Frontier Asset Management Company Limited and Infinity Investment Holding Group. His main responsibilities include leading and managing all departments, developing performance measurements and enhancing fund raising target and profitability.

Mr. Poon Lai Yin Michael (潘禮賢), aged 44, is the alternate director to Mr. Gal Or. He obtained a bachelor's degree in administrative studies from York University, Canada in June 1995 and a master's degree in practicing accounting from Monash University, Australia in July 1998. Mr. Poon is a fellow member of Hong Kong Institute of Certified Public Accountant and is a member of CPA Australia.

Mr. Poon has over 19 years of experience in financial reporting and business advisory. Major work experience of Mr. Poon include:

Name of entity	Principal business activities	Period of service	Position and major responsibilities
Ho & Au Yeung	Accounting	March 1997 to December 1997	Audit intermediate, responsible for auditing
		January 1998 to June 1999	Audit semi-senior, responsible for auditing
K. L. Lee & Partners	Accounting	February 2000 to November 2000	Audit senior II, responsible for auditing
Arthur Anderson & Co.	Accounting	November 2000 to March 2002	Senior accountant, responsible for auditing
Sonavox International Holdings Limited (now known as Sunrise (China) technology Group Limited), a company which shares are listed on the GEM of the Stock Exchange (stock code: 8226)	Sale and manufacturing of loudspeaker systems for automobiles and home theatres	March 2002 to June 2008	Financial controller and company secretary, responsible for coordinating and supervising the preparation of financial statements and accounts of the group and each member of the group and the keeping of records
China Uptown Group Company Limited, a company which shares are listed on the Main Board of the Stock Exchange (stock code: 2330)	Property development	November 2006 to present	Independent non-executive director, responsible for providing independent advice on issues of strategies, performance and standard of conduct of the company
Enviro Energy International Holdings Limited, a company which shares are listed on the Main Board of the Stock Exchange (stock code: 1102)	Development of environmental energy-related projects involving conventional oil, unconventional natural gas and state-of-the-art oil and gas related environmental technologies in the PRC	July 2008 to November 2009	Chief financial officer, responsible for the overall management of finance of the company
Sun International Group Limited, a company which shares are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8029)	Trading and extraction of minerals, trading of bloodstock and provision of administrative service	September 2009 to September 2011	Independent non-executive director, responsible for providing independent advice on issues of strategies, performance and standard of conduct of the company

Name of entity	Principal business activities	Period of service	Position and major responsibilities
Sino Dragon New Energy Holdings Limited (now known as Smartac Group China Holdings Limited), a company which shares are listed on the Main Board of the Stock Exchange (stock code: 0395)	Research and development, manufacture and sale of energy materials	January 2010 to present	Independent non-executive director, responsible for providing independent advice on issues of strategies, performance and standard of conduct of the company
Hong Kong Life Group Holdings Limited (now known as Celebrate International Holdings Limited), a company which shares are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8212)	Shrine business, paper-offering and edible oil trading	October 2010 to July 2011	Executive director, responsible for managing the overall business of the company
		July 2011 to December 2011	Non-executive director, responsible for participating in the formulation of business strategies of the company
Infinity Equity Management Company Limited	Providing fund management and financial advisory services in Hong Kong and the PRC	January 2014 to February 2016	Chief financial officer, responsible for the management of finance of the company
		February 2016 to present	Chief investment officer and managing director, responsible for managing private equity funds
Johnson Cleaning Services Company	Providing a variety of cleaning services	September 2015 to present	Director, responsible for overall management of the company

Independent non-executive Directors

Mr. Chan Ling Ming (陳令名), aged 56, is our independent non-executive Director. Mr. Chan graduated from Newcastle University, the United Kingdom with a bachelor's degree in mechanical engineering in June 1989. He further obtained a master's degree in business administration from the University of Bradford, the United Kingdom in December 1990 and a doctor's degree in business administration from the Macquarie Graduate School of Management, Australia in July 2012. He is a fellow member of the Hong Kong Institution of Engineers and an Adjunct Professor in the Interdisciplinary Division of Biomedical Engineering of the Hong Kong Polytechnic University.

Mr. Chan is the founder member and the current chairman of the Hong Kong Medical and Healthcare Devices Industries Association. He was appointed as a member of the Biomedical

Engineering Programme Advisory Committee of the Chinese University of Hong Kong in the period of from August 2013 to July 2016 and the panellist of the Innovation and Technology Support Programme Assessment Panel of the Innovation and Technology Fund, one of the funding schemes under Innovation and Technology Commission of the Hong Kong government.

Mr. Chan has over 24 years of experience in the manufacture of medical devices and corporate management. Major work experience of Mr. Chan include:

Name of entity	Principal business activities	Period of service	Position and major responsibilities
Besteam Consultants Limited	Providing advice on total quality management, business process reengineering and strategic planning for organisations and listed companies in Hong Kong	March 1994 to Present	Managing director, responsible for overall management of the company
Yip's Chemical Holdings Limited, a company which shares are listed on the Main Board of the Stock Exchange (stock code: 408)	Production and sales of petrochemical products	December 1998 to March 2002	Group deputy general manager, responsible for formulating and implementing the corporate strategies in relation to human resources, administration and research and development
Pharos International Ltd.	Providing product development management services	April 2002 to March 2007	Managing director, responsible for overseeing overall management and planning development programmes
Pharos Industrial Co. Ltd.	Trading of haircare products in overseas markets	April 2004 to March 2007	Managing director, responsible for overseeing overall management
Pharos Medical Device Ltd.	Manufacture and sale of medical devices	May 2005 to March 2015	Managing director, responsible for managing overall management
Ample Rich Creation Limited	Medical device distribution in Hong Kong	July 2012 to Present	Director, responsible for overall management

Mr. Mok Kwok Cheung Rupert (莫國章), aged 57, is our independent non-executive Director. Mr. Mok obtained a bachelor's degree in engineering 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 a member of the executive board and a member of the branding, upgrading and domestic sales project committee of the Hong Kong Medical and Healthcare Devices Industries Association.

Mr. Mok has over 31 years of experience in selling medical devices and over 10 years of experience in the research and development of medical devices. Major work experience of Mr. Mok include:

Name of entity	Principal business activities	Period of service	Position and major responsibilities
Glory Electro-Medical Equipments Ltd.	Sales and marketing of medical devices	June 1984 to July 1986	Service manager, responsible for maintenance of contracted and non-contracted equipments and negotiation of service contracts with hospital
Clemserv Pty. Ltd.	Sales and marketing of medical devices	March 1987 to July 1989	Biomedical engineer, responsible for maintenance of contracted and non-contracted equipments and negotiation of service contracts with hospital
Glory Electro-Medical Equipments Ltd.	Sales and marketing of medical devices	July 1993 to June 1996	Deputy general manager — China and Hong Kong, responsible for setting up direct sales and distributor sales of pacemakers in Hong Kong and China, respectively, and managing product approval process in China
Massachusetts Medical Company Ltd.	Sales and marketing of medical devices	July 1996 to September 1997	General manager, responsible for overall sales management
Southern United International Limited	Sales and marketing of medical devices	October 1997 to November 1999	General manager, China, responsible for general management and sales Management (direct and distributors) of China sales of various ultrasound systems, negotiation with Principal of Medison Korea, China and Germany
Guidant Hong Kong Limited	Sales and marketing of medical devices	January 1999 to September 2005	Last position was regional sales manager (Hong Kong), responsible for overall management of sales and marketing strategies in Asia

Name of entity	Principal business activities	Period of service	Position and major responsibilities
St. Jude Medical (Hong Kong) Limited	Sales and marketing of interventional cardiology products and implantable peace makers in Asia Pacific Region	September 2005 to May 2012	Senior regional marketing manager, responsible for overall planning of business strategies and product development in all Asian countries with a focus on the PRC and India
Medtechnoskorp Limited	Research and development of medical devices	December 2012 to Present	President, responsible for execution of all projects initiated by the company
Salus Vita Group Company Limited	Import and sale of food and supplements	September 2013 to Present	Executive director, responsible for overseeing the sales and marketing strategies of the company
Heartisans Limited	Research and development on medical quality portable device to tackle medical emergency in relation to heart problems	October 2015 to Present	Advisor on clinical trial and technology development, responsible for advising the company in the area of technology development and clinical validation

Mr. Au Yu Chiu Steven (區裕釗), aged 57, is our independent non-executive Director. 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 Charted 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 30 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.

Mr. Au has been an executive director of finance and administration of Matilda International Hospital since October 2002. He was also appointed as an independent non-executive director of Expert Systems Holdings Limited, a company which shares are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8319), on 15 March 2016.

Disclosure required under Rule 13.51(2) of the Listing Rules

Mr. Choi, our chairman and executive Director, was the person-in-charge of VINCENT RAYA (DONGGUAN) ELECTRONICS CO., LTD Wuhan Sales Office* (永勝（東莞）電子有限公司武漢經營部) ("**Wuhan Sales Office**"), an unincorporated business entity established in the PRC, when its business licence was revoked. As Mr. Choi was in the process of winding down the business of Wuhan Sales Office with a view to dissolution of such office, Wuhan Sales Office did not attend to annual examination and its business licence was subsequently revoked on 25 December 2003.

Mr. Choi was also the person-in-charge of VINCENT RAYA (DONGGUAN) ELECTRONICS CO., LTD. Tianjin Sales Office* (永勝（東莞）電子有限公司天津經營部) ("**Tianjin Sales Office**"), an unincorporated business entity established in the PRC, when its business licence was revoked. As Mr. Choi was in the process of winding down the business of Tianjin Sales Office with a view to dissolution of such office, Tianjin Sales Office did not attend to annual examination and its business licence was subsequently revoked on 31 December 2008.

Mr. Choi was also the legal representative of Wuhan Vincent Electric Engineering Company Limited* (武漢永勝機電工程有限公司) ("**Wuhan Vincent Electric**"), a wholly foreign-owned enterprise established in the PRC which manufactured and sold electrical components, electrical and electronic products and various types of sensors before its business licence was revoked. Mr. Choi had voluntarily commenced the dissolution process of Wuhan Vincent Electric. As Wuhan Vincent Electric was in the process of being dissolved, it did not attend to annual examination and its business licence was subsequently revoked on 25 April 2001 ("**Revocation Incident**", together with the revocation of the business licences of Wuhan Sales Office and Tianjin Sales Office, the "**Relevant Incidents**").

According to Article 146 of the PRC Company Law* (《中華人民共和國公司法》), a legal representative of a company or enterprise whose (i) business licence has been revoked; and (ii) is personally liable for such revocation, should not be appointed as a director, supervisor or member of senior management of a company or enterprise in the PRC for a period of three years from the date of revocation of the business licence ("**Three-year Prohibition**"). According to our PRC Legal Advisers, Wuhan Sales Office and Tianjin Sales Office are unincorporated business entities that are not qualified as legal persons and therefore do not fall within the ambit of Article 146 of the PRC Company Law* (《中華人民共和國公司法》). Hence, Mr. Choi is not subject to the Three-year Prohibition in respect of his acting as the person-in-charge of Wuhan Sales Office and Tianjin Sales Office. Our PRC Legal Advisers confirmed that such revocations had not affected the appointment of Mr. Choi as the legal representative(s) and/or director(s) of our Group's PRC subsidiaries.

During the Three-year Prohibition, Mr. Choi was appointed as the legal representative and chairman of VMDG ("**Appointments**"). Our PRC Legal Advisers confirmed, having reviewed all the documents retrieved from the Wuhan Administration for Industry & Commerce, that they have found no record that indicates Mr. Choi is personally liable for the Revocation Incident. Mr. Choi also confirmed that he bears no personal liability for the Revocation Incident. Further, the Appointments were registered and confirmed by the Dongguan Administration for Industry & Commerce, and VMDG has confirmed that it has not been subject to any penalty or investigation as a result of the Appointments. Therefore, our PRC Legal Advisers are of the opinion that the Revocation Incident will not result in any material legal impediment to Mr. Choi's appointments as director(s) and/or legal representative(s) of our Group's PRC subsidiaries.

Mr. Choi confirmed that, save for the Three-year Prohibition and as disclosed above, the Relevant Incidents did not result in any restriction, responsibility or penalty imposed against him. Since (i) the Relevant Incidents were a result of the failure of Wuhan Sales Office, Tianjin Sales Office and Wuhan Vincent Electric to attend annual examination within the specific time period during the winding down or dissolution process; (ii) Mr. Choi did not hold positions of legal representative, director, supervisor or member of senior management in any other PRC companies whose business licence has been revoked; (iii) the Three-year Prohibition period has lapsed; (iv) there has been no recurrence of similar

incidents since 1 January 2009; and (v) the Relevant Incidents did not involve any dishonesty on the part of Mr. Choi nor impugn on his integrity or competence, our Board is of the view, and the Sole Sponsor concurs, that the suitability of Mr. Choi to act as a director of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules is not affected by the Relevant Incidents. Our PRC Legal Advisers have advised that the appointment of Mr. Choi as director(s) and/or legal representative(s) of our Group's PRC subsidiaries is not in violation of any applicable PRC laws and regulations and are not aware of any restrictive or prohibitive provisions under the relevant PRC laws and regulations which stipulates any restriction on Mr. Choi from being appointed as a director of a Hong Kong listed company because of the Relevant Incidents.

Save as disclosed above, none of our Directors:

(i) held any other positions in our Company or other members of our Group as at the Latest Practicable Date;

(ii) had any other relationship with any Directors, senior management or substantial shareholders or controlling shareholders of our Company as at the Latest Practicable Date; and

(iii) held any other directorships in listed public companies in the three years prior to the Latest Practicable Date.

Except for such interests of the executive Directors in the Shares which are disclosed in the sections "Substantial Shareholders" and "Statutory and General Information — Further Information about Our Directors — 11. Disclosure of Interests" in Appendix IV to this prospectus, none of our Directors has any interests in the Shares within the meaning of Part XV of the SFO or is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of our Company.

Each of our Directors has confirmed that none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

The following table sets forth certain information with respect of our senior management (other than those of our executive Directors).

Name	Age	Position	Date of first joining our Group	Main roles and responsibilities
Mr. Tsui Kam Fai Michael (徐錦輝)	46	Chief executive officer of RRCL	8 December 2015	Overseeing the general management of RRCL
Mr. Wai Yiu Tung Yuyu (衛耀東)	53	Financial controller	10 April 2013	Managing all finance, accounting and administration work
Mr. Yu Lun Fai Alex (余崙輝)	40	Operations manager	21 May 2012	Managing and leading the production operations
Mr. Kwok Kam Ming (郭錦明)	50	Quality assurance manager	1 April 2010	Managing product registration and maintaining quality and risk management
Mr. Zhang Changqing (張長青)	44	Sales and marketing manager	9 March 2004	Overseeing sales and business development in the PRC
Mr. Xu Jiebing (徐結兵)	41	Research and development manager	8 December 1998	Initiating research and development of products

Senior Management

Mr. Tsui Kam Fai Michael (formerly known as Tsui Kam Fai Mickey) (徐錦輝), aged 46, is our chief executive officer of RRCL. He is primarily responsible for overseeing the general management of RRCL. He obtained the professional diploma (degree equivalent) in occupational therapy from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in November 1991. He further received a master's degree in business administration from the University of Hull, the United Kingdom in February 2000 and a master's degree in science in automation and computer-aided engineering from the Chinese University of Hong Kong in December 2008. He is a member of the Innovation and Technology Support Programme Assessment Panel of Innovation and Technology Fund, one of the funding schemes of under the Innovation and Technology Commission of the Hong Kong government. In October 2014, Mr. Tsui received the Innovation for Good Award — the Spirit of Hong Kong Awards by South China Morning Post.

Before joining our Group, Mr. Tsui has been the chief executive officer of Deltason Medical Limited, a medical equipment trading company, and RRCL since January 1995 and January 2011, respectively, responsible for overall management decisions and supervising operations of the programmes of the companies.

Mr. Wai Yiu Tung Yuyu (衛耀東), aged 53, is our financial controller. He is primarily responsible for managing all finance, accounting and administration work. He joined our Group as the financial manager of VMHK in April 2013. He obtained a master's degree in business administration (finance) from University of Leicester, the United Kingdom through distance learning in July 2002. He is currently an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.

Mr. Wai has over 23 years of experience in accounting. Major work experience of Mr. Wai include:

Name of entity	Principal business activities	Period of service	Position and major responsibilities
W H Lam & Company	Accounting	October 1992 to February 1997	Auditor supervisor, responsible for auditing and secretarial work
Sonderparts Services Co. Ltd. (a former subsidiary of Drs. Anderson & Partners)	Providing healthcare services	July 1997 to August 1999	Accountant, responsible for audit and accounting work
Kenfill Hong Kong Ltd	Providing software licensing services and information technology solutions	April 2000 to April 2002	Finance manager, responsible for overseeing the finance department
Lung Cheong Overseas Corporation — Macao Commercial Offshore, a wholly-owned subsidiary of Lung Cheong International Holdings Limited (now known as Haier Healthwise Holdings Limited), which shares are listed on the Stock Exchange (stock code: 0348)	Research and development and manufacture of toy products	August 2003 to July 2006	Senior accounting manager, responsible for managing department and preparing financial reports.
Print-Rite Management Company Limited	Printing consumables	July 2006 to August 2009	Accounting manager, responsible for supervising all accounting departments of PRC subsidiaries
		September 2009 to October 2012	Senior manager, responsible for supervising and coordinating different projects including obtaining ISO27001 certificates

Mr. Yu Lun Fai Alex (余崙輝), aged 40, is our operations manager. He is primarily responsible for managing and leading the production operations. He joined our Group as an operations manager of VMHK in May 2012. He graduated from the City University of Hong Kong with a bachelor's degree in engineering and a master's degree in manufacturing engineering with business management in November 1999. He further obtained a master's degree in science in electronic and information engineering in November 2006 from the City University of Hong Kong.

Mr. Yu has 15 years of experience in manufacturing industry. His major work experience include:

Name of entity	Principal business activities	Period of service	Position and major responsibilities
CCT Telecom (HK) Limited	Manufacture of electronic parts for wireless phones	March 2001 to August 2002	Mechanical engineer, responsible for projects related to wireless phone in the research & development department
Automatic Manufacturing Ltd.	Manufacture of domestic and industrial electronic devices	September 2002 to April 2003	Management trainee, responsible for managing different teams, including manufacturing and project and mechanical engineering
	Manufacture of domestic and industrial electronic devices	May 2003 to March 2004	Assistant manufacturing manager, responsible for managing the manufacturing team
	Manufacture of domestic and industrial electronic devices	April 2004 to June 2004	Mechanical manager, responsible for Plant development and product development
	Manufacture of domestic and industrial electronic devices	December 2007 to April 2009	Manufacturing and logistics senior manager, responsible for supervising the overall operations of the company including production, assembly and logistics
JDI Company Ltd	Manufacture of domestic and industrial electronic devices	July 2004 to December 2007	Operation manager, responsible for managing the operation department including production, automation engineering and plant maintenance
Hayco (Hong Kong) Limited	Manufacture of domestic cleaning tools and plastic moulding	June 2009 to September 2010	Operations manager, responsible for managing the operations of the production teams

Name of entity	Principal business activities	Period of service	Position and major responsibilities
Main Power Industrial (Shen Zhen) Co., Ltd	Manufacture of appliances for domestic and industrial use such as blenders	November 2010 to May 2012	Senior manufacturing manager, responsible for managing the operations of the production teams

Mr. Kwok Kam Ming (郭錦明), aged 50, is our quality assurance manager. He is primarily responsible for managing product registration and maintaining quality and risk management. He joined our Group as the assistant quality assurance manager of VMHK in April 2010. He received a bachelor's degree in electrical computer engineering from California State Polytechnic University, Pomona in August 1996 and he was awarded Six Sigma Black Belt with credit by Ralong Business Technology Academy in January 2005.

Mr. Kwok has over 18 years of experience in manufacturing industry. His major work experience include:

Name of entity	Principal business activities	Period of service	Position and major responsibilities
Signet Scientific Company	Designing and manufacturing flow and analytical products	May 1997 to October 2000	Engineering lab technician, responsible for building prototype products and setting up lab experiments
Cisco Systems, Inc.	Information technology	October 2000 to January 2002	Manufacturing test development engineer, responsible for developing functional test strategies and improving testing process
Trisat Industrial Co., Ltd.	Manufacturing of audio/ video cable and accessories	September 2002 to March 2003	Quality manager, responsible for managing the quality assurance section and maintaining the quality system of ISO9001
Computime Limited	Electronic manufacturing	April 2003 to March 2010	Last position was assistant manager – customer quality centre, responsible for overseeing production process and liaising with customers

Mr. Zhang Changqing (張長青), aged 44, is our sales and marketing manager. He is primarily responsible for overseeing sales and business development in the PRC. Mr. Zhang has over 10 years of experience in trading of medical devices since he joined our Group as marketing manager in March 2004. He is also the supervisor of VRMD.

Mr. Xu Jiebing (徐結兵), aged 41, is our research and development manager. He is responsible for initiating research and development of products. Mr. Xu joined our Group as an engineer of VMDG in December 1998. He was promoted to engineering deputy manager of VMDG in December 2009 and since August 2013, he has been our research and development manager. He graduated from the mechanical engineering programme of Hefei University of Technology* (合肥工業大學) in July 1995 and from the online course of business administration of Xiamen University* (廈門大學) in January 2016. Mr. Xu 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.

Before joining our Group, Mr. Xu was a factory manager, responsible for the daily operations of the factory from October 1996 to August 1997 at Anhui Province Huaining county Wanjiang Steel Mill* (安徽省懷寧縣皖江製鋼廠) which principal business is the manufacture of steel and aluminium products.

Save as disclosed above, none of our members of senior management:

(i) held any other positions in our Company or other members of our Group as at the Latest Practicable Date;

(ii) had any other relationship with any Directors, senior management or substantial shareholders or controlling shareholders of our Company as at the Latest Practicable Date; and

(iii) held any other directorships in listed public companies in the three years prior to the Latest Practicable Date.

The business address of Mr. Tsui Kam Fai Michael is Unit 307, 3/F, 12W, Science Park West Avenue, Phase 3, Hong Kong Science Park, Sha Tin, New Territories, Hong Kong. The business address of the remaining members of our senior management is 45-46 Qiaolong Shabu Industrial Zone, Tangxia Town, Dongguan City, the PRC.

COMPANY SECRETARY

Mr. Wai Yiu Tung Yuyu is our company secretary. Please see the paragraph "Senior Management" in this section of the prospectus for his biography.

BOARD COMMITTEES

The audit committee, remuneration committee and nomination committee of our Company were approved to be established by resolutions passed by our Board on 24 March 2016.

Each of the above three committees has written terms of reference. The committees operate in accordance with the terms of reference established by our Board.

Audit committee

Our audit committee has written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report ("**CG Code**") as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee of our Company are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor; review and monitor the independence of the external auditor; review the financial statements and information and provide advice in respect of financial reporting and risk management; and oversee the internal control procedures of our Company. Our audit committee consists of three members: all three independent non-executive Directors, being Mr. Au Yu Chiu Steven, who will serve as chairman of the committee, Mr. Chan Ling Ming and Mr. Mok Kwok Cheung Rupert.

Remuneration committee

Our Company has written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The primary functions of the remuneration committee of our Company are to make recommendations to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of our Group and on establishment of a formal and transparent procedure for developing remuneration policy; review and approve the remuneration proposals of all Directors and senior management with reference to the corporate goals and objectives of the Board; and make recommendations to the Board on the remuneration packages of all Directors and senior management. Our remuneration committee consists of three members: one executive Director, Mr. Choi Man Shing, and two independent non-executive Directors, being Mr. Chan Ling Ming, who will serve as chairman of the committee, and Mr. Mok Kwok Cheung Rupert.

Nomination Committee

Our Company has written terms of reference in compliance with the CG Code. The primary functions of the nomination committee of our Company are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to on any proposed changes to the Board to complement our Company's corporate strategy; identify individuals suitably qualified as potential board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; assess the independence of independent non-executive Directors; and make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors, in particular, our chairman and chief executive. Our nomination committee consists of three members: our chairman and executive Director, being Mr. Choi Man Shing, who will serve as chairman of the committee, and two independent non-executive Directors, being Mr. Chan Ling Ming and Mr. Mok Kwok Cheung Rupert.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of salaries, bonuses, contributions to pension schemes, long-term incentives, housing and other allowances and benefits in kind subject to applicable laws, rules and regulations.

The aggregate amount of remuneration including salaries, allowances and benefits in kind which were paid to our Directors for 2013, 2014 and 2015 were approximately HK$2.4 million, HK$2.5 million and HK$2.6 million, respectively.

The aggregate amount of remuneration including salaries, allowances and benefits in kind which were paid to our five highest paid individuals (excluding our Directors among the five highest paid individuals) for 2013, 2014 and 2015 were approximately HK$1.4 million, HK$1.6 million and HK$1.6 million, respectively.

Our Company regularly reviews and determines the remuneration and compensation packages of our Directors and senior management. After Listing, the remuneration committee of our Company will review and determine the remuneration and compensation packages of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group. Under such arrangement and pursuant to our Directors' service contracts and letters of appointment referred to in the section "Statutory and General Information — Further Information About Our Directors —9. Particulars of Service Contracts" in Appendix IV to this prospectus, the aggregate amount of remuneration including salaries, allowances and benefits in kind payable to our Directors (excluding any discretionary bonuses) for the year ending 31 December 2016 is estimated to be approximately HK$4.5 million.

During the Track Record Period, no remuneration was paid by our Group to, or received by, our Directors or senior management as an inducement to join or upon joining our Group or as a compensation for loss of office. None of our Directors waived any remuneration during the same period.

SHARE OPTION SCHEMES

Our Company has conditionally adopted the Pre-IPO Share Option Scheme and conditionally adopted the Share Option Scheme, pursuant to which selected participants may be granted options to subscribe for shares as incentives or rewards for their service rendered to our Group and any entity in which any member of our Group holds an equity interest. For details of the Share Option Schemes, please see the sections "Statutory and General Information — Other Information — 16. Pre-IPO Share Option Scheme" and "Statutory and General Information — Other Information — 17. Share Option Scheme" in Appendix IV to this prospectus.

COMPLIANCE ADVISOR

We have appointed BOSCI as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction or will involve share issues and share repurchases;

(iii) where our Company proposes to use the net proceeds of the Global Offering in a manner different from that set out in this prospectus or where our business activities, development or results deviate from any forecast, estimate, or other information in this prospectus; and

(iv) where the Stock Exchange makes any inquiry of us under Rule 13.10 of the Listing Rules.

The term of appointment of our compliance advisor will commence on the Listing Date and will end on the date of despatch of our annual report in respect of our financial results for the first full financial year commencing after the Listing Date. Such appointment may be subject to extension by mutual agreement.

EMPLOYEES

Please see the section "Business — Employees" in this prospectus for details relating to our number of employees, training, recruitment and remuneration policies, our relationship with our employees and employees' benefits.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, the following persons or entities will, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted or which may be granted under the Share Option Schemes), have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Capacity	Number of Shares held as at the date of this prospectus	Approximate percentage of shareholding as at the date of this prospectus	Number and class of securities held immediately upon Listing (L) *(Note 1)*	Approximate percentage of shareholding immediately upon Listing
VRI	Beneficial owner	9,353 Shares	74.83%	381,939,890 Shares	59.87%
Mr. Choi	Interest in controlled corporation *(Note 2)*	9,353 Shares	74.83%	381,939,890 Shares	59.87%
Ms. Liu	Interest in controlled corporation *(Note 2)*	9,353 Shares	74.83%	381,939,890 Shares	59.87%
IGF	Beneficial owner	1,500 Shares	12.00%	61,248,000 Shares	9.60%
Zhuhai Huafa Group Limited* (珠海華發集團有限公司)	Interest in controlled corporation *(Note 3)*	1,500 Shares	12.00%	61,248,000 Shares	9.60%
Mr. Chan Yau Ching Bob, PhD	Interest in controlled corporation *(Note 3)*	1,500 Shares	12.00%	61,248,000 Shares	9.60%
Infinity Frontier Asset Management Company limited **("Infinity Frontier")**	Investment Manager (*Note 4*)	1,500 Shares	12.00%	61,248,000 Shares	9.60%

Notes:

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

(2) These Shares are held by VRI which is held as to 57.9% by Mr. Choi and 42.1% by Ms. Liu. Accordingly, by virtue of the SFO, each of Mr. Choi and Ms. Liu is deemed to be interested in all the Shares held by VRI.

(3) These Shares are held by IGF, a company wholly-owned by Infinity Capital (Cayman Islands) Limited which in turn is wholly-owned by Infinity Capital (Hong Kong) Limited. Infinity Capital (Hong Kong) Limited is held as to 45% by JJ Strategy Investment Inc. and 55% by Infinity Equity Management Company Limited (**"Infinity Equity"**). JJ Strategy Investment Inc. is

a company wholly-owned by Mr. Chan Yau Ching Bob, PhD. Infinity Equity is wholly-owned by Infinity Investment Holding Group which in turn is owned as to 49% by Huajin Infinity Investment Holding Limited. Huajin Infinity Investment Holding Limited is wholly-owned by Huajin Financial (International) Holdings Limited which in turn is wholly-owned by Zhuhai Finance Investment Holding Company Limited* (珠海金融投資控股有限公司). Zhuhai Huafa Group Limited* (珠海華發集團有限公司), which holds 84.54% in Zhuhai Finance Investment Holding Company Limited* (珠海金融投資控股有限公司), is wholly-owned by the State-owned Asset Supervision and Administration Committee of the Zhuhai Municipal government. Each of the aforementioned person is deemed to be interested in the same number of Shares in which IGF is interested by virtue of the SFO.

(4) These shares are held by IGF, the investment manager of which is Infinity Frontier. Infinity Frontier is deemed to be interested in all the Shares in which IGF is interested by virtue of the SFO. Infinity Frontier is a wholly-owned subsidiary of Infinity Equity. Please refer to note 3 above for details of the shareholders of Infinity Equity.

Save as disclosed above, our Directors are not aware of any person who will, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted or which may be granted under the Share Option Schemes), have interests or short positions in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of shares carrying rights to vote in all circumstances at general meetings of our Company.

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company following the completion of the Global Offering and the Capitalisation Issue:

Authorised Share Capital

	Aggregate nominal value of Shares *HK$*
10,000,000,000 Shares	100,000,000

Issued Share Capital

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately following the completion of the Capitalisation Issue and the Global Offering will be as follows:

		HK$
12,499	Shares in issue at the date of this prospectus	124.99
510,387,501	Shares to be issued pursuant to the Capitalisation Issue *(Note)*	5,103,875.01
127,600,000	Shares to be issued in the Global Offering	1,276,000.00
638,000,000	**Total**	6,380,000.00

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following the completion of the Global Offering and the Capitalisation Issue will be as follows:

		HK$
12,499	Shares in issue at the date of this prospectus	124.99
510,387,501	Shares to be issued pursuant to the Capitalisation Issue *(Note)*	5,103,875.01
127,600,000	Shares to be issued in the Global Offering	1,276,000.00
19,140,000	Shares to be issued upon exercise of the Over-allotment Option	191,400.00
657,140,000	**Total**	6,571,400.00

Note: Pursuant to the written resolutions passed by our Shareholders on 24 June 2016 and the resolutions passed by our Board on 24 June 2016 and conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise an amount of HK$5,103,875.01 standing to the credit of the share premium of our Company as a result of the Global Offering and apply such sum in paying up in full at par 510,387,501 Shares for allotment and issue to the persons whose names appear on the register of members of our Company as at 24 June 2016 in proportion to his/her/its/their then existing shareholdings in our Company.

Assumptions

The above table assumes the Global Offering has become unconditional and the issue of Shares pursuant thereto is made as described herein. It does not take into account: (i) any Shares which may be allotted and issued (a) pursuant to the exercise of the Over-allotment Option or (b) pursuant to the exercise of the options granted or which may be granted under Share Option Schemes; (ii) any Shares which may be allotted and issued pursuant to the issuing mandate (as described below); or (iii) any Shares which may be repurchased by our Company pursuant to the repurchase mandate (as described below).

Ranking

The Offer Shares will carry the same rights as all of the Shares in issue or to be issued as mentioned in this prospectus, and in particular, will rank in full for all dividends or other distributions hereafter declared, made or paid on the Shares on or after the date on which they are issued, save for the entitlement to the Capitalisation Issue.

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

We have conditionally adopted the Pre-IPO Share Option Scheme. The principal terms of the Pre-IPO Share Option Scheme are summarised in "Statutory and General Information — Other Information — 16. Pre-IPO Share Option Scheme" in Appendix IV to this prospectus.

Share Option Scheme

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the section "Statutory and General Information — Other Information — 17. Share Option Scheme" in Appendix IV to this prospectus.

ISSUING MANDATE

Subject to the Global Offering becomes unconditional, our Directors have been granted a general and unconditional mandate to allot, issue and deal with Shares (including the power to make an offer or agreement, or to grant securities which would or might require Shares to be allotted and issued) provided that the aggregate number of Shares allotted or agreed to be allotted by the Directors shall not be more than the sum of:

(i) 20% of the total number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options granted or which may be granted under the Share Option Schemes); and

(ii) the aggregate number of Shares repurchased by our Company (if any) pursuant to the repurchase mandate as referred to below.

Our Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and deal in the Shares pursuant to (i) a rights issue; (ii) scrip dividend schemes or similar arrangements in accordance with the Articles of Association; (iii) the exercise of any options granted or which may be granted under the Share Option Schemes or any other option scheme or similar arrangement for the time being adopted; (iv) the exercise of rights of subscription or conversion attaching to warrants of our Company of any securities (if any) which are convertible into Shares; (v) under the Global Offering, Capitalisation Issue or the exercise of the Over-allotment Option; or (vi) a specific authority granted by the Shareholders in a general meeting.

The issuing mandate will expire at the earliest of:

(i) the conclusion of our Company's next annual general meeting;

(ii) the date by which our Company is required by the applicable laws or the Articles to hold our next annual general meeting; or

(iii) the date on which such mandate is varied or revoked by an ordinary resolution of the Shareholders in a general meeting.

Please see the section "Statutory and General Information — Further Information About Our Group — 3. Written resolutions passed by our Shareholders on 24 June 2016" in Appendix IV to this prospectus for further details.

REPURCHASE MANDATE

Subject to the Global Offering becomes unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with an aggregate number

of not more than 10% of the aggregate number of Shares in issue following the completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options granted or which may be granted under the Share Option Schemes).

The repurchase mandate only relates to repurchases made on the Stock Exchange and/or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose) and which are in accordance with the Listing Rules and all other applicable laws and regulations.

The repurchase mandate will expire at the earliest of:

(i) the conclusion of our Company's next annual general meeting;

(ii) the date by which our Company is required by the applicable laws or the Articles to hold our next annual general meeting; or

(iii) the date on which such mandate is varied or revoked by an ordinary resolution of the Shareholders in a general meeting.

Please see the section "Statutory and General Information — Further Information About Our Group — 6. Repurchase by our Company of its own securities" in Appendix IV to this prospectus for further details.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of Companies Law, an exempted company is not required by law to hold any general meeting or class meeting. The holding of a general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, we will hold general meetings as prescribed for under our Articles, a summary of which is set out in the section "Summary of the Constitution of our Company and Cayman Company Law" in Appendix III to this prospectus.

The following discussion and analysis should be read in conjunction with our combined financial information as at and for the three years ended 31 December 2013, 2014 and 2015 together with the accompanying notes, included in Appendix I to this prospectus. Our combined financial information have been prepared in accordance with HKFRSs, which may differ in material respects from the generally accepted accounting principles in other jurisdictions.

The following discussion contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current condition and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depends on a number of factors over which we have no control. You should review the section "Risk Factors" in this prospectus for a discussion of the important factors that could cause our actual results to differ materially from the results described in or implied by forward-looking statements.

Our financial year begins from 1 January and ends on 31 December. All references to "FY2013", "FY2014" and "FY2015" mean the financial years ended 31 December 2013, 31 December 2014 and 31 December 2015, respectively.

OVERVIEW

We manufacture a range of medical devices, focusing on respiratory products, imaging CMPI disposable products, and orthopaedic and rehabilitation products for our OEM customers in our OEM Business; and develop, manufacture and sell our own "Inspired Medical" ("英仕醫療") brand of respiratory equipment and disposable products and orthopaedic and rehabilitation products in our OBM Business. For FY2015, we generated 87.3% of our turnover from our OEM Business, and 12.7% from our OBM Business; and sales of (i) respiratory products, (ii) imaging CMPI disposable products, (iii) orthopaedic and rehabilitation products, and (iv) other products represented 39.1%, 34.7%, 16.5% and 9.7%, respectively, of our turnover for FY2015. We believe the success of both of our business segments are underpinned by our quality assurance standards, our in-depth industry experience and our specialised and efficient production capability.

The following table sets forth the breakdown of our turnover by our two business segments during the Track Record Period.

	For the year ended 31 December					
	2013		2014		2015	
	HK$'000	%	HK$'000	%	HK$'000	%
Turnover						
— OEM Business	283,388	87.3	341,271	87.7	391,062	87.3
— OBM Business	41,104	12.7	47,706	12.3	57,107	12.7
Total	**324,492**	**100.0**	**388,977**	**100.0**	**448,169**	**100.0**

KEY FACTORS AFFECTING FINANCIAL POSITION AND RESULTS OF OUR OPERATIONS

In relation to our business model (comprising OEM Business and OBM Business) as mentioned in the paragraph "Overview" above, we summarise below the key factors which, we consider, have affected and will continuously affect our financial position and results of operations.

Factors affecting our OEM Business

Our OEM Business is important to our results of operations. For each of FY2013, FY2014 and FY2015, our OEM Business accounted for around 87% of our turnover. Factors affecting our OEM Business are summarised below.

Our OEM customers' demand for our products

Our OEM Business is significantly affected by our OEM customers' demand for our products which in turn is affected by factors affecting their business performance, many of which are beyond our control. Factors affecting their business performance include adverse changes in the economic conditions of the markets in which our OEM customers operate, in particular, the United States (from which we generated over 80% of our OEM Business sales for each year during the Track Record Period), unfavourable changes in the exchange rate of foreign currencies, weak demand for our customers' products, unsuccessful sales and marketing efforts of our OEM customers, discouraging regulations or policies that may restrict their business development and/or placing purchase orders with us.

Our relationship with "Bayer Group"

For each year during the Track Record Period, "Bayer Group", an international diagnostic imaging equipment provider, was our largest customer, the transaction amount with which accounted for around 35% of our total turnover for each year. Bayer Medical Care is also a substantial shareholder of VMHK with a 19.9% interest. Our ability to maintain a good relationship with "Bayer Group" affects our results of operations.

Our ability to further expand our OEM customer base

In addition to growing or maintaining our OEM Business with existing OEM customers, our results of OEM Business also depend on our ability to attract and acquire new OEM customers. However, medical device companies may be unwilling to purchase from us if they consider or suspect that our own branded products are competing, or are perceived to be potentially competing, with their products. Further, under the OEM manufacturing agreements that we entered into with some of our OEM customers, we may not design or manufacture certain similar products for other customers. This would hinder our ability to further expand our OEM customer base and thus our turnover from our OEM Business.

Factors affecting our OBM Business

Although our OBM Business was not significant to our Group during the Track Record Period in terms of turnover contribution (turnover of which accounted for around 13% for each year during the Track Record Period), we aim to expand our OBM Business by way of enhancing our product offering and distributorship network. Factors affecting our OBM Business are summarised below.

Our ability to develop and commercialise OBM products which address rapid growing demand of patients

While historically the vast majority of our OBM products were medical disposable products, we have in recent years increased our research and development initiatives to enhance our OBM products' quality and functionality to address patients' needs and market demand. We are committed to expand our OBM product range by way of our in-house research and development, collaboration with research partners and acquisition of advanced technological medical related products and/or technologies. In 2014, we entered into a cooperation agreement with, and acquired a 20% shareholding in Ventific, an Australian technology company which owns an advanced technology for treating sleep apnea and other respiratory disorders. In December 2015, we acquired a 53.125% shareholding in RRCL to further strengthen our research and product development capability for orthopaedic and rehabilitation products.

We believe our future growth and profitability of OBM Business in part depends on our ability to research and develop innovative products that can address patients' needs and have potential for future commercialisation to diversify our OBM product portfolio, in particular focusing on the respiratory and orthopaedic and rehabilitation categories.

Our ability to maintain relationship with existing distributors and to further grow our distribution network in the PRC and overseas countries

We sell most of our OBM medical devices to our distributors for their on-sale to their customers, which are mainly hospitals, and/or sub-distributors, in order to maximise the reach of our products to hospitals across different regions in a cost-efficient manner. In 2015, we sold our OBM products to over 380 distributors and other customers covering approximately 360 hospitals in 28 Provinces and Regions in the PRC; including 60 major distributors with purchases over RMB100,000 in 2015, representing approximately 75% of our OBM sales in the PRC in 2015 and we had business relationship with 42 overseas distributors and other customers in countries such as Australia, Japan, Korea, Indonesia, India, Chile, Brazil and Saudi Arabia. We plan to increase the coverage and penetration of our distribution network in the PRC and overseas. Purchase orders from our distributors are subject to uncertainties and fluctuate in parallel with the demand from their customers (hospitals and/or sub-distributors). We believe our ability in maintaining a close relationship with our major distributors is vital to our OBM Business.

Further, our distributors' performance affects our OBM Business. Since our distributors sell and/or distribute our OBM products to hospitals and/or sub-distributors, our OBM Business in part depends on whether our distributors can successfully market and sell our OBM products to their customers. If our distributors fail (for example, our distributors fail to win bidding and tenders organised by hospitals for supply of medical devices), it may adversely affect the results of our OBM Business.

Factor relating to our overall operation

Our ability to maintain an effective quality control system

We place great emphasis on product quality and adhere to stringent quality assurance and control measures. To meet our customers' requirements and expectations for the quality and safety of our products, we have adopted a stringent quality assurance and control system to ensure that our production process is strictly monitored and managed. The demand for our products is affected by our ability to maintain an effective quality control system or to obtain or renew our quality standards certifications.

Regulatory environment of the medical device industry

The medical device industry is highly regulated in both the PRC and overseas markets. Our Group's operations are governed by various local, regional and national regulations, including licensing and certification requirements and procedures for manufacturing medical device products, operating and safety standards, as well as environmental protection regulations. Therefore, our results of operations are and will continue to be affected by any change in the applicable laws, regulations or standards which may prevent or restrict us from conducting certain aspects of our current business.

Our product mix and selling prices

During the Track Record Period, we mainly derived our turnover from sales of three categories of medical devices comprising (i) respiratory disposable and equipment products; (ii) imaging disposable products; and (iii) orthopaedic and rehabilitation products. Except for the imaging disposable products which we manufactured and sold on OEM basis only during the Track Record Period, we sold the other categories of medical products under both OEM and OBM basis. Please see the paragraph "Description of Certain Income Statement Items — Turnover" for the information of the breakdown of our turnover by product category and business model.

During the Track Record Period, our OBM Business had a higher segment margin than our OEM Business. Please see the paragraph "Description of Certain Income Statement Items — Gross profit and gross profit margin" for the information of the margins of our product category and business model. And thus, the proportion of our OEM Business and OBM Business over total products sold during a certain period has a significant impact on our overall profitability. We believe any changes in mix of business models will affect our profitability.

In addition, our pricing of products affects our results of operations. For our OEM products, we generally determine our price on a cost-plus basis subject to factors such as technical requirements for the production, volume of production, expected sales volume of the product and market conditions, and for our OBM products, we set the selling prices to our distributors by taking into account factors such as production cost, market demand and economic conditions of the relevant countries, product type and pricing of comparable products in the relevant market.

Cost of raw materials

For FY2013, FY2014 and FY2015, our cost of raw materials amounted to HK$127.6 million, HK$149.0 million and HK$163.7 million, respectively, representing 54.0%, 54.4% and 53.1% of our cost of sales, or 39.3%, 38.3% and 36.5% of our turnover, respectively. Therefore, cost of raw materials has a significant impact on our results of operations.

Our major raw materials include plastics including PVC, PP and LLDPE.

According to the CIC Report, the prices of imported PVC, PP and LLDPE declined from approximately RMB7,824.4, RMB10,049.3 and RMB9,315.0 per tonne, respectively, in 2011 to approximately RMB6,267.4, RMB8,094.9 and RMB7,984.0 per tonne, respectively, in 2015 despite some small fluctuations. The price trends of domestically-produced PVC, PP and LLDPE are quite similar, with the prices of PVC, PP and LLDPE dropping from approximately RMB7,854.0, RMB12,112.7 and RMB10,339.7 per tonne in 2011 to approximately RMB5,572.3, RMB8,211.4 and RMB9,323.2 per tonne in 2015. Despite the decreasing price trend of PVC, PP and LLDPE during the period, any increase in the purchase prices in the future would have an adverse effect on our gross profit margin if we fail to pass on such cost increase to our customers.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in cost of raw materials on the profit before income tax for the Track Record Period. Fluctuations are assumed to be 5%, 8% and 10%, respectively, for each of FY2013, FY2014 and FY2015.

Changes in cost of raw materials	**+10%**	**+8%**	**+5%**	**-5%**	**-8%**	**-10%**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Impact on profit before income tax for						
2013	(12,758)	(10,207)	(6,379)	6,379	10,207	12,758
2014	(14,904)	(11,924)	(7,452)	7,452	11,924	14,904
2015	(16,373)	(13,098)	(8,186)	8,186	13,098	16,373

Our ability to maintain and improve production efficiency

Both our OEM Business and OBM Business are supported by our production base in Dongguan, Guangdong in the PRC. While we maintain stringent quality control over our products, we strive to achieve an efficient cost structure through the use of production methods and equipment which we consider to be efficient, and an experienced work force, in order to lower our material, labour and overhead costs and compete favourably with our multinational competitors.

In order to meet our OEM customers' specifications and requirements and advancements in technology for both our OEM Business and OBM Business, we need to maintain and upgrade our equipment and facilities periodically. We believe our business and results of operations depend on our ability to maintain efficient operations at our existing production facility evidenced by fulfilling our customers' purchase orders in a timely manner and upgrading production technology to cater for production requirement.

Additionally, to cater for growth in our business and diversification of our product range, we may need to acquire additional production lines, equipment and/or facilities to increase our production capacity. Therefore, whether we could acquire the necessary equipment or production facility at reasonable prices is also important to our operations.

Staff cost

We had a total of 881 employees as at the Latest Practicable Date, of which 51 are in Hong Kong and 830 are in the PRC. Our staff costs amounted to HK$47.7 million, HK$59.6 million and HK$80.1 million, respectively, and represented 14.7%, 15.3% and 17.9% of our turnover, for FY2013, FY2014 and FY2015.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our staff cost on our profit before income tax for the Track Record Period. Fluctuations are assumed to be 5%, 8% and 10% for FY2013, FY2014 and FY2015, respectively.

Changes in staff cost	**+10%**	**+8%**	**+5%**	**-5%**	**-8%**	**-10%**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Impact on profit before income tax for the year ended 31 December						
2013	(4,766)	(3,813)	(2,383)	2,383	3,813	4,766
2014	(5,959)	(4,767)	(2,979)	2,979	4,767	5,959
2015	(8,009)	(6,407)	(4,005)	4,005	6,407	8,009

REORGANISATION AND BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted Company with limited liability on 19 November 2015 in preparation for the Listing. Pursuant to the Reorganisation with details set out in the section "History, Reorganisation and Corporate Structure" in this prospectus, our Company became the holding company of our Group on 18 February 2016. Apart from the Reorganisation, our Company has not carried on any business since its incorporation.

Immediately prior to and after the Reorganisation, the listing business is held by the companies now comprising our Group which are transferred to and held by our Company through VMMH and VMCH, being wholly-owned subsidiaries of our Company. Our Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the listing business with no change in management of such business and the ultimate owners of the listing business remain the same. Accordingly, the combined financial information of the companies now comprising our Group is presented using the carrying values of the listing business under VMMH and VMCH during the Track Record Period.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. Some of our significant accounting policies involve subjective assumption and estimates, as well as complex judgements by our management relating to accounting items. The areas involving a higher degree of judgement or complexity, or areas where assumptions

and estimates are significant to the financial information of our Group are disclosed in Note 5 to the Accountants' Report as contained in Appendix I to this prospectus. We also have other policies that we consider to be key accounting policies, which are set out in detail in Note 4 to the Accountants' Report as contained in Appendix I to this prospectus.

When reviewing our financial results, you should consider: (i) our selection of significant accounting policies, (ii) the judgement and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. The determination of these items requires management judgements based on information and financial data that may change in the future periods, and as a result, actual results could differ significantly from those estimates.

(a) Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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 useful lives are as follows:

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

(b) Revenue recognition

We recognise revenue from the sales of manufactured goods on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

We recognise interest income on a time-proportion basis using the effective interest method.

(c) 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 of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Our liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

We recognise deferred tax liabilities for taxable temporary differences arising on investments in subsidiaries and associates, except where we are 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 measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which we expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

SUMMARY OF RESULTS OF OPERATIONS

The following table summarises our combined results for the Track Record Period prepared on the basis set out in the audited financial information as set out in the Accountants' Report of our Group contained in Appendix I to this prospectus. Potential investors should read this section in conjunction with the Accountants' Report of our Group contained in Appendix I to this prospectus and not rely merely on the information contained in this section.

	Year ended 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
Turnover	324,492	388,977	448,169
Cost of sales	(236,293)	(273,913)	(308,368)
Gross profit	88,199	115,064	139,801
Other income	1,809	2,435	1,641
Distribution costs	(11,480)	(14,787)	(14,395)
Administrative expenses	(42,973)	(48,596)	(57,829)
Finance costs — interest on bank loan	(80)	(40)	(5)
Share of loss of an associate	—	(118)	(41)
Profit before tax	35,475	53,958	69,172
Income tax (expense)/credit	(8,465)	(11,562)	2,484
Profit for the year	27,010	42,396	71,656
Attributable to:			
Owners of our Company	23,413	35,759	58,153
Non-controlling interests	3,597	6,637	13,503
	27,010	42,396	71,656

DESCRIPTION OF CERTAIN INCOME STATEMENT ITEMS

Turnover

We generated a substantial part of our turnover from our OEM Business, representing 87.3%, 87.7% and 87.3% of our turnover for FY2013, FY2014 and FY2015, respectively. Our turnover increased from HK$324.5 million for FY2013 to HK$389.0 million for FY2014 and to HK$448.2 million for FY2015, representing a CAGR of 17.5%. This was mainly attributable to the turnover growth in both our OEM Business and OBM Business.

The following table shows a breakdown of our turnover by our business segments during the Track Record Period.

	For the year ended 31 December					
	2013		2014		2015	
	HK$'000	%	HK$'000	%	HK$'000	%
Turnover						
— OEM Business	283,388	87.3	341,271	87.7	391,062	87.3
— OBM Business	41,104	12.7	47,706	12.3	57,107	12.7
Total	**324,492**	**100.0**	**388,977**	**100.0**	**448,169**	**100.0**

The following table sets out the sales volume and range of selling prices of our major products during the Track Record Period.

	For the year ended 31 December								
	2013			2014			2015		
	Sales volume ('000 units)	Average selling price (HK$)	Range of selling prices (HK$)	Sales volume ('000 units)	Average selling price (HK$)	Range of selling prices (HK$)	Sales volume ('000 units)	Average selling price (HK$)	Range of selling prices (HK$)
Respiratory products									
Breathing circuits *(Note)*	2,722	26	3 to 438	2,697	28	3 to 438	3,324	28	3 to 620
Filters	8,411	3	1 to 33	10,068	4	1 to 33	9,921	4	1 to 33
Imaging disposable products									
LPCT	21,347	5	1 to 94	28,858	5	1 to 94	34,800	4	1 to 94
Syringes	752	12	3 to 22	905	12	3 to 22	687	14	3 to 22
Orthopaedic and rehabilitation products									
Braces	327	136	34 to 300	322	144	34 to 315	357	150	34 to 450

Note: Our breathing circuits include mostly disposable circuits, and also include some reusable circuits, the selling price of which is much higher relative to that of the disposable circuits.

(i) OEM Business

We manufacture medical devices comprising (i) respiratory products; (ii) imaging CMPI disposable products; (iii) orthopaedic and rehabilitation products; and (iv) other products for our OEM customers, including leading international healthcare and medical device companies. We manufacture our OEM products in accordance with our customers' design and specifications, which they register, market and sell under their own brand names.

The following table sets forth the breakdown of our turnover from OEM Business by product category during the Track Record Period.

	For the year ended 31 December					
	2013		2014		2015	
	HK$'000	%	HK$'000	%	HK$'000	%
Turnover from OEM Business						
— Respiratory products	90,114	31.8	109,142	32.0	120,188	30.7
— Imaging disposable products	116,383	41.1	153,181	44.9	155,675	39.8
— Orthopaedic and rehabilitation products	55,667	19.6	60,796	17.8	72,070	18.4
— Others (*Note*)	21,224	7.5	18,152	5.3	43,129	11.1
Total	**283,388**	**100.0**	**341,271**	**100.0**	**391,062**	**100.0**

Note: Others include infusion regulators, moulds, surgical tools, instruments and plastic disposable products.

During the Track Record Period, the majority of our OEM Business's turnover was contributed by our OEM respiratory products and imaging disposable products, the aggregate turnover of which accounted for 72.9%, 76.9% and 70.5% of our turnover of OEM Business for FY2013, FY2014 and FY2015, respectively.

Our turnover from OEM Business increased by HK$57.9 million, or 20.4%, from HK$283.4 million for FY2013 to HK$341.3 million for FY2014. Such increase was mainly attributable to the increase in turnover from OEM respiratory products and imaging disposable products. For FY2014, our turnover from OEM imaging disposable products increased by HK$36.8 million, or 31.6%, as compared to

FY2013, which was principally attributable to (i) the significant increase in orders from a key customer in FY2014 for its product rebranding campaign; and (ii) the deferral of orders from FY2013 to FY2014 as a result of malfunction of certain LPCT moulds which led to temporary suspension of production of a product in FY2013. For FY2014, our turnover from OEM respiratory products increased by HK$19.0 million, or 21.1%, as compared to FY2013, which was mainly due to (i) the commencement of the manufacture and sales of a new product, being gas sampling lines, for one of our major OEM customers in FY2014; and (ii) the organic growth in sales of existing products.

Our turnover from OEM Business increased by HK$49.8 million, or 14.6%, from HK$341.3 million for FY2014 to HK$391.1 million for FY2015. Such increase was mainly derived from the increase in turnover of (i) HK$11.0 million from OEM respiratory products; (ii) HK$2.5 million from OEM imaging disposable products; (iii) HK$11.3 million from OEM orthopaedic and rehabilitation products; and (iv) HK$25.0 million from other OEM products. The increase in turnover from our OEM orthopaedic and rehabilitation products of HK$11.3 million was mainly attributable to (i) the increase in sales of two lines of back braces which we first launched in 2012 and 2014, respectively; (ii) the increase in sales of baby incubator pad; and (iii) the commencement of sales of products to a new customer in 2015. The increase in turnover from other OEM products of HK$25.0 million was mainly due to the new project relating to supplying infusion regulators to one major OEM customer in FY2015 and organic growth in sales of existing products. For our OEM respiratory products, we experienced an organic growth of 10.1% in turnover for FY2015 as compared to FY2014.

The following table sets forth the breakdown of our turnover by our OEM customers' location during the Track Record Period.

	For the year ended 31 December					
	2013		2014		2015	
	HK$'000	%	HK$'000	%	HK$'000	%
Turnover from OEM Business						
U.S.	230,859	81.5	285,426	83.6	328,128	83.9
Germany	16,425	5.8	17,399	5.1	21,563	5.5
Australia	12,636	4.4	14,326	4.2	11,265	2.9
Japan	11,816	4.2	11,642	3.4	12,910	3.3
Others *(Note)*	11,652	4.1	12,478	3.7	17,196	4.4
Total	**283,388**	**100.0**	**341,271**	**100.0**	**391,062**	**100.0**

Note: Others include Finland, Netherlands and France.

We manufacture and sell medical devices to over 70 OEM customers in 2015, which are all overseas customers, mainly located in the U.S. and Europe. The majority of our OEM products were sold to U.S., which accounted for 81.5%, 83.6% and 83.9% of turnover from our OEM Business for FY2013, FY2014 and FY2015, respectively.

Turnover generated from our OEM customers located in the U.S. increased from HK$230.9 million for FY2013 to HK$285.4 million for FY2014 (representing a 23.6% year-on-year growth), which was mainly attributable to the increase in sales of OEM imaging disposable products as explained above. Our turnover from the U.S. OEM customers further increased to HK$328.1 million for FY2015 (representing a 15.0% year-on-year growth) which was mainly due to the increase in sales of OEM orthopaedic and rehabilitation products and other OEM products as explained above.

(ii) OBM Business

We develop, manufacture and sell our own "Inspired Medical" ("英仕醫療") brand of OBM respiratory equipment and disposable products and orthopaedic and rehabilitation products mainly to

distributors, which sell them to hospitals and/or sub-distributors in the PRC and overseas. We offer 11 categories of OBM products including disposable/reusable breathing circuits, breathing filters, heat and moisture exchange filters, masks and nebuliser kits, heater humidifiers and chambers, ultrasonic nebulisers and respiratory device components, as well as rehabilitation braces.

The following table sets forth the breakdown of our turnover from our OBM Business by product category during the Track Record Period.

	For the year ended 31 December					
	2013		2014		2015	
	HK$'000	%	HK$'000	%	HK$'000	%
Turnover from OBM Business						
— Respiratory products	41,104	100.0	47,275	99.1	55,053	96.4
— Orthopaedic and rehabilitation products	—	0.0	431	0.9	2,054	3.6
Total	**41,104**	**100.0**	**47,706**	**100.0**	**57,107**	**100.0**

During the Track Record Period, our turnover from OBM Business recorded a steady growth as a result of the increase in turnover of both respiratory products and orthopaedic and rehabilitation products. Our turnover from OBM Business was principally derived from respiratory products, which accounted for 100.0%, 99.1% and 96.4% of the turnover of our OBM Business for FY2013, FY2014 and FY2015, respectively. The sales of our respiratory products recorded a stable growth during the Track Record Period from HK$41.1 million in FY2013 to HK$55.1 million in FY2015.

During the Track Record Period, we focused our in-house research and development efforts on developing respiratory products with additional functions such as electronic heating and humidity control, and we have obtained CFDA and CE certification for sales of these products in the PRC and Europe, and thus boosting the turnover from our OBM Business. In particular, we launched our "Inspired Medical" ("英仕醫療") new type heater system (VHB15A) and ultrasonic nebuliser, which were awarded with "High New Technology Product" certificates by Guangdong Hi-Tech Enterprise Association.

The turnover from our OBM respiratory products increased by HK$6.2 million, or 15.0%, from HK$41.1 million for FY2013 to HK$47.3 million for FY2014, which was mainly due to the growth in PRC's respiratory and anaesthesia disposables market and the increase in number of distributors in the PRC. The turnover from our OBM respiratory products further increased to HK$55.1 million for FY2015 which was mainly attributable to the growing market awareness and demand for our heater humidifier system VHB15A and the growth in the PRC's respiratory and anaesthesia disposables market.

Further, we commenced selling our orthopaedic and rehabilitation products under our own brand to overseas customers in FY2014 and recorded a turnover of HK$0.4 million and HK$2.1 million, respectively, in FY2014 and FY2015.

The following table sets forth the breakdown of our OBM turnover by our OBM customers' location during the Track Record Period.

	For the year ended 31 December					
	2013		2014		2015	
	HK$'000	%	HK$'000	%	HK$'000	%
Turnover from OBM Business						
PRC	27,719	67.4	34,137	71.6	37,635	65.9
U.S.	3,102	7.5	3,634	7.6	3,023	5.3
Korea	2,745	6.7	1,105	2.3	2,116	3.7
Others *(Note)*	7,538	18.4	8,830	18.5	14,333	25.1
Total	**41,104**	**100.0**	**47,706**	**100.0**	**57,107**	**100.0**

Note: Others include Japan, Indonesia, India, Chile, Brazil and Saudi Arabia.

We market and sell our OBM products through an established domestic and international distribution network and to medical equipment manufacturers. In 2015, we sold most of our OBM products to over 380 distributors and other customers covering approximately 360 hospitals in 28 Provinces and Regions in the PRC; including 60 major distributors with purchases over RMB100,000 in 2015, representing 75% of our OBM sales in the PRC in 2015 and we had business relationship with 42 overseas distributors and other customers in countries such as Australia, Japan, Korea, Indonesia, India, Chile, Brazil and Saudi Arabia.

During the Track Record Period, the PRC market was the largest market of our OBM Business. Our OBM sales in the PRC accounted for 67.4%, 71.6% and 65.9% of our total OBM turnover for FY2013, FY2014 and FY2015, respectively. For FY2014, we recorded an increase of 23.2% in our OBM sales in the PRC to HK$34.1 million. Our OBM sales in the PRC further increased by 10.2% to HK$37.6 million in FY2015. Our increasing OBM sales in the PRC market was mainly attributable to the growing distribution network and market recognition of our products and the growth in the PRC's respiratory and anaesthesia disposables market.

For our OBM sales in non-PRC areas, we recorded a slight increase of HK$0.2 million for FY2014 as compared to FY2013. Our OBM sales in non-PRC areas further increased by HK$5.9 million from HK$13.6 million in FY2014 to HK$19.5 million in FY2015 which was mainly due to the engagement of new overseas distributors in 2014.

Cost of sales

The following table sets forth the components of our cost of sales during the Track Record Period.

	For the year ended 31 December					
	2013		2014		2015	
	HK$'000	% of turnover	HK$'000	% of turnover	HK$'000	% of turnover
Raw material cost	127,583	39.3	149,044	38.3	163,727	36.5
Manufacturing overheads	43,030	13.3	51,873	13.3	58,971	13.2
Subcontracting fee	45,337	14.0	48,875	12.6	54,634	12.2
Direct labour cost	19,608	6.0	23,177	6.0	29,500	6.6
Others *(Note)*	735	0.2	944	0.2	1,536	0.3
Total	**236,293**	**72.8**	**273,913**	**70.4**	**308,368**	**68.8**

Note: Others include sales tax and surcharges.

Our cost of sales primarily comprised (i) raw materials cost; (ii) manufacturing overheads; (iii) subcontracting fee; and (iv) direct labour cost. Our cost of sales accounted for 72.8%, 70.4% and 68.8% of our turnover for FY2013, FY2014 and FY2015, respectively. Raw materials cost and manufacturing overheads, together accounted for 72.2%, 73.4% and 72.2% of our total cost of sales in FY2013, FY2014 and FY2015, respectively.

Raw material cost was the largest component of our cost of sales during the Track Record Period. Raw materials used for our manufacturing mainly included resin, plastic parts and tubing. During the Track Record Period, our raw material cost as a percentage of our turnover slightly decreased as a result of the decline in raw material prices.

Manufacturing overheads mainly comprised staff cost for our manufacturing process, depreciation expenses, utilities expenses and consumables. During the Track Record Period, manufacturing overheads as a percentage of our turnover remained stable.

For our orthopaedic and rehabilitation products, we had subcontracted the manufacturing processes for such products to VRHK and VRDG, which are controlled by our Controlling Shareholders and are connected persons of our Company, during the Track Record Period, which carried out the manufacturing processes in accordance with our design and specifications and subject to our quality assurance and control. Subcontracting fee represented the fees we paid to VRHK and VRDG for such manufacturing processes. For details, please refer to the section "Business — Subcontracting" in this prospectus.

In 2015, some of the labour staff engaged in our production operation was hired by VRDG (a company wholly-owned by our Controlling Shareholders), which was responsible for the human resources management of the general staff of our group of companies controlled by our Controlling Shareholders. In this connection, we reimbursed VRDG a fee of HK$16.7 million, which was included as part of direct labour cost and manufacturing overheads. In light of the Reorganisation for the Listing, such arrangement has ceased since 28 March 2016 and we directly employ such staff.

Gross profit and gross profit margin

We recorded a gross profit of HK$88.2 million, HK$115.1 million and HK$139.8 million, respectively, and gross profit margin of 27.2%, 29.6% and 31.2%, respectively, for FY2013, FY2014 and FY2015. The following table sets forth our gross profit and gross profit margin by business segment during the Track Record Period.

	For the year ended 31 December					
	2013		2014		2015	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	HK$'000	%	HK$'000	%	HK$'000	%
OEM Business	72,505	25.6	94,001	27.5	114,567	29.3
OBM Business	15,694	38.2	21,063	44.2	25,234	44.2
Total	**88,199**	**27.2**	**115,064**	**29.6**	**139,801**	**31.2**

(i) OEM Business

The following table sets forth the details of gross profit and gross profit margin of our OEM Business by product category during the Track Record Period.

	For the year ended 31 December					
	2013		2014		2015	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	HK$'000	%	HK$'000	%	HK$'000	%
Respiratory products	29,666	32.9	33,099	30.3	36,615	30.5
Imaging disposable products	28,605	24.6	42,566	27.8	44,191	28.4
Orthopaedic and rehabilitation products	9,345	16.8	11,722	19.3	18,191	25.2
Others (*Note*)	4,889	23.0	6,614	36.4	15,570	36.1
Total	**72,505**	**25.6**	**94,001**	**27.5**	**114,567**	**29.3**

Note: Others include infusion regulators, moulds, surgical tools, instruments and plastic disposable products.

The gross profit margin of our OEM respiratory products dropped from 32.9% in FY2013 to 30.3% in FY2014. The decrease in gross profit margin, despite the decline in raw material prices, was

mainly attributable to the commencement of manufacture and sales of a new OEM product, being gas sampling lines, which has a low margin. Our gross profit margin of respiratory products remained stable at 30.5% for FY2015.

For our OEM imaging disposable products, our gross profit margin increased from 24.6% in FY2013 to 27.8% in FY2014 and further to 28.4% in FY2015 due to the slight decrease in raw material prices and we also enjoy the economies of scale as our size of operation grew.

For our OEM orthopaedic and rehabilitation products, the gross profit margin improved from 16.8% for FY2013 to 19.3% for FY2014, which was mainly attributable to the increased sales of our two lines of back braces which we first launched in 2012 and 2014, respectively, and had a higher margin than other OEM orthopaedic and rehabilitation products. Our gross profit margin further increased from 19.3% for FY2014 to 25.2% for FY2015 which was mainly attributable to the increased proportion of sales from high margin products as mentioned above.

(ii) OBM Business

The following table sets forth the details of gross profit and gross profit margin of our OBM Business by product category during the Track Record Period.

	For the year ended 31 December					
	2013		2014		2015	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	HK$'000	%	HK$'000	%	HK$'000	%
Respiratory products	15,694	38.2	20,993	44.4	24,660	44.8
Orthopaedic and rehabilitation products	—	N/A	70	16.2	574	27.9
Total	**15,694**	**38.2**	**21,063**	**44.2**	**25,234**	**44.2**

The gross profit margin of our OBM respiratory products increased from 38.2% for FY2013 to 44.4% for FY2014. Such increase was mainly attributable to the increase in sales of ventilation circuits, which had a higher margin than anaesthesia circuits, as a result of our marketing efforts to promote our ventilation circuits. The gross profit margin of our OBM respiratory products remained relatively stable at 44.8% for FY2015.

Other income

Our other income amounted to HK$1.8 million, HK$2.4 million and HK$1.6 million, respectively, for each of FY2013, FY2014 and FY2015, which mainly comprised write back of trade payables, net exchange gain, sundry income and interest income. For FY2013 and FY2014, we recorded write back of trade payables of HK$1.5 million and HK$1.4 million, respectively. For FY2015, we recorded net exchange gain of HK$0.7 million mainly arising from exchange gain on the consideration payable for acquisition of 20% interest in Ventific, net off by the exchange loss from settlement of trade receivables and trade payables.

Distribution costs

The following table sets forth the breakdown of our distribution costs during the Track Record Period.

	For the year ended 31 December					
	2013		2014		2015	
	HK$'000	% of turnover	HK$'000	% of turnover	HK$'000	% of turnover
Sales commissions	3,176	1.0	3,697	1.0	3,072	0.7
Freight charges	3,806	1.2	5,459	1.4	6,219	1.4
Staff cost	1,572	0.5	1,852	0.5	2,582	0.6
Marketing expense	1,047	0.3	1,074	0.3	1,078	0.2
Others	1,879	0.6	2,705	0.7	1,444	0.3
Total	**11,480**	**3.6**	**14,787**	**3.9**	**14,395**	**3.2**

Our distribution costs mainly comprised (i) sales commissions paid to Sidner, which introduces customers to us and receives a certain percentage of sales commission and purchases products from us for selling to its end-customers; (ii) freight charges; (iii) staff cost; and (iv) marketing expense related to participation in exhibitions and trade shows. Our distribution costs amounted to HK$11.5 million, HK$14.8 million and HK$14.4 million for FY2013, FY2014 and FY2015, respectively. Our distribution costs accounted for 3.6%, 3.9% and 3.2% of our turnover for FY2013, FY2014 and FY2015, respectively.

For FY2015, our sales commissions decreased by HK$625,000, or 16.9%, as compared to FY2014, which was mainly due to the downward adjustment of the commission rate. Apart from sales commission, our distribution costs as a percentage to our turnover remained stable during the Track Record Period.

Administrative expenses

The following table sets forth the breakdown of our administrative expenses during the Track Record Period.

	For the year ended 31 December					
	2013		2014		2015	
	HK$'000	% of turnover	HK$'000	% of turnover	HK$'000	% of turnover
Staff cost	11,353	3.5	14,402	3.7	21,122	4.7
Management fees	8,383	2.6	8,922	2.3	4,238	0.9
Listing-related expenses	—	0.0	—	0.0	4,634	1.0
Legal and professional fees	2,124	0.7	3,170	0.8	3,241	0.7
Depreciation	1,941	0.6	2,723	0.7	2,889	0.6
Rent and rates	5,047	1.6	5,486	1.4	5,494	1.2
Research and development expenses	7,264	2.2	6,942	1.8	7,147	1.6
Catering fee	1,320	0.4	1,330	0.3	1,256	0.3
Others	5,541	1.7	5,621	1.4	7,808	1.8
Total	**42,973**	**13.3**	**48,596**	**12.4**	**57,829**	**12.8**

Our administrative expenses mainly comprised cost for administrative staff, management fees, research and development expenses, Listing-related expenses, legal and professional fees and other expenses relating to our operating function. For FY2013, FY2014 and FY2015, we incurred administrative expenses of HK$43.0 million, HK$48.6 million and HK$57.8 million, respectively, representing 13.3%, 12.4% and 12.8% of our turnover, respectively.

Our staff cost for administrative staff increased by HK$3.0 million, or 26.9%, from HK$11.4 million for FY2013 to HK$14.4 million for FY2014 which was mainly due to the salary increment and the increase in headcount in FY2014. Staff cost further increased to HK$21.1 million in FY2015, mainly due to the salary increment and the increase in headcount and bonus in FY2015.

Our management fees mainly represented fees paid to related companies for certain shared services such as administrative support and finance and accounting services. Our management fees remained relatively stable in FY2013 and FY2014 and decreased significantly to HK$4.2 million as we began to minimise shared service arrangement in FY2015. Such service sharing arrangement has ceased since January 2016.

Finance costs

Finance costs represented interest on our bank loan. During the Track Record Period, our finance costs were insignificant, amounting to HK$80,000, HK$40,000 and HK$5,000 for FY2013, FY2014 and FY2015, respectively.

Income tax expense/(credit)

Given that our business operations are located in Hong Kong and the PRC, we are subject to the income taxes in Hong Kong and the PRC. Our income tax mainly represented the provision for the current and deferred income tax expense, net off by over-provision of income tax in prior years for Hong Kong and the PRC.

Hong Kong profits tax was provided at a rate of 16.5% on the estimated assessable profit for the Track Record Period. Under the Corporate Income Tax Law of the PRC which became effective from 1 January 2008, the standard corporate income tax rate is 25%, except for VMDG which is qualified as "High and New Tech Enterprise" and thus was entitled to a reduced corporate income tax rate of 15% for three years from 2 July 2013. As such, the corporate income tax rates for our PRC subsidiaries ranged from 15% to 25% during the Track Record Period.

The effective tax rate for FY2013 and FY2014 was 23.9% and 21.4%, respectively.

IRD issued several enquiry letters from 2006 to 2013 to VMHK on its offshore income claim on 100% of its income during the period from year 2004/05 to year 2013/14. On the other hand, IRD issued enquiry letter to VHPL in 2014 on its offshore income claim on 100% of its income during the period from year 2011/12 to year 2012/13. VMHK and VHPL had made a Hong Kong tax provision of HK$25.3 million and HK$3.3 million, respectively, for their offshore income claim. In December 2015, VMHK and IRD reached an agreement on its claim for offshore income and received the revised tax assessment for prior years from IRD. In December 2015, VHPL was informed by IRD that no tax adjustment was required in relation to its claim for offshore income. Therefore, we recognised an over-provision of Hong Kong profits tax of HK$11.9 million and recorded an income tax credit of HK$2.5 million for FY2015.

The offshore portion of the income and expenses of VMHK and VHPL for FY2015 were shown as reconciliation items in the tax calculation for the year. Please refer to note 10 of the Accountants' Report as set out in Appendix I of this prospectus for details of the reconciliation (the "**Tax Reconciliation Table**") between the income tax expense/(credit) and the product of profit before tax multiplied by the Hong Kong profits tax rate. "Tax effect of income that is not taxable" as shown in the Tax Reconciliation Table mainly represented the offshore income of VMHK and VHPL. Similarly, "Tax effect of expenses that are not deductible" as shown in the Tax Reconciliation Table mainly represented expenses incurred by VMHK and VHPL in generating their respective non-Hong Kong sourced income.

As at 31 December 2013, 2014 and 2015, our Group had unused tax losses of approximately HK$9,075,000, HK$12,121,000 and HK$20,474,000, respectively, available for offset against future

profits, subject to the agreement by respective tax authorities. The unused tax losses mainly arose from the loss incurred by certain subsidiaries including VMT, VMRD-GZ and RRCL.

Such losses incurred mostly related to their respective research and development operations. Our Directors consider that it is common for medical device companies (including our Group) to invest in different research and development projects for new products from time to time; and not all of such projects can be completed and commercialised successfully and generate profit within a short period of time, taking into account the regulatory and safety requirements for medical devices, and the success or profitability of our Group should be considered as a whole, instead of being judged based on the success of individual research and development projects. Furthermore, given that the time required for development, registration and commercialisation of a new medical device often takes a number of years, it is not uncommon for a company engaging in such projects to record loss prior to the launch of the new product.

Furthermore, our Directors and the relevant management have continuously reviewed and monitored the progress of our research and development projects and decided on whether the relevant projects were worth continuing based on the available results and the prevailing regulatory and market conditions.

Given the above, the losses incurred by VMT, VMRD-GZ and RRCL during the Track Record Period do not have any negative implication on our Directors' ability in managing our business profitably going forward.

Tax implications of inter-company transactions

In our ordinary course of business, there are inter-company transactions and cross-border business arrangements under which (i) products are sold by VMDG, which was incorporated in the PRC and owns the equipment and machineries for our manufacturing activities, to our Hong Kong incorporated subsidiaries VMHK and VMC and PRC incorporated subsidiary VRMD, at prices determined based on VMDG's cost plus a profit margin, depending on the complexity and volume of the products; and (ii) VMHK engaged our Hong Kong incorporated subsidiary VHPL, which in turn engaged our PRC incorporated subsidiary VRMD, to undertake the marketing activities for our OBM Business, at marketing service fees determined based on a percentage of selling prices (for VHPL's charge to VMHK) or service cost plus a profit margin (for VRMD's charge to VHPL), depending on the category and volume of the products. Such pricing policies have been consistently applied since the commencement of the aforesaid intra-group transactions. The aforesaid intra-group transactions between our relevant PRC and Hong Kong subsidiaries are subject to the applicable transfer pricing requirements pursuant to the applicable PRC and Hong Kong tax laws and regulations.

According to our tax adviser, our Group has been in compliance with the relevant tax laws and regulations in Hong Kong in all material respects during the Track Record Period. As advised by our tax adviser, given that our Group has duly filed the annual reporting statement of PRC enterprise on business transactions with related parties (《中華人民共和國企業年度關聯業務往來報告表》) (the "**PRC Annual Reporting Statement**") for the related party transactions between our subsidiaries in Hong Kong and the PRC for FY2013, FY2014 and FY2015, our Group has been in compliance with the PRC tax reporting requirements on transfer pricing in all material respects.

Furthermore, our tax adviser has performed a review on our transfer pricing practice during the Track Record Period. Based on such review, under which our tax adviser compared our Group's transfer pricing practice with the benchmarks which were derived from comparable companies engaged in similar industries with similar functions and risk under the "Transaction Net Margin Method" as compared to related parties in our intra-group transactions, our tax adviser agrees with our Directors' view that the intra-group transactions were conducted on arm's length basis and in compliance with the relevant PRC and Hong Kong laws and regulations on transfer pricing, and would be able to withstand challenges by the relevant tax authorities. As at the Latest Practicable Date, our Directors were not aware of any inquiry, audit, investigation or challenge from any tax authority in the PRC and Hong Kong with respect to our intra-group transactions.

Tax exposures of our Group's sales and marketing activities in various jurisdictions

During the Track Record Period, all of our OEM sales were made to overseas customers and the majority of our OBM sales were made to the PRC and overseas customers. For details of the jurisdictions of our customers, please refer to the paragraphs "Sales and Distribution — Sales to OEM Customers" and "Sales and Distribution — Sales to OBM Customers" in the section "Business" of this prospectus. During the Track Record Period, our related sales and marketing activities were conducted by VMHK's management through overseas business trips to participate in overseas tradeshows and meet with potential and existing customers in various locations. For our OBM sales to customers located in the PRC, VMHK engaged VHPL (which in turn engaged its PRC subsidiary VRMD) for provision of the related marketing services.

Our tax adviser has performed an overall assessment on the taxable presence of VMHK and VHPL in the relevant jurisdictions based on the model tax convention published by The Organization for Economic Co-operation and Development ("**OECD**"), an international economic organisation of 34 members and five key partners (including Australia, Germany, PRC, Japan, Korea, UK and the U.S.), founded in 1961 to stimulate economic progress and world trade. In view that each of VMHK and VHPL (i) did not establish any offices, fixed places of business, branch nor factory in these jurisdictions; and (ii) did not have any employees stationed in these jurisdictions for more than 12 months conducting business (including sales and marketing activities), our tax adviser considers that none of VMHK and VHPL created any "Permanent Establishment" under the OECD model convention in these jurisdictions, and thus neither of them had any taxable presence in these jurisdictions.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OUR OPERATIONS

FY2015 compared to FY2014

Turnover

For FY2015, our turnover amounted to HK$448.2 million, which represented an increase of HK$59.2 million, or 15.2% as compared to that of HK$389.0 million for FY2014. Such increase was mainly due to the significant growth of HK$49.8 million in turnover from OEM Business driven by the increase in our OEM respiratory products, OEM orthopaedic and rehabilitation products and other OEM products. The increase in turnover from our OEM orthopaedic and rehabilitation products was mainly due to the increase in sales of back braces and baby incubator pad and the engagement by a new customer. The increase in turnover from other OEM products was due to the launch of infusion regulators. For our OEM respiratory products, we experienced an organic growth.

Cost of sales

For FY2015, our cost of sales increased by HK$34.5 million, 12.6%, to HK$308.4 million, as compared to that of HK$273.9 million for FY2014. Such increase was in line with the increase in our turnover during the year.

Gross profit and gross profit margin

For FY2015, our gross profit amounted to HK$139.8 million, representing an increase of HK$24.7 million, or 21.5%, as compared to that of HK$115.1 million for FY2014, and our gross profit margin was 31.2%, representing an increase of 1.6 percentage points as compared to that of FY2014 of 29.6%. The increase was mainly due to (i) the decrease in raw material prices; (ii) the economies of scale; and (iii) the increased proportion of sales from back braces which had a higher margin.

Other income

For FY2015, other income decreased by HK$0.8 million from HK$2.4 million in FY2014 to HK$1.6 million in FY2015, which was mainly due to the decrease in interest income in FY2015 and the lack of write back of trade payable which amounted to HK$1.4 million in FY2014, which is partially offset by the net exchange gain of HK$0.7 million.

Distribution costs

For FY2015, our distribution costs amounted to HK$14.4 million which was similar to that of HK$14.8 million for FY2014.

Administrative expenses

For FY2015, our administrative expenses amounted to HK$57.8 million, representing an increase of HK$9.2 million, or 19.0%, as compared to that of FY2014 of HK$48.6 million. The increase in administrative expenses in FY2015 was mainly attributable to the Listing-related expenses and the increase in staff cost.

Finance costs

Our finance costs in FY2015 was insignificant, with an amount of HK$5,000.

Income tax expense/(credit)

In December 2015, VMHK settled the dispute with IRD on its claim for offshore income and received revised tax assessment for prior years from IRD. Furthermore, in December 2015, VHPL was informed by IRD that no tax adjustment was required in relation to its claim for offshore income. Therefore, we recognised an over-provision of Hong Kong profits tax of HK$11.9 million and recorded an income tax credit of HK$2.5 million for FY2015. Given the settlement with the IRD by VMHK and VHPL mentioned above in December 2015, the offshore portion of the income and expenses of VMHK and VHPL for FY2015 were shown as reconciliation items in the tax calculation for the year.

Profit attributable to owners of our Company ("Net Profit")

As a result of the above, our Net Profit amounted to HK$58.2 million in FY2015, representing an increase of HK$22.4 million, or 62.6%, as compared to that of HK$35.8 million in FY2014.

FY2014 compared to FY2013

Turnover

For FY2014, our turnover amounted to HK$389.0 million, which represented an increase of HK$64.5 million, or 19.9%, as compared to that of HK$324.5 million for FY2013. Such increase was mainly attributable to the significant growth of HK$57.9 million in turnover from OEM Business which in turn was resulted from sales of OEM respiratory products and OEM imaging disposable products. The increase in turnover from OEM respiratory products was driven by sales of a new product and organic growth in demand for existing products. On the other hand, the increase in turnover from OEM imaging disposable products was driven by the increase in orders from a key customer for its rebranding campaign and the deferral of orders from FY2013 to FY2014 due to malfunction of certain moulds which led to temporary suspension of production of a product in FY2013.

Cost of sales

For FY2014, our cost of sales amounted to HK$273.9 million, representing an increase of HK$37.6 million, or 15.9%, as compared to that of HK$236.3 million for FY2013, which is in line with our turnover increment as mentioned above.

Gross profit and gross profit margin

For FY2014, our gross profit increased from HK$88.2 million to HK$115.1 million. Such increase was in line with the turnover growth. Our gross profit margin increased by 2.4 percentage points to 29.6% FY2014 from 27.2% for FY2013. This was mainly attributable to (i) the decrease in raw material prices; and (ii) economies of scale.

Other income

For FY2014, other income increased by HK$0.6 million from HK$1.8 million in FY2013 to HK$2.4 million in FY2014, which was mainly due to the increase in interest income during the year.

Distribution costs

For FY2014, our distribution costs amounted to HK$14.8 million which represented an increase of HK$3.3 million, as compared to that of HK$11.5 million for FY2013. Such increase was in line with the increase in turnover as mentioned above.

Administrative expenses

For FY2014, our administrative expenses amounted to HK$48.6 million which represented an increase of HK$5.6 million, or 13.1%, as compared to that of HK$43.0 million for FY2013. Such increase was mainly attributable to the increase in staff cost.

Finance costs

Our finance costs decreased substantially from HK$80,000 in FY2013 to HK$40,000 in FY2014 as we repaid a portion of our bank loan during the year.

Income tax expense

For FY2014, our income tax expense amounted to HK$11.6 million, representing an increase of HK$3.1 million, or 36.6%, as compared to that of HK$8.5 million for FY2013, mainly due to the increase in our profit before income tax. The effective tax rate for FY2013 and FY2014 was 23.9% and 21.4%, respectively.

Net Profit

As a result of the above, our Net Profit amounted to HK$35.8 million in FY2014, representing an increase of 52.7% as compared to that of HK$23.4 million for FY2013.

LIQUIDITY AND CAPITAL STRUCTURE

We have historically financed our operations, which included funding required for working capital, acquisition of property, plant and equipment and other liquidity requirements, through a combination of cash flow from operations and bank borrowings. We expect to fund our future operations and expansion plans principally with cash generated from our operations, bank borrowings and the net proceeds from the Global Offering and other funds raised from capital markets from time to time, when necessary.

Cash flows

The table below sets forth the changes in cash flow of our Group during the Track Record Period.

	For the year ended 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
Net cash generated from operating activities	41,251	43,997	54,551
Net cash used in investing activities	(9,551)	(29,302)	(15,569)
Net cash used in financing activities	(20,654)	(21,201)	(25,204)
Net increase/(decrease) in cash and cash equivalents	11,046	(6,506)	13,778
Effect of foreign exchange rate changes	3,953	(386)	(6,337)
Cash and cash equivalents at 1 January	53,755	68,754	61,862
Cash and cash equivalents at 31 December	68,754	61,862	69,303

Net cash generated from operating activities

During the Track Record Period, we had net cash inflow from our operating activities. We derived our cash generated from operating activities principally from receipt of payments from our OEM customers and OBM customers. Our cash outflow from operating activities principally arose from our payment for purchase of raw materials.

Our net cash inflow from operating activities increased from HK$41.3 million for FY2013 to HK$44.0 million for FY2014, and further increased to HK$54.6 million for FY2015. Our strong net cash inflow from operating activities was largely attributable to the growth in our turnover during the Track Record Period.

Net cash used in investing activities

During the Track Record Period, cash used in our investing activities principally arose from the purchase of property, plant and equipment.

For FY2013, we had net cash outflow from investing activities of HK$9.6 million, which arose from the purchase of property, plant and equipment of HK$9.9 million, net off by interest received of HK$0.3 million.

For FY2014, we had net cash outflow from investing activities of HK$29.3 million, which arose from the purchase of property, plant and equipment of HK$22.7 million and acquisition of 20% interest in Ventific of HK$7.3 million, net off by interest received of HK$0.7 million.

For FY2015, we had net cash outflow from investing activities of HK$15.6 million, which arose from the purchase of property, plant and equipment of HK$11.3 million and net cash outflow on acquisition of 53.125% interest in RRCL of HK$5.4 million, net off by the proceeds from disposals of property, plant and equipment of HK$1.0 million and the interest received of HK$0.1 million.

Net cash used in financing activities

During the Track Record Period, our cash outflow used in financing activities was mainly due to repayment of bank loan and dividend paid to shareholders.

For FY2013, we had net cash used in financing activities of HK$20.7 million, which resulted from payment of an aggregate dividends of HK$19.5 million paid to the then shareholders of each of VMHK and VHPL, and repayment of bank loan of HK$1.2 million.

For FY2014, we had net cash used in financing activities of HK$21.2 million, which resulted from payment of an aggregate dividends of HK$20.0 million paid to the then shareholders of each of VMHK and VHPL, and repayment of bank loan of HK$1.2 million.

For FY2015, we had net cash used in financing activities of HK$25.2 million, which resulted from payment of an aggregate dividends of HK$24.6 million to the then shareholders of each of VMHK and VHPL, and repayment of bank loan of HK$0.6 million.

Capital expenditures

Our capital expenditures during the Track Record Period primarily represented purchase of production equipment and facilities. The following table sets forth our capital expenditures by nature during the Track Record Period.

	For the year ended 31 December		
	2013	2014	2015
	HK$ million	HK$ million	HK$ million
Purchase of plant and machinery	2.5	7.5	5.7
Purchase of moulds	2.0	8.5	1.5
Purchase of furniture and fixtures and motor vehicles	1.3	2.4	2.0
Construction in progress	4.1	4.2	2.0
Additions to leasehold improvements	—	0.1	0.1

The following table sets forth our estimated capital expenditures to be incurred for the financial year ending 31 December 2016.

Description	Estimated cost
	HK$ million
Purchase of plant and machinery	7.8
Additions to leasehold improvements	7.4
Purchase of moulds	2.1
Purchase of furniture and fixtures and motor vehicles	0.4
Total	**17.7**

We plan to finance our future capital expenditures through cash generated from our operations and the net proceeds from the Global Offering. Our projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. Please refer to the section "Future Plans and Use of Proceeds" in this prospectus for further information.

Current assets and current liabilities

The table below sets forth our current assets and current liabilities as at the relevant balance sheet dates indicated.

	As at 31 December			As at 30 April
	2013	2014	2015	2016
	HK$'000	HK$'000	HK$'000	(Unaudited) HK$'000
Current assets				
Inventories	39,926	66,518	65,422	69,864
Trade receivables	76,890	89,226	87,188	97,628
Prepayments, deposits and other receivables	15,342	15,358	16,662	23,010
Bank and cash balances	68,754	61,862	69,303	82,776
	200,912	232,964	238,575	273,278
Current liabilities				
Trade payables	24,382	32,202	24,751	30,795
Other payables and accruals	12,182	26,262	30,777	23,571
Due to related companies	16,245	19,202	—	—
Borrowings	1,800	600	992	9,436
Current tax liabilities	39,194	49,421	40,383	14,399
	93,803	127,687	96,903	78,201
Net current assets	**107,109**	**105,277**	**141,672**	**195,077**

We had net current assets of HK$107.1 million, HK$105.3 million and HK$141.7 million as at 31 December 2013, 2014 and 2015, respectively.

As at 31 December 2013, we had net current assets of HK$107.1 million. Our current assets mainly comprised trade receivables of HK$76.9 million (representing 38.3% of our current assets) and bank and cash balances of HK$68.8 million (representing 34.2% of our current assets). Our current liabilities mainly comprised current tax liabilities of HK$39.2 million (representing 41.8% of our current liabilities) and trade payables of HK$24.4 million (representing 26.0% of our current liabilities).

As at 31 December 2014, we had net current assets of HK$105.3 million. Our current assets mainly comprised trade receivables of HK$89.2 million (representing 38.3% of our current assets) and bank and cash balances of HK$61.9 million (representing 26.6% of our current assets). Our current liabilities mainly comprised current tax liabilities of HK$49.4 million (representing 38.7% of our current liabilities) and trade payables of HK$32.2 million (representing 25.2% of our current liabilities).

As at 31 December 2015, we had net current assets of HK$141.7 million. Our current assets mainly comprised trade receivables of HK$87.2 million (representing 36.5% of our current assets) and bank and cash balances of HK$69.3 million (representing 29.0% of our current assets). Our current liabilities mainly comprised current tax liabilities of HK$40.4 million (representing 41.7% of our current liabilities) and trade payables of HK$24.8 million (representing 25.5% of our current liabilities).

As at 30 April 2016, we had net current assets of HK$195.1 million. Our current assets mainly comprised trade receivables of HK$97.6 million (representing 35.7% of our current assets) and bank and cash balances of HK$82.8 million (representing 30.3% of our current assets). Our current liabilities mainly comprised trade payables of HK$30.8 million (representing 39.4% of our current liabilities) and other payables and accruals of HK$23.6 million (representing 30.1% of our current liabilities).

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

	As at 31 December		
	2013	2014	2015
	HK$000	HK$000	HK$000
Non-current assets			
Property, plant and equipment	39,789	49,978	44,876
Goodwill	—	—	9,591
Other intangible assets	—	—	13,657
Investment in an associate	—	13,443	13,269
Current assets			
Inventories	39,926	66,518	65,422
Trade receivables	76,890	89,226	87,188
Prepayments, deposits and other receivables	15,342	15,358	16,662
Bank and cash balances	68,754	61,862	69,303
Non-current liabilities			
Borrowings	—	—	3,725
Deferred tax liabilities	—	—	2,253
Current liabilities			
Trade payables	24,382	32,202	24,751
Other payables and accruals	12,182	26,262	30,777
Due to related companies	16,245	19,202	—
Borrowings	1,800	600	992
Current tax liabilities	39,194	49,421	40,383
Net assets	**146,898**	**168,698**	**217,087**

Inventories

The following table sets forth the breakdown of our inventories as at the relevant balance sheet dates indicated.

	As at 31 December					
	2013		2014		2015	
	HK$'000	%	HK$'000	%	HK$'000	%
Raw materials	19,558	49.0	43,388	65.2	41,010	62.7
Work in progress	11,716	29.3	13,202	19.9	16,263	24.9
Finished goods	8,652	21.7	9,928	14.9	8,149	12.4
Total	**39,926**	**100.0**	**66,518**	**100.0**	**65,422**	**100.0**

Our raw materials is the largest component of our inventories, accounting for 49.0%, 65.2% and 62.7% of our total inventories as at 31 December 2013, 2014 and 2015, respectively. Our raw materials mainly comprised resin, plastic parts and tubing. Our raw materials increased by HK$23.8 million, or 2.2 times, from HK$19.6 million as at 31 December 2013 to HK$43.4 million as at 31 December 2014, which was mainly attributable to the fact that we commenced keeping a higher level of certain raw materials for production of products for a key customer to be shipped from overseas and have a longer lead time in order to avoid any delay in our production schedules. Our raw materials slightly decreased by HK$2.4 million, or 5.5%, from HK$43.4 million as at 31 December 2014 to HK$41.0 million as at 31 December 2015.

The table below sets forth our average inventory turnover days for the years indicated.

	For the year ended 31 December		
	2013	2014	2015
Inventory turnover days *(Note)*	59	71	78

Note: Average inventory turnover days is calculated as the average of the beginning and ending inventory balances for the year, divided by cost of sales for that year, multiplied by 365 days.

Our inventory turnover days increased from 59 days for FY2013 to 71 days for FY2014 due to the higher inventory level of certain raw materials as explained above. Our inventory turnover days remained relatively stable for FY2015.

Up to the Latest Practicable Date, HK$52.4 million, or 80.1%, of our inventories as at 31 December 2015 of HK$65.4 million had been utilised or sold.

Trade receivables

The table below sets forth the aging analysis of our trade receivables (net of allowance) based on the invoice date, as at the relevant balance sheet dates indicated.

	As at 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
0 to 30 days	26,781	35,977	40,149
31 to 60 days	27,719	28,558	25,193
61 to 90 days	12,650	15,255	14,500
Over 90 days	9,740	9,436	7,346
Total	76,890	89,226	87,188

The table below sets forth our average trade receivables turnover days for the years indicated.

	For the year ended 31 December		
	2013	2014	2015
Trade receivables turnover days *(Note)*	87	78	72

Note: Average trade receivables turnover days is calculated as the average of the beginning and ending trade receivables for the year, divided by our turnover for that year, multiplied by 365 days.

Our trade receivables turnover days were 87 days, 78 days and 72 days for FY2013, FY2014 and FY2015, respectively. The general credit terms of our Group granted to our customers range from 30 to 90 days. Our trade receivable turnover days recorded a downward trend as a result of our continuous effort on receivable collections and follow up with our major customers. During the Track Record Period, we recorded an insignificant allowance of HK$235,000 for trade receivables in FY2014.

Up to the Latest Practicable Date, HK$80.9 million, or 92.7%, of our trade receivables as at 31 December 2015 of HK$87.2 million had been settled.

Trade payables

Our payment terms to suppliers include payment in advance and credit term from 30 days to 60 days. Our trade payables amounted to HK$24.4 million, HK$32.2 million and HK$24.8 million as at 31 December 2013, 2014 and 2015, respectively. The following table sets forth an aging analysis of our trade payables based on the date of receipts of goods as at the relevant balance sheet dates indicated.

	As at 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
0 to 30 days	6,080	12,154	9,348
31 to 60 days	7,234	7,022	4,104
Over 60 days	11,068	13,026	11,299
Total	24,382	32,202	24,751

The following table sets forth our average trade payables turnover days for the year indicated.

	For the year ended 31 December		
	2013	2014	2015
Trade payables turnover days *(Note)*	34	38	34

Note: Average trade payables turnover days is calculated as the average of the beginning and ending trade and bill payables for the year, divided by the cost of sales for that year, multiplied by 365 days.

Our trade payable turnover days remained relatively stable at 34 days, 38 days and 34 days for FY2013, FY2014 and FY2015, respectively, and within the credit terms offered to us by our suppliers.

Up to the Latest Practicable Date, HK$17.2 million, or 69.4%, of our trade payables as at 31 December 2015 of HK$24.8 million had been settled.

Other payables and accruals

Other payables and accruals amounted to HK$12.2 million, HK$26.3 million and HK$30.8 million, respectively, as at 31 December 2013, 2014 and 2015. As at 31 December 2013, it mainly represented accrued salaries and bonus and receipt in advance. As at 31 December 2014, it mainly represented (i) accrued salaries and bonus; (ii) dividend payable to Bayer Medical Care; (iii) receipt in advance from customers; and (iv) unpaid investment cost in Ventific. As at 31 December 2015, it mainly comprised (i) accrued salaries and bonus; (ii) deferred revenue; (iii) unpaid investment cost in Ventific; and (iv) receipt in advance from customers.

Other payables and accruals increased by HK$14.1 million, or 2.2 times, from FY2013 to FY2014 which was mainly attributable to (i) the unpaid investment cost in Ventific for the acquisition of Ventific in FY2014; (ii) the dividend payable to Bayer Medical Care; and (iii) the increase in receipt in advance from customers.

Other payables and accruals further increased by HK$4.5 million, or 17.2%, from FY2014 to FY2015 which was mainly attributable to the deferred revenue recorded in FY2015 as a result of the recognition of the fair value of unused raw materials and components received from a key customer for the manufacturing of its OEM imaging disposable products that we sell to it, adjusted by the amount of any cash or cash equivalents paid.

Current tax liabilities

Current tax liabilities amounted to HK$39.2 million, HK$49.4 million and HK$40.4 million, respectively, as at 31 December 2013, 2014 and 2015.

Before the settlement with the IRD in relation to the claims for offshore income by VMHK and VHPL in December 2015 as mentioned above, we made full provisions on the offshore portion of the profit, which resulted in high amount of current tax liabilities.

Goodwill and other intangible assets

We recorded goodwill and other intangible assets of HK$9.6 million and HK$13.7 million, respectively, as at 31 December 2015 as a result of the acquisition of RRCL. The goodwill represented the difference between the consideration for acquisition of RRCL and the fair value of RRCL's net assets. Other intangible assets represented the value of RRCL's license right to use the technology for the purpose of manufacturing, marketing and distribution of products for "Hand of Hope" robotic hand training devices. For details, please refer to note 16 and 17 of the Accountants' Report in Appendix I of this prospectus.

Investment in an associate

Our investment in an associate amounted to HK$13.4 million and HK$13.3 million as at 31 December 2014 and 2015, respectively. This represented the initial investment costs in Ventific adjusted by post-acquisition profit or loss.

Amounts due to related companies

We had amounts due to related companies of HK$16.2 million, HK$19.2 million as at 31 December 2013 and 2014, respectively, which mainly comprised advances from related companies, dividend payable and rentals payable. The amounts due to related companies are unsecured, interest-free and have no fixed terms of repayment.

Borrowings

The following table sets forth the aggregate amount of our borrowings as at the relevant balance sheet dates indicated.

	As at 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
Bank loan, secured	1,800	600	—
Other loan, unsecured	—	—	4,717
Total	**1,800**	**600**	**4,717**

Our bank loan was arranged at floating rate and was secured by corporate guarantee executed by VRHK, personal guarantee executed by Mr. Choi and special loan guarantee by the government of Hong Kong. We recorded an effective interest rate of 3.22% and 3.21% for our bank loan as at 31 December 2013 and 31 December 2014, respectively.

Other loan represented a loan from Deltason Holding Limited (being one of the shareholders of RRCL) to RRCL, and is repayable in three years starting from 1 January 2016 with an interest rate of 5% per annum.

Operating lease commitments

Our operating lease payments represent rentals payable by us for our offices and factory premises. Leases are negotiated for terms ranging from one to five years and rentals are fixed over the lease terms and do not include contingent rentals.

As at 31 December 2013, 2014 and 2015, our total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
Within one year	2,014	1,086	4,257
In the second to fifth years inclusive	1,040	632	9,380
Total	**3,054**	**1,718**	**13,637**

Capital commitments

As at 31 December 2013, 2014 and 2015, our Group's capital commitments are as follows:

	At 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
Property, plant and equipment contracted but not provided for	2,569	2,475	3,142

As at the Latest Practicable Date, our Group had capital commitments of HK$1.8 million for purchase of production equipment and software and system maintenance services.

Indebtedness Statement

As at 30 April 2016, being the latest date for the purpose of liquidity disclosure in this prospectus, we had outstanding indebtedness of HK$12.4 million, consisting of a new tax loan of HK$8.0 million and other loan of HK$4.4 million. The bank loan was secured by corporate guarantee provided by our Company and VMCH, and repayable within one year. The other loan represented an unsecured loan from Deltason Holding Limited (one of the shareholders of RRCL) to RRCL.

As at 30 April 2016, we had unutilised banking facilities of HK$20.0 million from a bank, which were secured by corporate guarantee provided by our Company and VMCH. We had other unutilised banking facilities of HK$13.0 million from another bank, which were shared with VRHK and secured by (i) legal charges over the properties of VRDL; (ii) personal guarantee provided by Mr. Choi; (iii) corporate guarantees provided by VRDL and VRI; and (iv) gross guarantee among our Group and VRHK. These banking facilities will be cancelled upon Listing.

As at 30 April 2016, we provided guarantees to banks in respect of banking facilities granted to VRHK. As at 30 April 2016, the outstanding amount of the bank loan drawn by VRHK under such guarantees amounted to HK$17.4 million. The relevant guarantees will be released upon Listing.

Save for the aforesaid outstanding indebtedness of HK$12.4 million and our guarantees to banks for the bank loan drawn by VRHK of HK$17.4 million, as at 30 April 2016, being the latest practicable date for us to ascertain such information prior to printing of prospectus, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, pledges, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

Save for the new tax loan borrowed in January 2016 and the renewed banking facilities with a bank in March 2016, our Directors confirm that (i) there has not been any material change in our indebtedness since 31 December 2015 and up to 30 April 2016, being the latest practicable date for us to ascertain such information prior to printing of prospectus; (ii) the bank loans, finance lease and bank facility is subject to the standard banking conditions; (iii) we have not received any notice from the bank indicating that it might withdraw or downsize the bank loans and bank facility; and (iv) there was no material default in payment of our trade and non-trade payables and bank borrowings, nor did we breach any relevant finance covenants, during the Track Record Period.

CONTINGENT LIABILITIES

As at 30 April 2016, we provided guarantees to banks in respect of banking facilities granted to VRHK. As at 30 April 2016, the outstanding amount of the bank loan drawn by VRHK under such guarantees amounted to HK$17.4 million. The relevant guarantees will be released upon Listing. Apart from such guarantees, as at the Latest Practicable Date, we did not have any material contingent liabilities or guarantees. We are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the years and as at the relevant balance sheet dates indicated.

	Year ended/as at 31 December		
	2013	2014	2015
Return on equity *(Note 1)*	19.5%	25.8%	34.3%
Return on total assets *(Note 2)*	9.7%	12.1%	18.2%
Current ratio *(Note 3)*	2.14	1.82	2.46
Net debt to equity ratio *(Note 4)*	N/A	N/A	N/A
Gearing ratio *(Note 5)*	0.01	0.00	0.03

Notes:

(1) Profit attributable to owners of our Company for the year divided by total equity attributable to owners of our Company.

(2) Profit attributable to owners of our Company for the year divided by total assets.

(3) Total current assets divided by total current liabilities.

(4) Net debt to equity ratio is calculated by net debt divided by total equity attributable to owners of our Company. Net debt is defined as bank borrowing and other debts incurred not in the ordinary course of business minus cash and cash equivalents (including pledged bank deposits).

(5) Total debt divided by total equity attributable to owners of our Company. Total debt is defined to include interest-bearing bank borrowing and other debts incurred not in the ordinary course of business.

Return on equity

Our return on equity increased from 19.5% for FY2013 to 25.8% for FY2014 and further increased to 34.3% for FY2015. The increase in our return on equity was mainly attributable to the significant increase of 148.4% in our profit attributable to owners of our Company from FY2013 to FY2015 while our equity attributable to owners of our Company as at 31 December 2015 only increased by about 40.8% as compared to that as at 31 December 2013.

Return on total assets

Similar to our return on equity, the increase in our return on total assets was primarily due to the significant increase in our profit attributable to owners of our Company while our total assets as at 31 December 2015 increased by about 32.9% only as compared to that as at 31 December 2013.

Current ratio

Our current ratio was 2.14, 1.82, 2.46 as at 31 December 2013, 2014 and 2015, respectively. Our current assets increased by HK$32.1 million from 31 December 2013 to 31 December 2014, which was mainly attributable to the increase in inventories of HK$26.6 million as we commenced keeping a higher level of raw materials for production of products for a key customer in FY2014. Such increase in current assets was offset by the increase in our current liabilities of HK$33.9 million from HK$93.8 million as at 31 December 2013 to HK$127.7 million as at 31 December 2014. Therefore, our current ratio dropped from 2.14 at 31 December 2013 to 1.82 as at 31 December 2014.

Our current ratio increased from 1.82 as at 31 December 2014 to 2.46 as at 31 December 2015. Such increase was mainly attributable to the decrease in our current liabilities of HK$30.8 million while our current assets increased by HK$5.6 million as compared to that of 31 December 2014. Our decrease in current liabilities as at 31 December 2015 as compared to 31 December 2014 was mainly

due to the decrease in current tax liabilities of HK$9.0 million (which in turn was mainly due to settlement with IRD) and the decrease in trade payables of HK$7.5 million.

Gearing ratio

As at 31 December 2013, 2014 and 2015, we had an insignificant gearing ratio of 0.01, 0.00 and 0.03, respectively. This is mainly attributable to our low level of borrowings as at the relevant balance sheet dates.

LISTING EXPENSES

The total Listing-related expenses (based on the mid-point of the Offer Price range stated in this prospectus) are estimated to be approximately HK$32.5 million. In FY2015, we recognised Listing-related expenses of HK$4.6 million in connection with the Global Offering. By the completion of the Global Offering, we expect to further incur Listing-related expenses of approximately HK$27.9 million, of which we expect to recognise approximately HK$13.6 million as expenses and charge the remaining estimated Listing-related expenses to equity.

WORKING CAPITAL CONFIRMATION

Our Directors are of the opinion that, taking into account the financial resources available to our Group presently including our operating cash flow, the available banking facilities and the net proceeds available to us from the Global Offering, our Group has sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in Note 32 to the Accountants' Report as contained in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to our Group than terms available to independent third parties and were fair and reasonable and in the interests of our Company and our Shareholders as a whole.

For the detailed discussion of related party transactions, please refer to Note 32 to the Accountants' Report as contained in Appendix I to this prospectus.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we have not entered into any material off-balance sheet transaction except as disclosed in the paragraph "Capital Commitments" in this section.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

In the normal course of business, we are exposed to various types of market risks including the followings.

Foreign currency risk

While some of our Group's costs and expenses are denominated in RMB, a substantial percentage of our sales are denominated in USD given the export-oriented nature of our OEM Business. And thus, any appreciation of RMB against USD or HKD may subject us to increased costs and lowered profitability. Our Directors have assessed the impact of such foreign currency risk and considered that it may materially affect our profitability. Our Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. Our Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

We recorded exchange gain on translating foreign operations of approximately HK$4.5 million for FY2013 and exchange loss on translating foreign operations of approximately HK$0.6 million and HK$8.2 million for FY2014 and FY2015, respectively, which was mainly resulted from the translation of functional currency of RMB of our major operating subsidiaries in the PRC into our Company's presentation currency of HKD at applicable exchange rates.

Credit risk

Our Group has policies in place to ensure that sales are made to customers with an appropriate credit history. In order to minimise credit risk, our Directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, our Directors review the recoverable amount of each individual trade debt regularly to ensure that we recognise adequate impairment losses for irrecoverable debts. In this regard, our Directors consider that our credit risk is significantly reduced.

As at 31 December 2013, 2014 and 2015, there were 1, 2 and 2 customers which individually contributed over 10% of our trade receivables respectively. The aggregate amounts of trade receivables from these customers amounted to 45%, 49% and 52% of our total trade receivables as at 31 December 2013, 2014 and 2015 respectively.

Liquidity risk

Our 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 our financial liabilities is set out in Note 6(c) of the Accountants' Report in Appendix I of this prospectus.

Interest rate risk

Our exposure to interest-rate risk mainly arises from its bank deposits, bank loan and other loan. Bank deposits and bank loan 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 value risk.

The effect of changes in interest rates is not significant to the financial information of our Group. Except as stated above, we have no other significant interest-bearing assets and liabilities, our income and operating cash flows are substantially independent of changes in market interest rates.

DIVIDEND

We declared dividends of approximately HK$19.5 million, HK$20.0 million and HK$24.6 million, respectively, for FY2013, FY2014 and FY2015. On 8 March 2016, we declared dividend for FY2015 of HK$21.0 million, which was fully paid in April 2016. We have not declared any dividends since 8 March 2016 to the Latest Practicable Date.

We currently plan to pay a total dividend in respect of each financial year of not less than 30% of our consolidated profit attributable to our Shareholders for 2017 and the years thereafter, subject to the following factors and considerations. The declaration, payment, any future dividends (including the amount) will depend on our financial condition, results of operation, level of cash, statutory and regulatory restrictions in relation thereto, future prospects, and other factors that our Directors may consider relevant. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in our policy set out above or at all. Our 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 us in the future. Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent that profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operation.

DISTRIBUTABLE RESERVES

As at 31 December 2015, our Company had no distributable reserves available for distribution to our Shareholders.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 December 2015, being the date on which the latest audited combined financial statements of our Group were made up, and there is no event since 31 December 2015 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

Please see the section "Business — Our Strategies" for detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK$1.125 per Offer Share, being the mid-point of the indicative Offer Price range) will be approximately HK$111.1 million, assuming that the Over-allotment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

(i) approximately 50.0%, or HK$55.5 million, for the expansion and upgrading of our production facility from 2016 to 2018.

Please see that section "Business — Our Strategies — 3. Expand and Upgrade our Production Facility to Achieve Greater Efficiency and Increase Capacity" and "Business — Production — Planned Expansion and Upgrading of Production Facility" for details of our expansion and upgrading plan for our production facility;

(ii) approximately 27.0%, or HK$30.0 million, for development of our pipeline and planned products from 2016 to 2018, including:

- approximately HK$17.5 million as development costs for our pipeline and planned products.

  Please see that section "Business — Our Strategies — 2. Expand OBM Business by Enhancing Product Offering and Distribution Network — 2.1. Enhance existing OBM products and develop new products that address patients' needs";

- approximately HK$12.5 million for recruitment of approximately 27 additional staff for research and development and the relevant quality assurance.

  Please see that section "Business — Our Strategies — 2. Expand OBM Business by Enhancing Product Offering and Distribution Network — 2.2 Strengthen our product development capability";

(iii) approximately 18.0%, or HK$20.0 million, for sales and marketing from 2016 to 2018, including:

- approximately HK$4.6 million for participating in trade exhibitions and conferences in the PRC and overseas;

- approximately HK$10.3 million for additional sales and marketing staff;

- approximately HK$2.5 million for setting up five sales office in the PRC; and

- approximately HK$2.6 million for other sales and marketing activities.

  Please see that sections "Business — Our Strategies — 2. Expand OBM Business by Enhancing Product Offering and Distribution Network — 2.3 Expand and strengthen our distributorship and sales network" and "Business — Our Strategies — 2. Expand OBM

Business by Enhancing Product Offering and Distribution Network — 2.4 Increase sales and marketing for OBM Business" for details.

(iv) approximately 5.0%, or HK$5.6 million, for our general corporate purposes and working capital.

Assuming the Offer Price is set at (i) the lowest; or (ii) the highest of the indicative Offer Price range, the net proceeds from the Global Offering (assuming the Over-allotment Option is not exercised) are estimated to be (i) approximately HK$95.7 million, or (ii) approximately HK$126.5 million respectively.

If the Over-allotment Option is exercised in full, the estimated net proceeds from the Global Offering will increase to (i) approximately HK$114.2 million (assuming that the Offer Price is set at the lowest of the indicative Offer Price range), (ii) approximately HK$131.9 million (assuming that the Offer Price is set at the mid-point of the indicative Offer Price range), and (iii) approximately HK$149.6 million (assuming that the Offer Price is set at the highest of the indicative Offer Price range), respectively,

If the Offer Price is set at HK$1.25 (being the high-end of the indicative Offer Price), HK$1.00 (being the low-end of the indicative Offer Price) or any price in between, we intend to apply the net proceeds to the above purposes on a pro-rata basis. If the Over-allotment Option is exercised in full or in part, we intend to apply the additional net proceeds from the exercise of the Over-allotment Option to the above purposes on a pro-rata basis.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or our new projects to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and authorised financial institutions for so long as it is in our best interests.

HONG KONG UNDERWRITERS

The Hong Kong Underwriters are:

BOSC International Company Limited

CIMB Securities Limited

Crosby Securities Limited

Halcyon Securities Limited

Shenwan Hongyuan Capital (H.K.) Limited

INTERNATIONAL UNDERWRITERS

The International Underwriters are expected to be:

BOSC International Company Limited

CIMB Securities Limited

Crosby Securities Limited

Halcyon Securities Limited

Shenwan Hongyuan Capital (H.K.) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on 29 June 2016. As described in the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein, and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to apply to purchase or procure applications to purchase the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms or otherwise, prior to 8:00 a.m. on the Listing Date.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers to subscribe for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement will be subject to termination with immediate effect by notice (orally or in writing) from the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if at any time prior to 8:00 a.m. on the Listing Date:

(a) there has come to the notice of the Sole Global Coordinator:

(i) that any statement contained in any of this prospectus and the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Global Offering (including any supplement or amendments thereto) (collectively, the "**Relevant Documents**") was, when it was issued, or has become, untrue, incorrect in any material respect, misleading or deceptive in any respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant

Documents is not, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters), fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute an omission therefrom; or

(iii) any breach of any of the obligations imposed or to be imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (in each case, other than on the part of any of the Underwriters); or

(iv) any event, act or omission which gives or is likely to give rise to any liability of any of our Company, our executive Directors and the Controlling Shareholders (the "**Warrantors**") pursuant to the indemnities given by them under the Hong Kong Underwriting Agreement or under the International Underwriting Agreement; or

(v) any change or development involving a prospective material adverse change in the assets, liabilities, general affairs, management, business prospects, shareholders' equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of our Group ("**Group Company**"); or

(vi) any breach of, or any event or circumstance rendering untrue or incorrect in any material respect, any of the representations, warranties, agreements and undertakings to be given by the Warrantors respectively in terms set out in the Hong Kong Underwriting Agreement; or

(vii) the approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) our Company withdraws any of the Relevant Documents or the Global Offering; or

(ix) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or

(x) that a petition or an order is presented for the winding-up or liquidation of any Group Company or any Group Company makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any Group Company or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or

(xi) an authority or a political body or organisation in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of the Directors and senior management members of our Group as set out in the "Directors, Senior Management and Employees" section of this prospectus; or

(xii) a portion of the orders in the bookbuilding process, which is considered by the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) in its absolute opinion to be material, at the time the International Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled, and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) in its sole and absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or

(xiii) any loss or damage has been sustained by any Group Company (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) in its sole and absolute opinion to be material; or

(b) there shall develop, occur, exist or come into effect:

(i) any local, national, regional, international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1), Middle East Respiratory Syndrome or such related or mutated forms) or interruption or delay in transportation); or

(ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets); or

(iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the Nasdaq Global Market, the Nasdaq National Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Tokyo Stock Exchange; or

(iv) any new law(s), rule(s), statute(s), ordinance(s), regulation(s), guideline(s), opinion(s), notice(s), circular(s), order(s), judgment(s), decree(s) or ruling(s) of any governmental authority ("**Law(s)**"), or any change or development involving a prospective change in existing Laws, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing Laws by any court or other competent authority, in each case, in or affecting any of Hong Kong, the PRC, the United States, the Cayman Islands, the European Union (or any member thereof) or any other jurisdictions relevant to any Group Company or the Global Offering (the "**Specific Jurisdictions**"); or

(v) any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions; or

(vii) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment Laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency) in or affecting any of the Specific Jurisdictions or affecting an investment in the Shares; or

(viii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section "Risk Factors" in this prospectus; or

(ix) any litigation or claim of any third party being threatened or instigated against any Group Company or any of the Warrantors; or

(x) any of the Directors and senior management member of our Company as set out in the "Directors, Senior Management and Employees" section of this prospectus being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or

(xi) the chairman or chief executive officer of our Company vacating his or her office; or

(xii) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or

(xiii) a contravention by any Group Company or any Director of the Listing Rules, the Companies Ordinance or any other Laws applicable to the Global Offering; or

(xiv) a prohibition on our Company for whatever reason from allotting, issuing or selling the Offer Shares and/or the Over-allotment Shares pursuant to the terms of the Global Offering; or

(xv) non-compliance of this prospectus and the other Relevant Documents or any aspect of the Global Offering with the Listing Rules or any other Laws applicable to the Global Offering; or

(xvi) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other documents in connection with the Global Offering pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company or in respect of which any Group Company is liable prior to its stated maturity,

which in each case individually or in aggregate in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

(a) has or is or will or may or could be expected to have a material adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, financial, trading or other condition or position or prospects or risks of our Company or our Group taken as a whole or on any present or prospective shareholder of our Company in his, her or its capacity as such; or

(b) has or will or may have or could be expected to have a material adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offer or the level of interest under the International Placing; or

(c) makes or will make or may make it inadvisable, inexpedient or impracticable for any part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented or proceeded with as envisaged or to market the Global Offering or shall otherwise result in an interruption to or delay thereof; or

(d) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by us

Pursuant to Rule 10.08 of the Listing Rules, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), the Share Option Schemes or any capitalisation issue, capital reduction or consolidation or sub-division of Shares, we will not, at any time within six months from the Listing Date, issue any further shares or other securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to such issue (whether or not such issue of shares or securities will be completed within six months from the Listing Date).

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has jointly and severally undertaken to each of us, the Stock Exchange, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters except pursuant to the Global Offering (including pursuant to the Over-allotment Option) or the Stock Borrowing Agreement, that he/she/it will not, and shall procure that any other relevant registered holder(s) of the Shares, any associates or companies controlled by him/her/it, any nominees or trustees holding the Shares in trust for him/her/it (as the case may be), will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

(a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-month Period**"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of (but save pursuant to a pledge or charge as security in favour of an authorised institution for a bona fide commercial loan) any of our Shares or securities in respect of which he/she/it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) ("**Parent Shares**"); or

(b) in the period of a further six months commencing on the date on which the First Six-month Period expires (the "**Second Six-month Period**"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Parent Shares to such an extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be our controlling shareholder (as defined in the Listing Rules).

Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that, during the First Six-month Period and the Second Six-month Period, he/she/it will:

(a) if he/she/it pledges or charges any of our securities beneficially owned by him or it in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and

(b) if he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities will be disposed of, immediately inform us of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters, if any, by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriters that, and our Controlling Shareholders have agreed to procure that, except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option) or the exercise of any options granted or to be granted under the Share Option Schemes, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), our Company will not, and will procure each other member of our Group not to, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind ("**Encumbrance**") over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, with a depositary in connection with the issue of depositary receipts; or repurchase any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or other securities will be completed within the aforesaid period). Further, in the event that, during the period of six months commencing on the date on which the First Half-year Period expires (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of our Company.

Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has undertaken to each of our Company, the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriters that, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and except pursuant to the Stock Borrowing Agreement and unless in compliance with the Listing Rules, at any time during the First Six-Month Period:

(a) it/he/she shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for it/him/her and the companies controlled by it/him/her (together, the "**Controlled Entities**") shall not:

(i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares beneficially owned by it/him/her directly or indirectly through its Controlled Entities, in respect of which it/he/she is shown in this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the "**Relevant Securities**"), or deposit any Relevant Securities with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares; or

(iii) enter into or effect any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to enter into or effect any of the transactions specified in paragraph (i), (ii) or (iii) above;

in each case, whether any of the transactions specified in (i), (ii), (iii) or (iv) above is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the aforesaid period);

(b) at any time during the Second Six-Month Period, enter into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it/he/she would cease to be a Controlling Shareholder of our Company or would together with the other Controlling Shareholders cease to be Controlling Shareholders of our Company; and

(c) in the event that it/he/she enters into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction within the Second Six-Month Period, it/he/she shall take all reasonable steps to ensure that it/he/she will not create a disorderly or false market for any Shares or other securities of our Company; and

(d) it/he/she shall, and shall procure that the relevant registered holder(s) and other Controlled Entities shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it/he/she or by the registered holder(s) and/or other Controlled Entities of any Shares or other securities of our Company.

Indemnity

We, our Controlling Shareholders and our executive Directors have agreed to indemnify the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters for certain losses which they

may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us, our Controlling Shareholders or our executive Directors of the Hong Kong Underwriting Agreement.

The International Placing

In connection with the International Placing, it is expected that our Company and our Controlling Shareholders (among others) will enter into the International Underwriting Agreement with the Sole Sponsor, the Sole Global Coordinator and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Placing Shares or procure purchasers to purchase such International Placing Shares.

We will grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require us to offer up to an aggregate of 19,140,000 additional Shares, together representing 15% of the number of Shares initially being offered under the Global Offering, at the Offer Price to solely cover over-allocations in the International Placing, if any.

Under the International Underwriting Agreement, our Company, our Controlling Shareholders and our executive Directors will agree to indemnify the International Underwriters against certain losses which they may suffer including losses as a result of certain claims or liabilities which might be incurred by the International Underwriters.

Underwriting commission and expenses

Under the terms and conditions of the Hong Kong Underwriting Agreement, the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) will receive an underwriting commission equal to 3.5% on the aggregate Offer Price payable in respect of all of the Hong Kong Offer Shares (excluding any International Placing Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Placing). The respective entitlements of the Hong Kong Underwriters to the underwriting commission will be paid as separately agreed between the Sole Global Coordinator and the Hong Kong Underwriters. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the relevant International Underwriters (but not the Hong Kong Underwriters).

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK$1.125 per Share (being the mid-point of the indicative Offer Price range of HK$1.00 to HK$1.25 per Share), the aggregate commissions and fees, together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering to be borne by us are estimated to amount to approximately HK$32.5 million in aggregate.

Hong Kong Underwriters' interests in our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement or as otherwise disclosed in this prospectus, none of the Underwriters is interested legally or beneficially in any shares of any of our members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members in the Global Offering.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

Independence of the Sole Sponsor

BOSC International Company Limited satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Placing (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in and outside Hong Kong. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in the section "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares). whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering. BOSC International Company Limited is the Sole Sponsor for the listing of the Shares on the Stock Exchange and the Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager of the Global Offering.

The Global Offering initially consists of:

(i) the Hong Kong Public Offering of 12,760,000 Offer Shares (subject to adjustment as mentioned below and including 1,276,000 Employee Reserved Shares) in Hong Kong as described in "Hong Kong Public Offering" in this section below; and

(ii) the International Placing of 114,840,000 Offer Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States in reliance on Regulation S.

Investors may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have applied for Hong Kong Offer Shares in the Hong Kong Public Offering. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the Offer Shares in the International Placing. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up and to cease on or around, the last day of lodging applications under the Hong Kong Public Offering.

Eligible Employees may make an application for the Employee Reserved Shares on a **PINK** Application Form and, in addition, will be entitled to apply for Hong Kong Offer Shares under the Hong Kong Public Offering but may not apply for or indicate an interest for International Placing Shares under the International Placing. Such Eligible Employees will receive no preference as to entitlement or allocation in respect of such further applications for Hong Kong Offer Shares under the Hong Kong Public Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and International Placing respectively may be subject to adjustment and, in the case of the International Placing only, the Over-allotment Option as set out in "International Placing — Over-allotment Option" in this section below.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price. Our Company expects to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date. Details of the underwriting arrangements are summarised in "Underwriting".

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares pursuant to the Global Offering will be conditional on, among others:

(i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued pursuant to the Global Offering and the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of the Over-allotment Option and such listing and permission not subsequently having been revoked prior to the commencement of dealing in our Shares on the Stock Exchange;

(ii) the Offer Price having been fixed on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective agreements,

in each case on or before the dates and times specified in the Underwriting Agreements (unless to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

The Offer Shares are being offered at the Offer Price which is expected to be fixed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Friday, 8 July 2016 and in any event not later than 12:00 noon on Monday, 11 July 2016.

If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company by 12:00 noon on Monday, 11 July 2016, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our website (**www.vincentmedical.com**) and the Stock Exchange's website (**www.hkexnews.hk**) on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares". In the meantime, all application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended from time to time).

Share certificates for the Offer Shares are expected to be issued on Tuesday, 12 July 2016 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 13 July 2016 provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination" has not been exercised. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 12,760,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering (assuming that the Over-allotment Option is not exercised). Subject to the reallocation of Shares between (i) the International Placing; and (ii) the Hong Kong Public Offering as mentioned below, the number of the Hong Kong Offer Shares will represent 2% of our Company's issued share capital immediately after completion of the Global Offering and the Capitalisation Issue.

Of the 12,760,000 Shares initially being offered under the Hong Kong Public Offering, 1,276,000 Shares (representing 10% and 1% of the total number of Shares initially being offered under the Hong Kong Public Offering and the Global Offering, respectively) are available for subscription by Eligible Employees on a preferential basis, subject to the terms and conditions set out in this prospectus and the **PINK** Application Forms.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in "The Global Offering" in this section above.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total available Shares under the Hong Kong Public Offering (after taking into account of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Placing and after deducting the number of Employee Reserved Shares validly applied for under the Employee Preferential Offering) is to be divided into two pools (subject to adjustment of odd lot size) for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5.0 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools and can only apply for Hong Kong Offer Shares in either pool A or pool B.

Multiple or suspected multiple applications within either pool or between pools and any application for more than 5,742,000 Hong Kong Offer Shares are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment. If the number of Offer Shares validly applied for under the Hong Kong Public Offering (i) 15 times or more but less than 50 times; (ii) 50 times or more but less than 100 times; and (iii) 100 times or more, of the number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing so that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 38,280,000 Offer Shares (in the case of (i)), 51,040,000 Offer Shares (in the case of (ii)) and 63,800,000 Offer Shares (in the case of (iii)) representing 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option) in each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate. In addition, in certain prescribed circumstances, the Sole Global Coordinator may, at its sole and absolute discretion, reallocate International Placing Shares as it deems appropriate from the International Placing to the Hong Kong Public Offering to satisfy in whole or in part the excess valid application in the Hong Kong Public Offering.

If the Hong Kong Offer Shares are not fully subscribed for, the Sole Global Coordinator may, at its sole and absolute discretion, reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportion as the Sole Global Coordinator deems appropriate.

Applications

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$1.25 per Offer Share in addition to any brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable on each Offer Share. If the Offer Price, as finally determined in the manner described in "Price Determination of the Global Offering" in this section below, is less than the maximum price of HK$1.25 per Share, appropriate refund payments (including the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in "How to Apply for Hong Kong Offer Shares and the Employee Reserved Shares".

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

EMPLOYEE PREFERENTIAL OFFERING

Up to 1,276,000 Employee Reserved Shares, representing 10% of the Offer Shares available under the Hong Kong Public Offering and 0.2% of the enlarged issued share capital of our

Company upon completion of the Global Offering and the Capitalisation Issue, which are not subject to reallocation to the International Placing as described in the paragraph ''Hong Kong Public Offering — Reallocation'' above in this section, are available for subscription by Eligible Employees on a preferential basis.

The 1,276,000 Employee Reserved Shares available for application by Eligible Employees on **PINK** Application Forms will be allocated to such applicants on a basis based on the level of valid applications received under the Employee Preferential Offering and the number of Employee Reserved Shares validly applied for within each application tier. The allocation basis will be consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications. The Employee Reserved Shares will be balloted if there are insufficient Employee Reserved Shares available to **PINK** Application Form applicants. If balloting is conducted, an Eligible Employee may be allocated more Employee Reserved Shares than others who have applied for the same number of employee Reserved Shares. The allocation of Employee Reserved Shares to Eligible Employees will in any event be made on an equitable basis and will not be based on the identity, seniority, work performance or length of service of the Eligible Employees. No favour will be given to the Eligible Employees who apply for a larger number of Employee Reserved Shares. Any application made on a **PINK** Application Form for more than 1,276,000 Employee Reserved Shares will be rejected. Allocation of Hong Kong Offer Shares under the Employee Preferential Offering will be based on the allocation guidelines contained in Practice Note 20 to the Listing Rules. In addition to any application for Employee Reserved Shares on a **PINK** Application Form, Eligible Employees will be entitled to apply for the Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form or by submitting an application online through the designated website of the White Form eIPO Service Provider or giving electronic application instructions to HKSCC via CCASS.

As at the Latest Practicable Date, we had 221 Eligible Employees.

In case not all the 1,276,000 Employee Reserved Shares are subscribed for by Eligible Employees, the undersubscribed Employee Reserved Shares will be available as Hong Kong Offer Shares for subscription by the public under the Hong Kong Public Offering.

INTERNATIONAL PLACING

Number of Offer Shares offered

The number of Offer Shares to be initially offered for subscription under the International Placing will be 114,840,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Global Offering (subject to adjustment and the Over-allotment Option). Subject to any reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the International Placing Shares will represent 18.0% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue.

The International Placing is subject to the same conditions as stated in "The Global Offering" in this section above.

Allocation

The International Placing will include selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the book-building process described in "Price Determination of the Global Offering" in this section below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the Listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the Sole Global Coordinator (on behalf of the International Underwriters) exercisable at the sole discretion of the Sole Global Coordinator (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the Sole Global Coordinator has the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days from the date of the last day of lodging application under the Hong Kong Public Offering, to require our Company to allot and issue up to 19,140,000 additional Shares, representing 15% of the number of the Offer Shares initially available under the Global Offering, at the same price per Share under the International Placing to cover over-allocation in the International Placing, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3% of our enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the Listing Rules.

PRICE DETERMINATION OF THE GLOBAL OFFERING

The Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or around Friday, 8 July 2016, and in any event not later than 12:00 noon on Monday, 11 July 2016, by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company.

The Offer Price will be not more than HK$1.25 per Share and is expected to be not less than HK$1.00 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Sole Global Coordinator, for itself and on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day

which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and our website (**www.vincentmedical.com**) and the Stock Exchange's website (**www.hkexnews.hk**) notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon by our Company with the Sole Global Coordinator (for itself and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The final Offer Price, the levels of indication of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares under the Hong Kong Public Offering, are expected to be announced on Tuesday, 12 July 2016 in the manner set out in "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares — 11. Publication of Results".

STABILISATION ACTION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permitted to do so, in each case in compliance with all applicable laws, rules and regulations, including those of Hong Kong. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the offer price.

The Sole Global Coordinator has been appointed by us as the stabilising manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO. In connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view of stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period beginning on the Listing Date and expected to end on the 30th day after the last day for lodging of applications under the Hong Kong Public Offering. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including the Securities and Futures (Price Stabilising) Rules, as amended, made under the SFO. Any market purchases of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to conduct any such stabilising action, which if commenced, will be conducted at the sole and absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time. Any such stabilising activity is required to be brought to an end on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be allotted and issued by our Company under the Over-allotment Option, namely 19,140,000 Shares in aggregate, which is 15% of the Shares initially available under the Global Offering.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules under the SFO includes (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares; (iii) subscribing, or agreeing to subscribe, for our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares; (v) selling, or agreeing to sell, our Shares in order to liquidate any position established as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above. The Stabilising Manager, its affiliates or any person acting for it, may take all or any of the above stabilising action in Hong Kong during the stabilisation period.

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a position. Investors should be warned of the possible impact of any liquidation of such long position by the Stabilising Manager, its affiliates or any other person acting for them, may have an adverse impact on the market price of the Shares;

- stabilising action cannot be used to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and

- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period.

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 19,140,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, which will be exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) at its sole discretion, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager (or any person acting for it) may choose to borrow Shares from Shareholders of our Company under stock borrowing arrangements, or acquire Shares from other sources, including the exercise of the Over-allotment Option.

The Stabilising Manager will enter into the Stock Borrowing Agreement with VRI, one of the Controlling Shareholders, whereby the Stabilising Manager may borrow Shares from VRI on the following conditions:

(a) the stock borrowing will only be effected by the Stabilising Manager for the settlement of over-allocations in connection with the International Placing;

(b) the maximum number of Shares borrowed from VRI will be limited to 19,140,000 Shares, being the maximum number of Shares which may be allotted and issued by our Company upon full exercise of the Over-allotment Option;

(c) the same number of Shares borrowed from VRI must be returned to it or its nominees (as the case may be) no later than the third Business Day following the earlier of (i) the last day on which the Over-allotment Option may be exercised; (ii) the date on which the Over-allotment Option is exercised in full and the Shares to be allotted and issued upon exercise of the Over-allotment Option have been allotted and issued; or (iii) such earlier time as may be agreed in writing between VRI and the Stabilising Manager;

(d) the stock borrowing arrangement will be effected in compliance with all applicable listing rules, laws and other regulatory requirements; and

(e) no payments will be made to VRI by the Stabilising Manager in relation to such stock borrowing arrangement.

The Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements. The Stock Borrowing Arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that it complies with the requirements set forth in Rule 10.07(3) of the Listing Rules. No payment will be made to VRI by the Stabilising Manager or its agent in relation to such stock.

DEALINGS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 13 July 2016, it is expected that dealings in the Offer Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 13 July 2016, and will be traded in board lots of 2,000.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form service** at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

In addition, if you are an Eligible Employee, you may also apply for Employee Reserved Shares using a **PINK** Application Form. Eligible Employees may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering and the Employee Reserved Shares under the Employee Preferential Offering but may not apply for or indicate an interest for International Placing Shares under the International Placing.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the HK eIPO White Form Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form service**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form service** for the Hong Kong Offer Shares.

Only Eligible Employees may apply for the Employee Reserved Shares with a **PINK** Application Form.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares (including any Employee Reserved Shares) if you are:

- an existing beneficial owner of shares in our Company and/or any of its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a close associate of any of the above;
- a core connected person of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk.**

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 30 June 2016 until 12:00 noon on Wednesday, 6 July 2016 from:

(i) any of the following offices of the Joint Bookrunners:

BOSC International Company Limited	34th Floor, Champion Tower, 3 Garden Road, Central, Hong Kong
Crosby Securities Limited	5th Floor, AXA Centre, 151 Gloucester Road, Wan Chai, Hong Kong
Shenwan Hongyuan Capital (H.K.) Limited	Level 19, 28 Hennessy Road, Hong Kong

(ii) any of the following branches of Bank of China (Hong Kong) Limited:

	Branch name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Gilman Street Branch	136 Des Voeux Road Central
	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai
Kowloon	Prince Edward Road West (Mong Kok) Branch	116-118 Prince Edward Road West, Mong Kok, Kowloon
	To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan
	Chuk Yuen Estate Branch	Shop S1, Chuk Yuen Shopping Centre, Chuk Yuen South Estate
	Tseung Kwan O Plaza Branch	Shop 112-125, Level 1, Tseung Kwan O Plaza, Tseung Kwan O
New Territories	Fo Tan Branch	No 2,1/F Shatin Galleria, 18-24 Shan Mei Street, Fo Tan
	Yuen Long (Hang Fat Mansion) Branch	8-18 Castle Peak Road, Yuen Long
	Tai Po Plaza Branch	Unit 4, Level 1 Tai Po Plaza, 1 On Tai Road, Tai Po

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 30 June 2016 until 12:00 noon on Wednesday, 6 July 2016 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

A **PINK** Application Form together with this prospectus can be collected by Eligible Employees from our Company's head office in Hong Kong at Flat B2, 7th Floor, Phase 2, Hang Fung Industrial Building, 2G Hok Yuen Street, Hung Hom, Hong Kong during normal business hours from 9:00 a.m. on Thursday, 30 June 2016 until 12:00 noon on Tuesday, 5 July 2016. Electronic copies of the **PINK** Application Form and this prospectus can be viewed on our Company's website at **www.vincentmedical.com** and the Stock Exchange's website at **www.hkexnews.hk**.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited — Vincent Medical Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Thursday, 30 June 2016 – 9:00 a.m. to 5:00 p.m.
- Saturday, 2 July 2016 – 9:00 a.m. to 1:00 p.m.
- Monday, 4 July 2016 – 9:00 a.m. to 5:00 p.m.
- Tuesday, 5 July 2016 – 9:00 a.m. to 5:00 p.m.
- Wednesday, 6 July 2016 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 6 July 2016, the last application day or such later time as described in the paragraph "10. Effect of Bad Weather on the Opening of the Applications Lists" below.

Your completed **PINK** Application Form, together with a cheque attached and marked payable to "Bank of China (Hong Kong) Nominees Limited — Vincent Medical Public Offer" for the payment must be returned to our head office at Flat B2, 7th Floor, Phase 2, Hang Fung Industrial Building, 2G Hok Yuen Street, Hung Hom, Hong Kong by 12:00 noon on Tuesday, 5 July 2016.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form service**, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

(viii) agree to disclose to our Company, our Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global

Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-auto refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company, the Sole Global Coordinator and the Hong Kong Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

Additional terms and conditions for the Employee Preferential Offering

You may refer to the **PINK** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "2. Who Can Apply" in this section above, may apply through the **HK eIPO White Form service** for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form service** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form**.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, 30 June 2016 until 11:30 a.m. on Wednesday, 6 July 2016 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 6 July 2016 or such later time under "– 10. Effect of Bad Weather on the Opening of the Applications Lists" in this section below.

No Multiple Applications

If you apply by means of the **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form service** to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form service** or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under

their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central,
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Sole Global Coordinator, the Sole Sponsor, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and/or its respective advisors and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving electronic application instructions to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Thursday, 30 June 2016 — 9:00 a.m. to 8:30 p.m.(1)

- Saturday, 2 July 2016 — 8:00 a.m. to 1:00 p.m.(1)

- Monday, 4 July 2016 — 8:00 a.m. to 8:30 p.m.(1)

- Tuesday, 5 July 2016 — 8:00 a.m. to 8:30 p.m.(1)

- Wednesday, 6 July 2016 – 8:00 a.m.(1) to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Thursday, 30 June until 12:00 noon on Wednesday, 6 July 2016 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Wednesday, 6 July 2016, the last application day or such later time as described in "— 10. Effect of Bad Weather on the Opening of the Application Lists" in this section below.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form service** is also only a facility provided by the HK eIPO White Form Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Bookrunners, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form service** will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before Wednesday, 6 July 2016.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees", you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

If you are an Eligible Employee, you may also make an application for Employee Reserved Shares by using a **PINK** Application Form. Only one application for Employee Reserved Shares is permitted per Eligible Employee under the Employee Preferential Offering. Multiple applications or suspected multiple applications by any Eligible Employee are liable to be rejected.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form service**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE**, **YELLOW** and **PINK** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE**, **YELLOW** and **PINK** Application Form or through the **HK eIPO White Form service** in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure of the Global Offering — Price Determination of the Global Offering".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 6 July 2016. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 6 July 2016 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the Employee Preferential Offering and the basis of allocation of the Hong Kong Offer Shares and the Employee Reserved Shares on Tuesday, 12 July 2016 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on our website (**www.vincentmedical.com**) and the Stock Exchange's website (**www.hkexnews.hk**).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering and the Employee Preferential Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our website (**www.vincentmedical.com**) and the Stock Exchange's website (**www.hkexnews.hk**) by no later than 8:00 a.m. on Tuesday, 12 July 2016;
- from the designated results of allocations website (**www.tricor.com.hk/ipo/result**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, 12 July 2016 to 12:00 midnight on Monday, 18 July 2016;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 12 July 2016 to Friday, 15 July 2016 on a Business Day;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 12 July 2016 to Thursday, 14 July 2016 at all the receiving bank designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there

will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares (and, if applicable, the Employee Reserved Shares) if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form service** are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations;
- you apply for more than 5,742,000 Hong Kong Offer Shares; or
- you apply for more than 1,276,000 Employee Reserved Shares.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$1.25 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering set out in "Structure of the Global Offering — The Global Offering" are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 12 July 2016.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below) and one share certificate for all the Employee Reserved Shares allotted to you under the Employee Preferential Offering.

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE**, **YELLOW** or **PINK** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Tuesday, 12 July 2016. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 13 July 2016 provided that the Global Offering has become unconditional and the right of termination described in "Underwriting" has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE and/or PINK Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and/or 1,000,000 or more Employee Reserved Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 12 July 2016 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares and/or 1,000,000 Employee Reserved Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Tuesday, 12 July 2016, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Tuesday, 12 July 2016, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participants stock account as stated in your Application Form on Tuesday, 12 July 2016, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraph "11. Publication of Results" in this section above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 12 July 2016 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 12 July 2016, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, 12 July 2016 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 12 July 2016, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Tuesday, 12 July 2016. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 12 July 2016 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 12 July 2016. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 12 July 2016.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, from the independent reporting accountants, RSM Hong Kong, Certified Public Accountants, Hong Kong.

RSM

30 June 2016

The Board of Directors
Vincent Medical Holdings Limited
BOSC International Company Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Vincent Medical Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2015 (the "Relevant Periods") for inclusion in the prospectus dated 30 June 2016 issued by the Company (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong 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. Pursuant to a group reorganisation as more fully explained in the section headed "Reorganisation" in "History, Reorganisation and Corporate Structure" to the Prospectus (the "Reorganisation"), the Company on 18 February 2016 became the holding company of the Group. The Company has not carried on any business since the date of its incorporation.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries and an associate as set out in notes 2 and 18 to the Financial Information respectively.

All the companies now comprising the Group have adopted 31 December as the financial year end date except for VINCENT MEDICAL MANUFACTURING CO., LIMITED ("VMHK"), VINCENT MEDICAL R&D LIMITED ("RDHK"), VINCENT MEDICAL TECHNOLOGY COMPANY LIMITED ("VMT"), VINCENT MEDICAL CARE COMPANY LIMITED ("VMC") and VINCENT HEALTHCARE PRODUCTS LIMITED ("VHPL"), which have adopted 31 March as their financial year end date up to 31 March 2014. During the nine months ended 31 December 2014, these subsidiaries changed their financial year end date from 31 March to 31 December in order to conform to the financial year end date of the Company's principal subsidiaries in the People's Republic of China (the "PRC"). We acted as auditors of all the companies now comprising the Group for the Relevant Periods except as disclosed below.

The statutory financial statements of Vincent Medical (Dongguan) Mfg. Co. LTD. (東莞永勝醫療製品有限公司) ("VMDG"), Vincent Medical (Guangzhou) R&D Limited (永勝(廣州)醫療器械開發有限公司) ("VMRD-GZ") and Vincent Raya (Dong Guan) Medical Device Co., Ltd (東莞永勝宏基醫療器械有限公司) ("VRMD") have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by the following certified public accountants registered in the PRC.

Name of company	Finance year	Name of auditors
VMDG	Each of the three years ended 31 December 2015	東莞市德方信會計師事務所 ("DongGuan DeFangxin Certified Public Accountants")
VRMD	Each of the three years ended 31 December 2015	東莞市德方信會計師事務所 ("DongGuan DeFangxin Certified Public Accountants")
VMRD-GZ	Year ended 31 December 2013	北京中瑞誠聯合會計師事務所廣東分所
	Year ended 31 December 2014	廣東誠豐信會計師事務所有限公司
	Year ended 31 December 2015	廣州知仁會計師事務所

The statutory financial statements of VMHK, RDHK, VMT and VHPL for the years ended 31 March 2013 and 2014 and the nine months ended 31 December 2014, and the statutory financial statements of VMC for the period from 12 November 2013 (date of incorporation) to 31 December 2014 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

No audited financial statements of Vincent Medical Manufacturing Holdings Limited ("VMMH") and Vincent Medical Care Holdings Limited ("VMCH") have been prepared since incorporation as they are newly incorporated and there is no statutory audit requirement in the country of its incorporation.

No audited financial statements of Dongguan Vincent Rehabilitation Devices Company Limited* (東莞永健康復器具有限公司) ("DVRD"), Shenzhen Vincent Raya Medical Device Company Limited* (深圳永勝宏基醫療器械有限公司) ("VMSZ") and VINCENT REHAB DEVICES COMPANY LIMITED ("VRDC") have been prepared since incorporation as they are newly incorporated and not yet due for statutory audit as at the date of this report.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods in accordance with HKFRSs issued by the HKICPA (the "Underlying Financial Statements").

We have performed our independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The Financial Information has been prepared from the Underlying Financial Statements in accordance with the basis of preparation set out in note 2 to the Financial Information. No adjustments were considered necessary for the purpose of preparing our report for inclusion in the Prospectus.

The directors of the Company are responsible for the preparation of the Underlying Financial Statements and the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2 to the Financial Information, the Financial Information gives a true and fair view of the state of affairs of the Group as at 31 December 2013, 2014 and 2015 and of the state of affairs of the Company as at 31 December 2015, and of the Group's results and cash flows for the Relevant Periods.

* *for identification purposes only*

FINANCIAL INFORMATION

A. COMBINED STATEMENTS OF PROFIT OR LOSS

	Note	Year ended 31 December 2013	2014	2015
		HK$'000	HK$'000	HK$'000
Turnover	7	324,492	388,977	448,169
Cost of sales		(236,293)	(273,913)	(308,368)
Gross profit		88,199	115,064	139,801
Other income	8	1,809	2,435	1,641
Distribution costs		(11,480)	(14,787)	(14,395)
Administrative expenses		(42,973)	(48,596)	(57,829)
Profit from operations		35,555	54,116	69,218
Finance costs—interest on bank loan		(80)	(40)	(5)
Share of loss of an associate	18	—	(118)	(41)
Profit before tax		35,475	53,958	69,172
Income tax (expense)/credit	10	(8,465)	(11,562)	2,484
Profit for the year	11	27,010	42,396	71,656
Attributable to:				
Owners of the Company		23,413	35,759	58,153
Non-controlling interests		3,597	6,637	13,503
		27,010	42,396	71,656
Earnings per share				
Basic and diluted	14	n/a	n/a	n/a

B. COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended 31 December 2013	2014	2015
		HK$'000	HK$'000	HK$'000
Profit for the year		27,010	42,396	71,656
Other comprehensive income:				
Items that may be reclassified to profit or loss:				
Exchange differences on translating foreign operations	4(d)(iii)	4,509	(595)	(8,201)
Other comprehensive income for the year, net of tax		4,509	(595)	(8,201)
Total comprehensive income for the year		31,519	41,801	63,455
Attributable to:				
Owners of the Company		27,105	35,278	51,448
Non-controlling interests		4,414	6,523	12,007
		31,519	41,801	63,455

C. COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2013 HK$'000	2014 HK$'000	2015 HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment	15	39,789	49,978	44,876
Goodwill	16	—	—	9,591
Other intangible assets	17	—	—	13,657
Investment in an associate	18	—	13,443	13,269
		39,789	63,421	81,393
Current assets				
Inventories	19	39,926	66,518	65,422
Trade receivables	20	76,890	89,226	87,188
Prepayments, deposits and other receivables		15,342	15,358	16,662
Bank and cash balances	21	68,754	61,862	69,303
		200,912	232,964	238,575
TOTAL ASSETS		240,701	296,385	319,968
EQUITY AND LIABILITIES				
Share capital	22	12,094	12,094	12,094
Reserves	23(a)	108,177	126,439	157,264
Equity attributable to owners of the Company		120,271	138,533	169,358
Non-controlling interests		26,627	30,165	47,729
Total equity		146,898	168,698	217,087
LIABILITIES				
Non-current liabilities				
Borrowings	24	—	—	3,725
Deferred tax liabilities	25	—	—	2,253
Total non-current liabilities		—	—	5,978
Current liabilities				
Trade payables	26	24,382	32,202	24,751
Other payables and accruals		12,182	26,262	30,777
Due to related companies	27	16,245	19,202	—
Borrowings	24	1,800	600	992
Current tax liabilities		39,194	49,421	40,383
Total current liabilities		93,803	127,687	96,903
TOTAL EQUITY AND LIABILITIES		240,701	296,385	319,968

D. STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2015 HK$'000
ASSETS		
Non-current assets		
Investments in subsidiaries		—*
Current assets		
Cash balances		—*
TOTAL ASSETS		—
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	22	—*
Reserves	23(b)	(2,769)
Total equity		(2,769)
LIABILITIES		
Current liabilities		
Due to subsidiaries		2,769
TOTAL EQUITY AND LIABILITIES		—*

* Represents the amount less than HK$1,000

E. COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital	Foreign currency translation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2013	12,094	5,361	92,179	109,634	25,199	134,833
Total comprehensive income for the year	—	3,692	23,413	27,105	4,414	31,519
Dividend paid (note 13)	—	—	(16,468)	(16,468)	(2,986)	(19,454)
Changes in equity for the year	—	3,692	6,945	10,637	1,428	12,065
At 31 December 2013	12,094	9,053	99,124	120,271	26,627	146,898
At 1 January 2014	12,094	9,053	99,124	120,271	26,627	146,898
Total comprehensive income for the year	—	(481)	35,759	35,278	6,523	41,801
Dividend paid (note 13)	—	—	(17,016)	(17,016)	(2,985)	(20,001)
Changes in equity for the year	—	(481)	18,743	18,262	3,538	21,800
At 31 December 2014	12,094	8,572	117,867	138,533	30,165	168,698
At 1 January 2015	12,094	8,572	117,867	138,533	30,165	168,698
Total comprehensive income for the year	—	(6,705)	58,153	51,448	12,007	63,455
Acquisition of a subsidiary (note 28)	—	—	—	—	9,538	9,538
Dividend paid (note 13)	—	—	(20,623)	(20,623)	(3,981)	(24,604)
Changes in equity for the year	—	(6,705)	37,530	30,825	17,564	48,389
At 31 December 2015	12,094	1,867	155,397	169,358	47,729	217,087

F. COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	35,475	53,958	69,172
Adjustments for:			
Allowance/(reversal of allowance) for inventories	987	(96)	14
Allowance for trade receivables	—	235	—
Amortisation	—	—	96
Depreciation	10,824	12,370	13,216
Gain on disposals of property, plant and equipment	—	—	(284)
Finance costs	80	40	5
Interest income	(293)	(670)	(131)
Share of loss of an associate	—	118	41
Write back of trade payables	(1,465)	(1,449)	—
Write off of property, plant and equipment	66	88	497
Operating profit before working capital changes	45,674	64,594	82,626
(Increase)/decrease in inventories	(5,188)	(26,477)	2,219
Decrease/(increase) in trade receivables	1,274	(12,571)	2,246
Increase in prepayments, deposits and other receivables	(2,701)	(16)	(4,151)
Increase/(decrease) in trade payables	1,625	9,269	(10,833)
(Decrease)/increase in other payables and accruals	(186)	7,570	3,659
Increase/(decrease) in amounts due to related companies	2,002	2,957	(19,202)
Cash generated from operations	42,500	45,326	56,564
Income taxes paid	(1,169)	(1,289)	(2,008)
Interest paid	(80)	(40)	(5)
Net cash generated from operating activities	41,251	43,997	54,551
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	293	670	131
Purchases of property, plant and equipment	(9,844)	(22,730)	(11,320)
Proceeds from disposals of property, plant and equipment	—	—	1,028
Acquisition of an associate	—	(7,242)	—
Acquisition of a subsidiary (note 28)	—	—	(5,408)
Net cash used in investing activities	(9,551)	(29,302)	(15,569)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loan	(1,200)	(1,200)	(600)
Dividend paid to owners of the Company	(16,468)	(17,016)	(20,623)
Dividend paid to non-controlling shareholder	(2,986)	(2,985)	(3,981)
Net cash used in financing activities	(20,654)	(21,201)	(25,204)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	11,046	(6,506)	13,778
Effect of foreign exchange rate changes	3,953	(386)	(6,337)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	53,755	68,754	61,862
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	68,754	61,862	69,303
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	68,754	61,862	69,303

G. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Vincent Medical Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, 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, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries now comprising the Group are principally engaged in manufacturing, trading, and research and development of medical devices (the "Listing Business").

In the opinion of the directors of the Company, VINCENT RAYA INTERNATIONAL LIMITED ("VRI"), a company incorporated in the British Virgin Islands, is the ultimate parent. Mr. Choi Man Shing ("Mr. Choi") and Ms. Liu Pui Ching ("Ms. Liu") are the ultimate controlling parties of the Company (collectively known as the "Controlling Shareholders").

2. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

The Financial Information has been prepared in accordance with all applicable HKFRSs issued by the HKICPA. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The Financial Information also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

Prior to the incorporation of the Company and the completion of the Reorganisation as more fully explained in the section headed "Reorganisation" in "History, Reorganisation and Corporate Structure" to the Prospectus, the Listing Business was carried out by companies now comprising the Group (collectively the "Operating Companies"). The Operating Companies were controlled by the Controlling Shareholders throughout the Relevant Periods.

Immediately prior to and after the Reorganisation, the Listing Business is held by the Operating Companies. Pursuant to the Reorganisation, the Operating Companies together with the Listing Business are transferred to and held by the Company through VMMH and VMCH. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the combined financial information of the companies now comprising the Group is presented using the carrying values of the Listing Business under VMMH and VMCH for all periods presented. For the purpose of this report, the Financial Information has been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

G. NOTES TO THE FINANCIAL INFORMATION (continued)

2. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION (continued)

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries.

Name	Place and date of incorporation/ establishment	Principal activities	Type of legal status	Issued and paid-up capital	Effective interest held as at			
					31 December			Date of Report
					2013	2014	2015	
Directly held:								
VMMH	The British Virgin Islands, 26 November 2015	Investment holding	Limited liability company	US$1	N/a	N/a	100%	100%
VMCH	The British Virgin Islands, 26 November 2015	Investment holding	Limited liability company	US$1	N/a	N/a	100%	100%
Indirectly held:								
VMHK	Hong Kong, 23 May 1997	Trading of medical devices and investment holding	Limited liability company	HK$14,889,321	80.1%	80.1%	80.1%	80.1%
VMDG*	The PRC, 18 January 2004	Manufacturing of medical devices	Limited liability company	HK$15,000,000	80.1%	80.1%	80.1%	80.1%
RDHK^	Hong Kong, 5 September 2011	Investment holding	Limited liability company	HK$10	48.06%	48.06%	48.06%	48.06%
VMRD-GZ*,^	The PRC, 5 December 2011	Research and development of medical devices	Limited liability company	HK$6,000,000	48.06%	48.06%	48.06%	48.06%
VMT	Hong Kong, 15 April 2011	Research and development of medical devices	Limited liability company	HK$1	80.1%	80.1%	80.1%	80.1%
VMC	Hong Kong, 12 November 2013	Trading of medical devices and investment holding	Limited liability company	HK$1	80.1%	80.1%	80.1%	80.1%
VHPL	Hong Kong, 4 February 1986	Provision of marketing services to group companies and investment holding	Limited liability company	HK$100,000	100%	100%	100%	100%
VRMD*	The PRC, 9 March 2010	Trading of medical devices	Limited liability company	HK$2,100,000	100%	100%	100%	100%

G. NOTES TO THE FINANCIAL INFORMATION (continued)

2. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION (continued)

Name	Place and date of incorporation/ establishment	Principal activities	Type of legal status	Issued and paid-up capital	Effective interest held as at			
					31 December			Date of Report
					2013	2014	2015	
VMSZ*	The PRC, 18 January 2016	Trading of medical devices	Limited liability company	RMB10,000,000	N/a	N/a	N/a	100%
Rehab-Robotics Company Limited ("RRCL")	Hong Kong, 5 October 2010	Development of "Hand of Hope" robotic hand training devices	Limited liability company	HK$14,900,000	N/a	N/a	53.125%	53.125%
VRDC	Hong Kong, 19 February 2016	Trading of medical devices	Limited liability company	HK$10	N/a	N/a	N/a	100%
DVRD*,#	The PRC, 20 June 2016	Manufacturing of medical devices	Limited liability company	HK$Nil	N/a	N/a	N/a	100%

* These subsidiaries are wholly-owned foreign enterprises established in the PRC.

^ The Group is able to control RDHK and VMRD-GZ through VMHK as VMHK owns 60% of the equity interest in RDHK and VMRD-GZ.

The registered capital of DVRD is HK$8,000,000 and no capital has been paid up as at the date of this report.

3. ADOPTION OF NEW AND REVISED HKFRSs AND REQUIREMENTS

During the Relevant Periods, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for accounting periods beginning on 1 January 2015.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2015. The directors anticipate that the new and revised HKFRSs will be adopted in the Financial Information when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

List of New and revised HKFRSs in issue but not yet effective that are relevant to the Group

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[3]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

G. NOTES TO THE FINANCIAL INFORMATION (continued)

3. ADOPTION OF NEW AND REVISED HKFRSs AND REQUIREMENTS (continued)

List of New and revised HKFRSs in issue but not yet effective that are relevant to the Group (continued)

2 Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply HKFRS 15 at or before the date of initial application of HKFRS 16

3 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted

4 Effective for annual periods beginning on or after a date to be determined. Early adoption is permitted

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost convention.

The preparation of the Financial Information 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 Financial Information are disclosed in note 5.

The significant accounting policies applied in the preparation of the Financial Information are set out below.

(a) Consolidation

The Financial Information 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.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the combined statements of financial position and combined statements of changes in equity within equity. Non-controlling interests are presented in the combined statements of profit or loss and

G. NOTES TO THE FINANCIAL INFORMATION (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

combined statements 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.

(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.

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.

G. NOTES TO THE FINANCIAL INFORMATION (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 Financial Information 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's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in combined statements of 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 includes any long-term interests that, in substance, form 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.

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) 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 Financial Information is presented in Hong Kong dollars ("HKD"), which is the Company's functional and presentation currency.

G. NOTES TO THE FINANCIAL INFORMATION (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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 of 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 to 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.

(e) Property, plant and equipment

Property, plant and equipment are stated in the combined statements 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

G. NOTES TO THE FINANCIAL INFORMATION (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 useful lives are as follows:

Furniture and fixtures	20%—33%
Plant and machinery	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.

Construction in progress represents leasehold improvements under construction and plant and machinery pending for 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.

(f) Operating leases

The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(g) Intangible assets

Use right

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

(h) 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;

G. NOTES TO THE FINANCIAL INFORMATION (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(j) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the combined statements of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(k) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost

G. NOTES TO THE FINANCIAL INFORMATION (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

(l) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(m) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which 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.

(n) 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.

(o) 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.

(p) Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair value and are subsequently measured at the higher of:

- the amount of the obligations under the contracts, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and
- the amount initially recognised less cumulative amortisation recognised in profit or loss on a straight-line basis over the terms of the guarantee contracts.

(q) Trade and other payables

Trade and other payables are stated 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.

G. NOTES TO THE FINANCIAL INFORMATION (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of manufactured goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

(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 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) 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.

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

G. NOTES TO THE FINANCIAL INFORMATION (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(v) 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 of 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 combined 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, 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.

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.

G. NOTES TO THE FINANCIAL INFORMATION (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) 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 combined 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 cash-generating unit 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 cash-generating unit.

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

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. 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.

(x) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(y) 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

G. NOTES TO THE FINANCIAL INFORMATION (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(z) 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 combined financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the Financial Information when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

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.

(a) Property, plant and equipment and depreciation

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 and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amounts of property, plant and equipment as at 31 December 2013, 2014 and 2015 were approximately HK$39,789,000, HK$49,978,000 and HK$44,876,000 respectively.

(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 years ended 31 December 2013, 2014 and 2015, income tax of approximately HK$8,465,000, HK$11,562,000 and HK$(2,484,000) was charged/(credited) to profit or loss respectively.

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

G. NOTES TO THE FINANCIAL INFORMATION (continued)

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

The carrying amounts of goodwill as at 31 December 2013, 2014 and 2015 were approximately HK$Nil, HK$Nil and HK$9,591,000 respectively. No impairment loss was made during the Relevant Periods.

(d) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

As at 31 December 2013, 2014 and 2015, the accumulated impairment loss for bad and doubtful debts amounted to approximately HK$1,028,000, HK$895,000 and HK$895,000 respectively.

(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 years ended 31 December 2013, 2014 and 2015, allowance for slow-moving inventories of approximately HK$987,000, HK$(96,000) and HK$14,000 was made/(reversed) respectively.

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 such foreign currency risk and considered that it is insignificant to the respective Group entities at the entity level. 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

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

G. NOTES TO THE FINANCIAL INFORMATION (continued)

6. FINANCIAL RISK MANAGEMENT (continued)

team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. 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 significantly reduced.

As at 31 December 2013, 2014 and 2015, there were 1, 2 and 2 customers which individually contributed over 10% of the Group's trade receivables respectively. The aggregate amounts of trade receivables from these customers amounted to 45%, 49% and 52% of the Group's total trade receivables as at 31 December 2013, 2014 and 2015 respectively.

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

Except for the financial guarantee given by the Group as set out in note 29, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at each of the end of the reporting period is disclosed in note 29 to the Financial Information.

(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 financial liabilities is as follows:

	On demand or within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2013					
Trade payables	24,382	—	—	—	24,382
Other payables and accruals	10,886	—	—	—	10,886
Due to related companies	16,245	—	—	—	16,245
Borrowings	1,800	—	—	—	1,800
As at 31 December 2014					
Trade payables	32,202	—	—	—	32,202
Other payables and accruals	21,626	—	—	—	21,626
Due to related companies	19,202	—	—	—	19,202
Borrowings	600	—	—	—	600
As at 31 December 2015					
Trade payables	24,751	—	—	—	24,751
Other payables and accruals	19,193	—	—	—	19,193
Borrowings	1,200	2,400	1,462	—	5,062
Financial guarantee	19,000	—	—	—	19,000

For borrowings 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 lenders were to invoke their unconditional rights to call the loans with immediate effect.

G. NOTES TO THE FINANCIAL INFORMATION (continued)

6. FINANCIAL RISK MANAGEMENT (continued)

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

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

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2013	1,240	606	—	—	1,846
As at 31 December 2014	606	—	—	—	606
As at 31 December 2015	—	—	—	—	—

(d) Interest rate risk

The Group's exposure to interest-rate risk mainly arises from its bank deposits, bank loan and other loan. Bank deposits and bank loan 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 value risk.

The effect of changes in interest rates is not significant to the Financial Information. 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.

(e) Categories of financial instruments

	As at 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
Financial assets:			
Loans and receivables (including cash and cash equivalents)	146,715	151,900	156,796
Financial liabilities:			
Financial liabilities at amortised cost	53,313	73,630	48,661

(f) Fair values

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

G. NOTES TO THE FINANCIAL INFORMATION (continued)

7. TURNOVER

The Group's turnover represents sales of medical devices to customers. An analysis of the Group's turnover by products for the Relevant Periods is as follows:

	Year ended 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
Respiratory products	131,218	156,417	175,241
Imaging disposable products	116,383	153,181	155,675
Orthopaedic and rehabilitation products	55,667	61,227	74,124
Others	21,224	18,152	43,129
	324,492	388,977	448,169

8. OTHER INCOME

	Year ended 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
Exchange gain, net	—	—	736
Interest income	293	670	131
Gain on disposals of property, plant and equipment	—	—	284
Sundry income	51	316	490
Write back of trade payables	1,465	1,449	—
	1,809	2,435	1,641

9. 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 comprises research, development, manufacturing, marketing and sales of medical devices under "Inspired Medical" ("英仕醫療") and "Hand of Hope" brands.

The accounting policies of the operating segments are the same as those described in note 4 to the Financial Information. Segment profits or losses do not include interest income, interest expenses, write back of trade payables, share of loss of an associate, 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 Financial Information.

G. NOTES TO THE FINANCIAL INFORMATION (continued)

9. SEGMENT INFORMATION (continued)

Information about reportable segment profit or loss:

	OEM	OBM	Total
	HK$'000	HK$'000	HK$'000
Year ended 31 December 2013			
Revenue from external customers	283,388	41,104	324,492
Segment profit	32,141	6,231	38,372
Depreciation and amortisation	8,837	1,299	10,136
Year ended 31 December 2014			
Revenue from external customers	341,271	47,706	388,977
Segment profit	46,647	8,922	55,569
Depreciation and amortisation	10,158	1,439	11,597
Year ended 31 December 2015			
Revenue from external customers	391,062	57,107	448,169
Segment profit	64,182	10,824	75,006
Depreciation and amortisation	10,974	1,715	12,689

Reconciliations of reportable segment revenue and profit or loss:

	Year ended 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
Revenue			
Total revenue of reportable segments	324,492	388,977	448,169
Profit or loss			
Total profit or loss of reportable segments	38,372	55,569	75,006
Interest income	293	670	131
Interest expenses	(80)	(40)	(5)
Write back of trade payables	1,465	1,449	—
Share of loss of an associate	—	(118)	(41)
Unallocated corporate income	51	316	1,510
Unallocated corporate expenses	(4,626)	(3,888)	(7,429)
Combined profit before tax	35,475	53,958	69,172

G. NOTES TO THE FINANCIAL INFORMATION (continued)

9. SEGMENT INFORMATION (continued)

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		
	Year ended 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
United States	233,961	289,060	331,151
PRC	27,719	34,137	37,635
Germany	16,927	17,832	21,954
Australia	13,673	15,509	12,015
Japan	12,598	12,250	13,564
Others	19,614	20,189	31,850
	324,492	388,977	448,169

	Non-current assets		
	As at 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
Hong Kong	2,322	1,520	24,570
PRC	37,467	48,458	43,554
Australia	—	13,443	13,269
	39,789	63,421	81,393

Revenue from major customers:

	Year ended 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
OEM segment			
Customer a	122,682	153,757	161,326
Customer b	30,853	43,015	73,379
Customer c	34,327	14,887	20,402

10. INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
Current tax – Hong Kong Profits Tax			
Provision for the year	3,853	6,861	6,392
Over-provision in prior years	—	—	(11,876)
	3,853	6,861	(5,484)
Current tax – PRC			
Provision for the year	4,612	4,701	3,016
Deferred tax (note 25)	—	—	(16)
Income tax expense/(credit)	8,465	11,562	(2,484)

G. NOTES TO THE FINANCIAL INFORMATION (continued)

10. INCOME TAX EXPENSE/(CREDIT) (continued)

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the Relevant Periods.

Under the Corporate Income Tax Law of the PRC which became effective from 1 January 2008, the standard corporate income tax rate is 25% except for VMDG which is qualified as High and New Tech Enterprise and would be entitled to a reduced corporate income tax rate of 15% from 2 July 2013. The relevant tax rates for the Company's PRC subsidiaries range from 15% to 25%.

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

	Year ended 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
Profit before tax	35,475	53,958	69,172
Tax at Hong Kong Profits Tax rate of 16.5%	5,854	8,903	11,414
Tax effect of share of loss of an associate	—	19	7
Tax effect of income that is not taxable (note 1)	(47)	(109)	(25,279)
Tax effect of expenses that are not deductible (note 2)	1,890	2,045	21,709
Tax effect on temporary differences not recognised	115	227	1,019
Tax effect of tax losses not recognised	783	676	599
Tax effect of utilisation of tax losses not previously recognised	—	—	(18)
Effect of different tax rates of subsidiaries	(130)	(199)	(59)
Over-provision in prior years	—	—	(11,876)
Income tax expense/(credit)	8,465	11,562	(2,484)

Notes:

(1) "Tax effect of income that is not taxable" for the year ended 31 December 2015 mainly represented the offshore income of VMHK and VHPL.

(2) "Tax effect of expenses that are not deductible" for the year ended 31 December 2015 mainly represented the expenses incurred by VMHK and VHPL in generating their respective non-Hong Kong scoured income.

As at 31 December 2013, 2014 and 2015, the Group has unused tax losses of approximately HK$9,075,000, HK$12,121,000 and HK$20,474,000 respectively available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams from those loss making subsidiaries. The aforesaid 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:

	As at 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
On 31 December 2017	1,529	1,524	1,435
On 31 December 2018	1,788	1,781	1,677
On 31 December 2019	—	2,045	1,925
On 31 December 2020	—	—	1,992
Carried forward indefinitely	5,758	6,771	13,445
	9,075	12,121	20,474

G. NOTES TO THE FINANCIAL INFORMATION (continued)

10. INCOME TAX EXPENSE/(CREDIT) (continued)

As at 31 December 2013, 2014 and 2015, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is approximately HK$4,485,000, HK$5,085,000 and HK$5,914,000 respectively. 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.

11. PROFIT FOR THE YEAR

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

	Year ended 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
Allowance/(reversal of allowance) for inventories (included in cost of inventories sold)	987	(96)	14
Allowance for trade receivables	—	235	—
Amortisation	—	—	96
Auditor's remuneration	558	635	2,243
Cost of inventories sold	236,293	273,913	308,368
Depreciation	10,824	12,370	13,216
Gain on disposals of property, plant and equipment	—	—	(284)
Listing-related expenses	—	—	4,634
Operating lease charges — land and buildings	5,591	6,290	6,059
Research and development expenditure	7,264	7,213	7,185
Staff costs (including directors' emoluments)			
Salaries, bonuses and allowances	43,723	54,625	71,498
Retirement benefits scheme contributions	1,548	2,053	5,116
Other benefits	2,392	2,911	3,476
	47,663	59,589	80,090
Write off of property, plant and equipment	66	88	497

Cost of inventories sold include staff costs of approximately HK$32,119,000, HK$40,720,000 and HK$53,357,000, depreciation of approximately HK$8,181,000, HK$9,023,000 and HK$9,748,000, and operating lease charges of approximately HK$295,000, HK$298,000 and HK$294,000, which are included in the amounts disclosed separately above for the years ended 31 December 2013, 2014 and 2015.

Research and development expenditure include staff costs of approximately HK$2,619,000, HK$2,615,000 and HK$3,028,000, depreciation of approximately HK$687,000 and HK$772,000 and HK$624,000, and operating lease charges of approximately HK$249,000, HK$466,000 and HK$231,000, which are included in the amounts disclosed separately above for the years ended 31 December 2013, 2014 and 2015.

Staff costs include fee reimbursement of approximately HK$Nil, HK$Nil and HK$16,680,000 to a related company for the years ended 31 December 2013, 2014 and 2015.

G. NOTES TO THE FINANCIAL INFORMATION (continued)

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments of each director were as follows:

	Fees	Salaries and allowances	Discretionary bonuses	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2013					
Mr. Choi	—	—	—	—	—
Ms. Liu	—	—	—	—	—
Mr. To Ki Cheung	—	1,051	—	49	1,100
Mr. Koh Ming Fai	—	488	99	24	611
Mr. Fu Kwok Fu	—	535	129	26	690
	—	2,074	228	99	2,401
Year ended 31 December 2014					
Mr. Choi	—	—	—	—	—
Ms. Liu	—	—	—	—	—
Mr. To Ki Cheung	—	1,011	—	51	1,062
Mr. Koh Ming Fai	—	541	115	27	683
Mr. Fu Kwok Fu	—	576	137	29	742
	—	2,128	252	107	2,487
Year ended 31 December 2015					
Mr. Choi	—	—	—	—	—
Ms. Liu	—	—	—	—	—
Mr. To Ki Cheung	—	1,047	—	52	1,099
Mr. Koh Ming Fai	—	641	93	32	766
Mr. Fu Kwok Fu	—	612	100	31	743
	—	2,300	193	115	2,608

There was no arrangement under which a director waived or agreed to waive any emoluments during the Relevant Periods.

(b) Employees' emoluments

The five highest paid individuals in the Group included three directors for the Relevant Periods whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining highest paid employees during the Relevant Periods are as follows:

	Year ended 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
Salaries, bonuses and allowances	1,311	1,516	1,527
Retirement benefits scheme contributions	66	76	76
	1,377	1,592	1,603

The emoluments fell within the following band:

	Number of individuals		
	Year ended 31 December		
	2013	2014	2015
Nil to HK$1,000,000	2	2	2

G. NOTES TO THE FINANCIAL INFORMATION (continued)

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

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

13. DIVIDEND

	Year ended 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
Dividend paid	19,454	20,001	24,604

Subsequent to 31 December 2015, interim dividends of HK$15,000,000 and HK$6,000,000 in respect of the year ended 31 December 2015 have been declared by the directors of VMHK and VHPL respectively.

The rate of dividend and the number of shares ranking for dividend is not presented as such information is not meaningful having regard to the purpose of this report.

14. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the basis of presentation of the results of the Group for the Relevant Periods as further explained in note 2 to the Financial Information.

G. NOTES TO THE FINANCIAL INFORMATION (continued)

15. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures	Plant and machinery	Leasehold improvements	Moulds	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost							
At 1 January 2013	5,403	38,449	16,400	12,028	224	2,589	75,093
Additions	959	2,439	—	1,949	370	4,127	9,844
Write off	(16)	(109)	—	—	—	—	(125)
Transfer	—	—	3,883	611	—	(4,494)	—
Exchange differences	157	1,363	670	475	9	28	2,702
At 31 December 2013 and 1 January 2014	6,503	42,142	20,953	15,063	603	2,250	87,514
Additions	1,857	7,571	105	8,496	531	4,170	22,730
Write off	(18)	(135)	—	—	—	—	(153)
Transfer	—	126	2,863	—	—	(2,989)	—
Exchange differences	(10)	(103)	(58)	(15)	1	(3)	(188)
At 31 December 2014 and 1 January 2015	8,332	49,601	23,863	23,544	1,135	3,428	109,903
Additions	1,456	5,765	62	1,506	528	2,003	11,320
Write off / disposals	(154)	(12,217)	(891)	(257)	(174)	(456)	(14,149)
Acquisition of a subsidiary (note 28)	376	—	107	233	—	—	716
Transfer	—	—	2,770	—	—	(2,770)	—
Exchange differences	(416)	(2,583)	(1,448)	(1,392)	(57)	(109)	(6,005)
At 31 December 2015	9,594	40,566	24,463	23,634	1,432	2,096	101,785
Accumulated depreciation							
At 1 January 2013	2,766	19,654	7,266	5,774	87	—	35,547
Charge for the year	1,080	4,445	3,626	1,577	96	—	10,824
Write off	(14)	(45)	—	—	—	—	(59)
Exchange differences	83	779	325	225	1	—	1,413
At 31 December 2013 and 1 January 2014	3,915	24,833	11,217	7,576	184	—	47,725
Charge for the year	1,324	4,444	4,421	2,001	180	—	12,370
Write off	(15)	(50)	—	—	—	—	(65)
Exchange differences	(5)	(65)	(19)	(16)	—	—	(105)
At 31 December 2014 and 1 January 2015	5,219	29,162	15,619	9,561	364	—	59,925
Charge for the year	1,389	5,122	4,419	2,045	241	—	13,216
Write off / disposals	(153)	(11,476)	(891)	(215)	(173)	—	(12,908)
Exchange differences	(259)	(1,417)	(1,029)	(600)	(19)	—	(3,324)
At 31 December 2015	6,196	21,391	18,118	10,791	413	—	56,909
Carrying amount							
At 31 December 2013	2,588	17,309	9,736	7,487	419	2,250	39,789
At 31 December 2014	3,113	20,439	8,244	13,983	771	3,428	49,978
At 31 December 2015	3,398	19,175	6,345	12,843	1,019	2,096	44,876

G. NOTES TO THE FINANCIAL INFORMATION (continued)

16. GOODWILL

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	As at 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
Development of "Hand of Hope" robotic hand training devices			
RRCL	—	—	9,591

The recoverable amounts of the CGUs have been determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's development of "Hand of Hope" robotic hand training devices business is 19.55%.

17. OTHER INTANGIBLE ASSETS

	Use right
	HK$'000
Cost	
At 1 January 2013, 31 December 2013 and 31 December 2014	—
Arising on acquisition of a subsidiary (note 28)	13,753
At 31 December 2015	13,753
Accumulated amortisation	
At 1 January 2013, 31 December 2013 and 31 December 2014	—
Amortisation for the year	96
At 31 December 2015	96
Carrying amount	
At 31 December 2015	13,657

The use right represents the licence 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 at 31 December 2015 is 9.38 years.

G. NOTES TO THE FINANCIAL INFORMATION (continued)

18. INVESTMENT IN AN ASSOCIATE

	As at 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
Unlisted investment:			
Share of net assets	—	1,249	1,075
Goodwill	—	12,194	12,194
	—	13,443	13,269

Details of the Group's associate at 31 December 2014 and 2015 are as follows:

Name	Place of incorporation and operation	Particulars of issued and paid up capital	Percentage of interest held by a subsidiary		Principal activities
			At 31 December 2014	2015	
VENTIFIC HOLDINGS PTY LTD	Australia	54,720,000 ordinary shares of AUD$0.1827 each	20%	20%	Design, development and distribution of obstructive sleep apnea treatment devices and accessories

The summarised financial information presented is based on the unaudited management accounts of the associate.

	As at 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
Non-current assets	—	17	15
Current assets	—	6,253	5,383
Non-current liabilities	—	—	—
Current liabilities	—	(26)	(25)
Net assets	—	6,244	5,373
Group's share of net assets	—	1,249	1,075
Goodwill	—	12,194	12,194
Group's share of carrying amount of interests	—	13,443	13,269

	Year ended 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
Revenue	—	—	—
Loss for the year	—	(592)	(202)
Other comprehensive income	—	—	—
Total comprehensive income	—	(592)	(202)
Dividends received from the associate	—	—	—
Group's share of loss	—	(118)	(41)

G. NOTES TO THE FINANCIAL INFORMATION (continued)

19. INVENTORIES

	As at 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
Raw materials	19,558	43,388	41,010
Work in progress	11,716	13,202	16,263
Finished goods	8,652	9,928	8,149
	39,926	66,518	65,422

20. TRADE RECEIVABLES

The general credit terms of the Group granted to its customers range from 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	As at 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
0 to 30 days	26,781	35,977	40,149
31 to 60 days	27,719	28,558	25,193
61 to 90 days	12,650	15,255	14,500
Over 90 days	9,740	9,436	7,346
	76,890	89,226	87,188

As at 31 December 2013, 2014 and 2015, allowance made for estimated irrecoverable trade receivables was approximately HK$1,028,000, HK$895,000 and HK$895,000 respectively.

Reconciliation of allowance for trade receivables:

	As at 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
At 1 January	1,028	1,028	895
Allowance for the year	—	235	—
Amounts written off	—	(368)	—
At 31 December	1,028	895	895

As of 31 December 2013, 2014 and 2015, trade receivables of approximately HK$22,462,000, HK$30,621,000 and HK$17,088,000 respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
Overdue by:			
Up to 3 months	19,559	27,420	16,870
Over 3 months	2,903	3,201	218
	22,462	30,621	17,088

G. NOTES TO THE FINANCIAL INFORMATION (continued)

20. TRADE RECEIVABLES (continued)

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	As at 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
HKD	374	114	723
RMB	5,361	6,137	7,063
USD	71,155	82,975	79,402
	76,890	89,226	87,188

21. BANK AND CASH BALANCES

The carrying amounts of the Group's bank and cash balances are denominated in the following currencies:

	As at 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
HKD	19,454	12,752	33,250
RMB	4,606	28,789	8,884
USD	44,684	20,306	27,150
Others	10	15	19
	68,754	61,862	69,303

As at 31 December 2013, 2014 and 2015, the bank and cash balances of the Group denominated in RMB and kept in the PRC amounted to approximately HK$3,078,000, HK$5,988,000 and HK$7,955,000 respectively. 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.

22. SHARE CAPITAL

	The Company	
	Number of shares	Amount HK$
Authorised:		
Shares of US$1 each		
On incorporation and as at 31 December 2015	50,000	390,000
Issued and fully paid:		
Shares of US$1 each		
On incorporation and as at 31 December 2015	1	8

The Company was incorporated as an exempted company in the Cayman Islands on 19 November 2015 with an authorised share capital of US$50,000 divided into 50,000 shares with a par value of US$1 each.

On incorporation, one share was allotted as fully paid at par value to a subscriber, and was transferred to VRI on the same date.

G. NOTES TO THE FINANCIAL INFORMATION (continued)

22. SHARE CAPITAL (continued)

On 3 February 2016, the Company redenominated its share capital from US$ to HK$ (the "Redenomination") through the following steps:

i) the authorised share capital of the Company was increased by HK$100,000,000 through the creation of 10,000,000,000 shares of a par value of HK$0.01 each;

ii) the Company allotted and issued nil-paid one share of HK$0.01 to VRI at a subscription price of HK$7.8 (equivalent to US$1) (the "Subscription Price");

iii) the Company repurchased the one issued share of US$1 from VRI at a price of US$1 (the "Repurchase Price"), after which such share was cancelled;

iv) the Subscription Price was set off by the Repurchase Price and as a result, the one nil-paid share of HK$0.01 issued to VRI in (ii) was credited as fully-paid; and

v) the 50,000 unissued shares of US$1 each in the authorised share capital of the Company were cancelled.

As a result of the Redenomination, the Company had an authorised share capital of HK$100,000,000 divided into 10,000,000,000 shares with a par value of HK$0.01 each.

On 18 February 2016, the Company entered into a sale and purchase agreement with each of (i) immediate parent of VHPL prior to the Reorganisation, Mr. Choi and Ms. Liu; (ii) Mr. To Ki Cheung; (iii) Mr. Koh Ming Fai; and (iv) Mr. Fu Kwok Fu, pursuant to which the Company allotted and issued 970, 404, 121 and 121 shares, credited as fully-paid, to VRI, Mr. To Ki Cheung, Mr. Koh Ming Fai and Mr. Fu Kwok Fu (directors of the Company) respectively, in exchange for an aggregate of 100,000 shares of VHPL, representing 100% of the entire issued share capital of VHPL.

On the same date, the Company entered into another sale and purchase agreement with immediate parent of VMHK prior to the Reorganisation, Mr. Choi and Ms. Liu, pursuant to which the Company further allotted and issued 8,382 shares, credited as fully-paid, to VRI in exchange for 6,918,630 shares of VMHK, representing 80.1% of the entire issued share capital of VMHK.

On 26 February 2016, the Company and three investors entered into a subscription and shareholders' agreement, pursuant to which an aggregate of 2,500 shares of the Company were issued and allotted to these investors at a consideration of HK$60,000,000.

For the purpose of this report, the share capital as presented in the combined statements of financial position as at 31 December 2013 and 2014 represented the issued and paid up capital of VHPL and VMHK (other than share capital contributed by the non-controlling shareholder). The share capital as presented in the combined statements of financial position as at 31 December 2015 represented the issued and paid up capital of the Company, VHPL and VMHK (other than share capital contributed by the non-controlling shareholder).

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 currently does not have any specific policies and processes for managing capital.

The Group is not subject to any externally imposed capital requirements.

G. NOTES TO THE FINANCIAL INFORMATION (continued)

23. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the combined statements of profit or loss and other comprehensive income and combined statements of changes in equity.

(b) Company

	Accumulated losses
	HK$'000
Loss for the period and as at 31 December 2015	(2,769)

(c) Nature and purpose of reserves

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 policies set out in note 4(d)(iii) to the Financial Information.

24. BORROWINGS

	As at 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
Bank loan, secured	1,800	600	—
Other loan, unsecured	—	—	4,717
	1,800	600	4,717

The borrowings are repayable as follows:

	At 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
Within one year	1,200	600	992
More than one year, but not exceeding two years	600	—	2,275
More than two years, but not more than five years	—	—	1,450
	1,800	600	4,717
Portion of bank loan that is due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	(600)	—	—
	1,200	600	4,717
Less: Amount due for settlement within 12 months (shown under current liabilities)	(1,200)	(600)	(992)
Amount due for settlement after 12 months	—	—	3,725

The carrying amounts of the Group's borrowings are denominated in HKD.

G. NOTES TO THE FINANCIAL INFORMATION (continued)

24. BORROWINGS (continued)

The effective interest rates of borrowings were as follows:

	At 31 December		
	2013	2014	2015
Bank loan	3.22%	3.21%	n/a
Other loan	n/a	n/a	5%

Bank loan is arranged at floating rate, thus exposing the Group to cash flow interest risk. Other loan is arranged at fixed rate and exposes the Group to fair value interest risk.

The bank loan is secured by corporate guarantee executed by a related company, personal guarantee executed by a director and special loan guarantee by the Government of the Hong Kong Special Administrative Region.

25. DEFERRED TAX

The followings are the deferred tax liabilities recognised by the Group.

	Fair value on intangible assets
	HK$'000
At 1 January 2013, 31 December 2013 and 31 December 2014	—
Acquired in a business combination (note 28)	2,269
Credit to profit or loss for the year (note 10)	(16)
At 31 December 2015	2,253

26. TRADE PAYABLES

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

	As at 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
0 to 30 days	6,080	12,154	9,348
31 to 60 days	7,234	7,022	4,104
Over 60 days	11,068	13,026	11,299
	24,382	32,202	24,751

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	As at 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
HKD	6,587	6,272	6,150
RMB	6,763	7,167	6,852
USD	10,883	18,660	11,293
Others	149	103	456
	24,382	32,202	24,751

G. NOTES TO THE FINANCIAL INFORMATION (continued)

27. DUE TO RELATED COMPANIES

The amounts due are unsecured, interest-free and have no fixed terms of repayment.

28. NOTE TO THE COMBINED STATEMENTS OF CASH FLOWS

Acquisition of a subsidiary

On 8 December 2015, the Group acquired 53.125% of the issued share capital of RRCL for a total consideration of HK$20,400,000. RRCL was principally engaged in development of "Hand of Hope" robotic hand training devices. The acquisition is to create great synergy by combing the strength of the Group's orthopaedic and rehabilitation business with RRCL.

The fair value of the identifiable assets and liabilities of RRCL acquired as at the date of acquisition are as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment	716
Other intangible assets	13,753
Inventories	1,438
Trade receivables	208
Prepayments and deposits	464
Bank and cash balances	14,992
Trade payables	(3,382)
Other payables and accruals	(856)
Borrowings	(4,717)
Deferred tax liabilities	(2,269)
	20,347
Non-controlling interests	(9,538)
Goodwill	9,591
	20,400
Satisfied by:	
Cash	20,400
Net cash outflow arising on acquisition:	
Cash consideration paid	20,400
Cash and cash equivalents acquired	(14,992)
	5,408

The fair value of the trade and other receivables acquired is approximately HK$208,000. The gross amount due under the contracts is approximately HK$208,000, of which HK$Nil is expected to be uncollectible.

Acquisition-related costs of approximately HK$274,000 have been charged to administrative expenses in the combined statements of profit or loss for the year ended 31 December 2015.

Non-controlling interests of approximately HK$9,538,000 was measured at the non-controlling shareholders proportionate share of the net fair value of the identifiable assets and liabilities at the date of acquisition.

G. NOTES TO THE FINANCIAL INFORMATION (continued)

28. NOTE TO THE COMBINED STATEMENTS OF CASH FLOWS (continued)

Acquisition of a subsidiary (continued)

The goodwill arising on the acquisition of RRCL is attributable to the anticipated profitability from the development of "Hand of Hope" robotic hand training devices and the anticipated future operating synergy from the combination.

RRCL contributed approximately HK$415,000 and HK$567,000 to the Group's revenue and loss for the year ended 31 December 2015 between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2015, total Group revenue for the year ended 31 December 2015 would have been approximately HK$455,694,000, and profit for the year ended 31 December 2015 would have been approximately HK$66,643,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is intended to be a projection of future results.

29. FINANCIAL GUARANTEE CONTRACTS

As at 31 December 2013, 2014 and 2015, a subsidiary of the Company issued guarantees to two banks in respect of banking facilities granted to a related company.

The directors do not consider it probable that a claim will be made against the subsidiary under the guarantees. The maximum liability of the Group under the guarantees is the outstanding amount of the bank loans drawn under the guarantees amounted to approximately HK$Nil, HK$Nil and HK$19,000,000 as at 31 December 2013, 2014 and 2015 respectively. The guarantee will be released upon successful listing on the Main Board of The Stock Exchange of Hong Kong Limited.

The fair value of the guarantee at date of inception is not material and is not recognised in the Financial Information.

Other than abovementioned, the Group did not have any other significant contingent liabilities as at 31 December 2013, 2014 and 2015.

30. CAPITAL COMMITMENTS

At 31 December 2013, 2014 and 2015, the Group's capital commitments are as follows:

	At 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
Property, plant and equipment			
Contracted but not provided for	2,569	2,475	3,142

G. NOTES TO THE FINANCIAL INFORMATION (continued)

31. LEASE COMMITMENTS

At 31 December 2013, 2014 and 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
Within one year	2,014	1,086	4,257
In the second to fifth years inclusive	1,040	632	9,380
	3,054	1,718	13,637

Operating lease payments represent rentals payable by the Group for certain of its offices and factory premises. Leases are negotiated for terms ranging from one to five years and rentals are fixed over the lease terms and do not include contingent rentals.

32. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the Financial Information, the Group had the following transactions and balances with its related parties during the Relevant Periods:

	Year ended 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
Purchases of goods from related companies	45,337	48,875	54,634
Catering service fee paid to a related company	1,320	1,330	1,256
Management fees paid to related companies	8,383	8,922	4,238
Rental expenses paid to related companies	5,216	5,567	5,240
Reimbursement of staff costs to a related company	—	—	16,680
Metal supplies and processing service fee to a related company	810	1,819	1,134

	As at 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
Trade payables to related companies	5,036	5,166	1,653

Note:
Mr. Choi and Ms. Liu have beneficial interests in these related companies.

(b) The remuneration of directors and other members of key management during the Relevant Periods was as follows:

	Year ended 31 December		
	2013	2014	2015
	HK$'000	HK$'000	HK$'000
Short-term benefits	4,720	5,371	5,639
Retirement benefits scheme contributions	184	216	225
	4,904	5,587	5,864

G. NOTES TO THE FINANCIAL INFORMATION (continued)

33. PRINCIPAL SUBSIDIARIES

The following table shows information of subsidiaries that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company elimination.

Name	VMHK			VMDG			RRCL		
Principal place of business/ country of incorporation	Hong Kong/Hong Kong			PRC/PRC			Hong Kong/Hong Kong		
% of ownership interests/ voting rights held by NCI	19.9%/19.9%			19.9%/19.9%			46.875%/46.875%		
	As at 31 December			As at 31 December			As at 31 December		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	14,838	14,671	14,979	37,187	48,022	41,675	n/a	n/a	14,377
Current assets	167,916	143,941	191,252	108,414	116,210	123,255	n/a	n/a	16,351
Non-current liabilities	—	—	—	—	—	—	n/a	n/a	(5,978)
Current liabilities	(136,098)	(96,716)	(104,411)	(31,353)	(40,010)	(35,619)	n/a	n/a	(4,970)
Net assets	46,656	61,896	101,820	114,248	124,222	129,311	n/a	n/a	19,780
Accumulated NCI	9,217	12,250	20,195	20,347	22,332	22,152	n/a	n/a	9,272
	Year ended 31 December			Year ended 31 December			Year ended 31 December		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	296,774	353,287	403,877	219,604	262,505	297,564	n/a	n/a	415
Profit/(loss)	15,228	30,241	59,928	10,039	10,323	12,842	n/a	n/a	(567)
Total comprehensive income	15,228	30,241	59,928	13,962	9,974	5,089	n/a	n/a	(567)
Profit/(loss) allocated to NCI	3,030	6,018	11,926	1,998	2,054	2,555	n/a	n/a	(266)
Net cash generated from/(used in) operating activities	32,131	2,792	7,111	7,496	25,012	18,239	n/a	n/a	(824)
Net cash generated from/(used in) investing activities	281	527	(376)	(9,529)	(22,246)	(9,154)	n/a	n/a	(5)
Net cash used in financing activities	(16,203)	(16,201)	(20,604)	—	—	—	n/a	n/a	—
Effect of foreign exchange rate changes	—	—	—	3,271	(341)	(6,550)	n/a	n/a	—
Net increase/ (decrease) in cash and cash equivalents	16,209	(12,882)	(13,869)	1,238	2,425	2,535	n/a	n/a	(829)

G. NOTES TO THE FINANCIAL INFORMATION (continued)

34. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed above, the following significant events took place subsequent to 31 December 2015 and up to the date of this report.

(i) In January 2016, the Group borrowed a bank loan of approximately HK$10,699,000, which was secured by corporate guarantee provided by the Company and VMCH, and repayable within one year.

(ii) Pursuant to the written resolution of all the shareholders passed on 17 June 2016, the Company has conditionally adopted a share option scheme ("Pre-IPO Share Option Scheme"). On the same date, the Company has granted options pursuant to the Pre-IPO Share Option Scheme to directors and employees to subscribe for an aggregate of 19,684,000 shares. The details of the Pre-IPO Share Option Scheme are set out under the paragraph "Other information — 16. Pre-IPO Share Option Scheme" in Appendix IV to the Prospectus.

(iii) Pursuant to the written resolution of all the shareholders passed on 24 June 2016, the Company has conditionally adopted a share option scheme ("Share Option Scheme"). No option was granted under the Share Option Scheme as at the date of this report. The details of the Share Option Scheme are set out under the paragraph "Other information — 17. Share Option Scheme" in Appendix IV to the Prospectus.

(iv) Pursuant to the written resolution passed by the shareholders on 24 June 2016, the sum of HK$5,103,875 standing to the credit of the share premium amount of the Company will be capitalised and applied in paying up an aggregate of 510,387,501 shares of the Company.

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 December 2015.

Yours faithfully,
RSM Hong Kong
Certified Public Accountants
Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is set out herein to provide the investors with further information to assess the financial performance of our Group after taking into account the adjusted net tangible assets of our Group to illustrate the financial position of our Group after completion of the Global Offering and to illustrate the performance of our Group had the Global Offering been completed on 31 December 2015.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma financial information has been prepared, on the basis of the notes set out below, to illustrate how the Global Offering may have affected the net tangible assets attributable to owners of our Company had it occurred as of 31 December 2015. It has been prepared for illustrative purpose only and, because of its nature, may not give a true picture of the financial position of our Group.

	Audited combined net tangible assets attributable to owners of our Company as of 31 December 2015	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share
	(Note 1) HK$'000	(Note 2) HK$'000	HK$'000	(Note 3) HK$
Based on a minimum Offer Price of HK$1.00 per Offer Share	146,110	100,316	246,426	0.39
Based on a maximum Offer Price of HK$1.25 per Offer Share	146,110	131,099	277,209	0.43

Notes:

(1) The audited combined net tangible assets attributable to owners of our Company as of 31 December 2015 is arrived at after deducting the intangible assets of approximately HK$23,248,000 and the non-controlling interests of approximately HK$47,729,000 from the audited combined net assets of approximately HK$217,087,000 as of 31 December 2015, as shown in Accountants' Report, the text of which is set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 127,600,000 Shares to be issued at a minimum Offer Price of HK$1.00 or a maximum Offer Price of HK$1.25 per Offer Share, respectively, net of underwriting fee and other estimated listed-related expenses (taking into account the effect of listed-related expenses which have been accounted for prior to 31 December 2015) of approximately HK$27,284,000 and HK$28,401,000, respectively, and does not take into account of any Offer Shares which may be issued upon the exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Schemes.

(3) The unaudited pro forma adjusted net tangible assets of our Group per Share is arrived at the basis of 638,000,000 Shares in issue, assuming that 127,600,000 Shares to be issued pursuant to the Global Offering and Capitalisation Issue has been completed on 31 December 2015. It does not take into account of any Offer Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Schemes.

(4) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 31 December 2015.

The unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of our Company per Share does not take into account of dividend of HK$21,000,000 (the "Dividend") declared on 8 March 2016 (attributable to owners of our Company of HK$18,015,000 and non-controlling shareholders of HK$2,985,000 respectively). Assuming that the Dividend of which HK$18,015,000 attributable to owners of our Company had been taken into account, the unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of our Company per Share would have been HK$0.36 and HK$0.41 at the Offer Price of HK$1.00 and HK$1.25, respectively, which is calculated based on 638,000,000 Shares in issue immediately following the completion of Global Offering and Capitalisation Issue.

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, from the independent reporting accountants, RSM Hong Kong, Certified Public Accountants, Hong Kong.

30 June 2016

The Board of Directors
Vincent Medical Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of the pro forma financial information of Vincent Medical Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma adjusted net tangible assets of the Group as at 31 December 2015, and related notes as set out in Appendix II to the prospectus dated 30 June 2016 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering on the Group's combined adjusted net tangible assets as at 31 December 2015 as if the Global Offering had been taken place on the same date. As part of this process, information about the Group's net tangible assets as at 31 December 2015 has been extracted by the Directors from the Group's financial statements included in Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not

accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of event or transaction as at 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

RSM Hong Kong
Certified Public Accountants
Hong Kong

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 November 2015 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"). The Company's constitutional documents consist of its memorandum of association (the "**Memorandum**") and its articles of association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit provided that the Company shall only carry on the business for which a licence is required under the laws of the Cayman Islands when so licensed under the terms of such laws, and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 24 June 2016 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such

shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(aa) increase its share capital by the creation of new shares;

(bb) consolidate all or any of its capital into shares of larger amount than its existing shares;

(cc) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(dd) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(ee) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (aa) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine), or (bb) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his

retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for

which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries, including the adoption, modification or operation of (i) an employees' share scheme, a share incentive scheme or a share option scheme under which any Director or his close associate(s) may benefit, or (ii) a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors or his close associate(s) and to employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote

in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) days and not less than twenty (20) business days. All other general meetings must be called by notice of at least fourteen (14) days and not less than ten (10) business

days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and, in the case of special business, the general nature of that business.

In addition notice of every general meeting, must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers published daily and circulating generally in Hong Kong and in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (aa) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (bb) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (bb) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses

unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (i) paying distributions or dividends to members; (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (iii) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (iv) writing-off the preliminary expenses of the company; and (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and

distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (i) an act which is ultra vires the company or illegal, (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (iii) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (i) an order regulating the conduct of the company's affairs in the future, (ii) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (iii) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (iv) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(ii) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 12 April 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Winding up

A company may be wound up (i) compulsorily by order of the Court, (ii) voluntarily, or (iii) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare

whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(q) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection — Documents Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company and registration under Part 16 of the Companies Ordinance

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 19 November 2015.

Our Company was duly registered in Hong Kong under Part 16 of the Companies Ordinance as a non-Hong Kong company on 23 March 2016. Our principal place of business in Hong Kong for the purpose of registration under Part 16 of the Companies Ordinance is at Flat B2, 7th Floor, Phase 2, Hang Fung Industrial Building, 2G Hok Yuen Street, Hung Hom, Kowloon, Hong Kong. In compliance with the requirements of the Companies Ordinance, Mr. To has been appointed as the agent for the acceptance of service of process and any notice required to be served on our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the relevant laws and regulations of the Cayman Islands and to its constitution which comprises the Memorandum of Association and Articles of Association. A summary of certain parts of our constitution and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in the authorised and issued share capital of our Company

Our Company was incorporated in the Cayman Islands on 19 November 2015 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each, with one subscriber share allotted and issued as fully-paid at par to the initial subscriber, an Independent Third Party. On the same day, such subscriber share was transferred to VRI at par value of USD$1.00 ("**Existing Share**").

Pursuant to the resolutions passed by our Board and Shareholders dated 3 February 2016, the share capital of our Company was increased by HK$100,000,000 by the creation of 10,000,000,000 Shares of par value HK$0.01 each ("**Increase**"). Following the Increase, one Share was allotted and issued nil-paid to VRI at a price of HK$7.80 (equivalent to US$1.00) ("**Subscription Price**") and our Company repurchased the Existing Share from VRI at a price of US$1.00 ("**Repurchase Price**"). The Existing Share was subsequently cancelled. The Subscription Price was set off by the Repurchase Price and as a result, the one nil-paid Share issued to VRI was credited as fully-paid. Following, the 50,000 unissued shares of US$1.00 each in the authorised share capital of our Company were cancelled. As a result of the aforementioned, the share capital of our Company became HK$100,000,000 divided into 10,000,000,000 Shares of HK$0.01 each.

Pursuant to the resolutions of our Board dated 18 February 2016, our Company allotted and issued 9,352, 404, 121 and 121 fully-paid Shares to VRI (our Controlling Shareholder), Mr. To, Mr. Koh Ming Fai and Mr. Fu Kwok Fu (our executive Directors), respectively.

Pursuant to the resolutions of our Board dated 26 February 2016, our Company allotted and issued 1,500, 500 and 500 fully-paid Shares to IGF, CPE and UG, respectively.

Immediately following the completion of the Global Offering and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options granted or which may be granted under the Share Option Schemes, 638,000,000 Shares will be issued fully-paid or credited as fully-paid, and 9,362,000,000 Shares will remain unissued.

Other than pursuant to the options granted or which may be granted under the Share Option Schemes, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed above, there has been no alteration in the share capital of our Company since its incorporation.

3. Written resolutions passed by our Shareholders on 24 June 2016

Pursuant to the written resolutions passed by our Shareholders on 24 June 2016, among others:

(a) our Company approved and conditionally adopted the Articles of Association; and

(b) conditional upon the satisfaction or waiver of (i) the Listing Committee of the Stock Exchange granting listing of and permission to deal in our Shares in issue and to be issued as mentioned in this prospectus; (ii) the Offer Price having been fixed and the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements, in each case on or before the date falling 30 days after the date of this prospectus:

(i) the Global Offering and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Offer Shares and the Shares as may be required to be allotted and issued if the Over-allotment Option is exercised;

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph "Other Information — 17. Share Option Scheme" of this appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, to implement the same, grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme;

(iii) conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise and apply an amount of HK$5,103,875.01 standing to the credit of our Company's share premium account to pay up in full at par 510,387,501 Shares for allotment and issue to all existing Shareholders whose names appear on the register of members of our Company as at the close of business on 24 June 2016 in accordance with its shareholding (as nearly as possible without involving fractions) in our Company and so that the Shares to be allotted and issued pursuant to this resolution should bear the same rights in all respects with the then existing issued Shares and our Directors were authorised to give effect to such capitalisation;

(iv) a general unconditional mandate ("**Issuing Mandate**") was given to our Directors to exercise all the powers to allot, issue and deal with Shares (including the power to make an offer or agreement, or to grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to (i) a rights issue; (ii) scrip dividend schemes or similar arrangements in accordance with the Articles of Association; (iii) the exercise of any options granted or which may be granted under the Share Option Schemes or any other option scheme or similar arrangement for the time being adopted; (iv) any issue of Shares upon exercise of rights of subscription or conversion attaching to warrants of our Company of any securities (if any) which are convertible into Shares; (v) under the Global Offering, Capitalisation Issue or the exercise of the Over-allotment Option; or (vi) a specific authority granted by the Shareholders in a general meeting, provided that the aggregate number of Shares allotted or agreed to be allotted by the Directors shall not exceed 20% of the total number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options granted or may be granted under the Share Option Schemes);

(v) a general unconditional mandate ("**Repurchase Mandate**") was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on the

Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which are recognised by the SFC and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Listing Rules and/or equivalent rules or regulations of any other stock exchanges on which the securities of our Company may be listed as amended from time to time, and such number of Shares will represent up to 10% of the aggregate number of Shares immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options granted or which may be granted under the Share Option Schemes); and

(vi) the Issuing Mandate be extended by the addition of the aggregate number of Shares repurchased pursuant to the Repurchase Mandate.

Each of the general mandates referred to in paragraphs 3(b)(iv) and 3(b)(v) above will remain in effect until the earliest of:

(a) the conclusion of our next annual general meeting; or

(b) the date by which we are required by any applicable law or the Articles of Association to hold our next annual general meeting; or

(c) the date on which such mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

4. Reorganisation

In preparation for the Listing, the companies comprising our Group underwent the Reorganisation. Please see the section "History, Reorganisation and Corporate Structure — Reorganisation" for details of the Reorganisation of our Group.

5. Changes in the share capital of our subsidiaries

Our Company's subsidiaries are referred to in the Accountants' Report as set out in Appendix I to this prospectus.

Save as disclosed below, there has been no other alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

VMMH

VMMH was incorporated in the BVI on 26 November 2015 with an authorised share capital of 50,000 shares with a par value of US$1.00 each, of which one share was issued to our Company on the same date.

VMCH

VMCH was incorporated in the BVI on 26 November 2015 with an authorised share capital of 50,000 shares with a par value of US$1.00 each, of which one share was issued to our Company on the same date.

VMRD-GZ

On 22 February 2016, RDHK paid HK$1,200,000 towards the registered capital of VMRD-GZ. As a result, the paid-up capital of VMRD-GZ increased from HK$4,800,000 to HK$6,000,000 and the registered capital was fully paid-up.

VMSZ

VMSZ was established in the PRC on 18 January 2016 with a registered capital of RMB10,000,000, RMB2,515,950 of which had been paid-up as at the Latest Practicable Date.

RRCL

RRCL allotted and issued 300,000 fully-paid shares on 8 December 2015 to VMCH. As a result, RRCL's share capital increased from HK$500,000 comprising 500,000 shares to HK$14,900,000 comprising 800,000 shares.

VRDC

VRDC was incorporated in Hong Kong on 19 February 2016 with a share capital of HK$10 comprising 10 shares, all of which were allotted and issued to VMMH on the same date.

Dongguan Vincent Rehabilitation Devices Company Limited* (東莞永健康復器具有限公司) ("DVRD")

DVRD was established in the PRC as an indirect wholly-owned subsidiary of our Company on 20 June 2016 with a registered capital of HK$8,000,000, none of which had been paid-up as at the Latest Practicable Date.

6. Repurchase by our Company of its own securities

This paragraph includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Sources of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and the Articles and the applicable laws of the Cayman Islands. A listed company is prohibited from repurchasing its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under Cayman Islands law, any repurchases by the Company may be made out of profits of the Company or out of the sum standing to the credit of the share premium account of the Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Companies Law, out of capital and, in case of any premium payable on the repurchase out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, subject to the Companies Law, out of capital.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of the Company and the Shareholders for our Directors to have the general authority from the Shareholders to enable the Company to repurchase securities in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit the Company and its Shareholders.

(c) Exercise of the Repurchase Mandate

The exercise in full of the Repurchase Mandate, on the basis of 638,000,000 Shares in issue immediately following the Listing, could result in up to 63,800,000 Shares being repurchased by the Company during the period in which the Repurchase Mandate remains in force.

On the basis of the current financial position of the Group as disclosed in the "Financial Information" section in this prospectus and taking into account the current working capital position of the Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, there might be a material adverse impact on the working capital and/or gearing positions of the Group (as

compared with the positions disclosed in this prospectus). However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which, in the opinion of our Directors, are from time to time appropriate for the Group.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates, currently intends to sell any Shares to the Company or its subsidiaries if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum and Articles and the applicable laws of the Cayman Islands.

No core connected person of the Company has notified the Company that he/she/it has a present intention to sell Shares to the Company, or has undertaken not to do so, in the event the Repurchase Mandate is exercised.

If, as a result of a repurchase of securities, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder, or group of Shareholders acting in concert (within the meaning of the Takeovers Code), could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeover Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeover Code as a consequence of any repurchase made pursuant to the Repurchase Mandate immediately after Listing.

No repurchase of Shares has been made since the incorporation of the Company.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

7. Summary of material contracts

The following contracts (not being in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus are or may be material:

(a) a sale and purchase and subscription agreement dated 8 December 2015 and entered into among Mr. Tsui Kam Fai Michael, Mr. Chan Yiu Cheong, VMCH and RRCL for the subscription and acquisition of an aggregate 53.125% interest in RRCL by VMCH at a consideration of HK$20.4 million;

(b) a shareholders agreement in respect of RRCL dated 8 December 2015 and entered into among Mr. Tsui Kam Fai Michael, Mr. Chan Yiu Cheong, Deltason Holding Limited, VMCH and RRCL;

(c) a deed of tax indemnity dated 8 December 2015 and entered into among Mr. Tsui Kam Fai Michael, Mr. Chan Yiu Cheong, VMCH and RRCL in favour of VMCH and RRCL in respect of the subscription and acquisition of an aggregate 53.125% interest in RRCL by VMCH;

(d) a sale and purchase agreement dated 18 February 2016 and entered into among VRHK, our Company, Mr. Choi and Ms. Liu in relation to the acquisition of an aggregate 60% interest in VHPL by our Company in consideration and exchange for 970 fully-paid Share being allotted and issued to VRI at the direction of VRHK;

(e) a sale and purchase agreement dated 18 February 2016 and entered into among VRHK, our Company, Mr. Choi and Ms. Liu in relation to the acquisition of a 80.1% interest in VMHK by our Company in consideration and exchange for 8,382 fully-paid Shares being allotted and issued to VRI at the direction of VRHK;

(f) a sale and purchase agreement dated 18 February 2016 and entered into between Mr. To and our Company in relation to the acquisition of a 25% interest in VHPL by our Company in consideration and exchange for 404 fully-paid Shares being allotted and issued to Mr. To;

(g) a sale and purchase agreement dated 18 February 2016 and entered into between Mr. Koh Ming Fai and our Company in relation to the acquisition of a 7.5% interest in VHPL by our Company in consideration and exchange for 121 fully-paid Shares being allotted and issued to Mr. Koh;

(h) a sale and purchase agreement dated 18 February 2016 and entered into between Mr. Fu Kwok Fu and our Company in relation to the acquisition of a 7.5% interest in VHPL by our Company in consideration and exchange for 121 fully-paid Shares being allotted and issued to Mr. Fu;

(i) a subscription and shareholders' agreement dated 24 February 2016 and entered into among IGF, CPE, UG, our Company, VRI, Mr. To, Mr. Koh Ming Fai and Mr. Fu Kwok Fu for the subscription of an aggregate 20% interest in our Company by IGF, CPE and UG at a consideration of HK$60 million;

(j) a deed of tax indemnity dated 26 February 2016 and entered into among IGF, CPE, UG, our Company and VRI in favour of IGF, CPE, UG and our Company in respect of the subscription of an aggregate 20% interest in our Company by IGF, CPE and UG;

(k) a put option deed dated 26 February 2016 and entered into among IGF, CPE, UG and our Company in relation to a put option granted by our Company to IGF, CPE and UG requiring our Company to purchase certain Shares from IGF, CPE and UG;

(l) a supplemental agreement dated 28 March 2016 and entered into among Ventific Holdings Pty Ltd, Mr. Michael David Hallett, Mr. Allan Nils Gregersen, Mr. Michael Kassipillai Gunaratnam, Mr. John Kong Chong Lo and VMC, relating to the settlement of the outstanding consideration for the subscription of an aggregate 20.0% interest in Ventific Holdings Pty Ltd by VMC under the subscription and shareholders agreement entered into among the same parties dated 17 June 2014;

(m) the Deed of Indemnity;

(n) the Deed of Non-Competition; and

(o) the Hong Kong Underwriting Agreement.

8. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, we had registered the following trademarks which we believe are material to our business:

No.	Trademark	Owner	Place of Registration	Class	Registration Number	Expiry Date
1	英仕醫療 INSPIRED MEDICAL	VMDG	World Intellectual Property Organization	10	920062	14 March 2017
2	英仕醫療 INSPIRED MEDICAL	VMDG	PRC	10	3134271	6 June 2023
3	英仕醫療 INSPIRED MEDICAL	VMDG	PRC	35	12294152	27 August 2024
4	Inspired Medical	VMDG	Hong Kong	10	301205612	21 September 2018
5	Inspired Medical	VMDG	PRC	10	6961816	20 May 2020
6	Inspired Medical	VMDG	PRC	35	12294594	27 August 2024
7	英仕 医疗	VMDG	Hong Kong	10	301205603	21 September 2018
8	英仕 医疗	VMDG	PRC	10	6961817	20 May 2020
9	英仕 医疗	VMDG	PRC	35	12294667	27 August 2024
10	Vincent Medical	VMDG	Hong Kong	10	301205595	21 September 2018
11	Vincent Medical	VMDG	Hong Kong	35	302240649	2 May 2022
12	Vincent Medical	VMDG	World Intellectual Property Organization	10	1174060	11 April 2023
13	Vincent Medical	VMDG	PRC	10	6961818	20 May 2020
14	Vincent Medical	VMDG	PRC	35	10725141	6 April 2025
15	Vincent Medical	VMDG	PRC	35	12294731	27 August 2024

No.	Trademark	Owner	Place of Registration	Class	Registration Number	Expiry Date
16	INSPIRED MEDICAL	VMDG	Hong Kong	10	302240658	2 May 2022
17	INSPIRED MEDICAL	VMDG	PRC	10	10725142	13 June 2023
18	INSPIRED MEDICAL	VMDG	PRC	35	12294339	27 August 2024
19	Inspired Medical	VMDG	World Intellectual Property Organization	10	1172276	11 April 2023
20	Inspired Medical	VMDG	PRC	10	10379314	13 March 2023
21	Inspired Medical	VMDG	PRC	35	12294442	27 August 2024
22	Vincent Medical	VMT	Hong Kong	35	302458549	5 December 2022
23	Vincent Medical	VMDG	PRC	35	10967094	14 April 2025
24	Vincent Medical	VMDG	PRC	35	12294233	27 August 2024
25	Limedic	VMDG	PRC	10	9367248	6 May 2022
26	Limedic	VMDG	PRC	35	12294533	27 August 2024
27	Inspired	VMDG	PRC	10	12956786	20 January 2025
28	Inspired	VMDG	PRC	28	12956913	20 December 2024
29	Inspired	VMDG	PRC	35	12957014	6 April 2025
30	Inspired	VMDG	PRC	44	12957468	6 April 2025
31	英仕	VMDG	PRC	10	12957184	20 January 2025
32	英仕	VMDG	PRC	28	12957273	20 December 2024
33	英仕	VMDG	PRC	35	12957366	6 April 2025
34	英仕	VMDG	PRC	44	12957796	6 April 2025
35	HAND OF HOPE	RRCL	Hong Kong	10	302299771	28 June 2022
36	希望之手	RRCL	Hong Kong	10	302299753	28 June 2022
37	HAND OF HOPE	RRCL	Hong Kong	10	302299762	28 June 2022
38	HAND OF HOPE	RRCL	PRC	10	11170684	27 November 2023
39	HAND OF HOPE	RRCL	PRC	10	11182652	27 November 2023

(*b*) *Patents*

As at the Latest Practicable Date, we were the registered owner of the following patents in the PRC and the U.S.:

No.	Patent	Type	Owner	Patent Number	Application Date	Period of Validity
						(No. of years)
1	Smart cold and hot compression machine system* (智能冷熱敷機系統)	Utility model	VMDG	201120101317.6	8 April 2011	10
2	Thrombus aspiration catheter* (血栓抽吸導管)	Utility model	VMDG	201120281795.X	4 August 2011	10
3	A nebuliser for inspiratory phase and formation of exogenous positive end expiratory pressure from expiratory phase* (一種吸氣相霧化吸入、呼氣相形成外源性呼氣末正壓的裝置)	Utility model	The First Affiliated Hospital of Guangzhou Medical University* (廣州醫科大學附屬第一醫院) & VMDG	201120417694.0	19 October 2011	10
4	A type nebuliser in synchronisation with the respiration time phase* (一種與呼吸時相同步的霧化裝置)	Utility model	The First Affiliated Hospital of Guangzhou Medical University* (廣州醫科大學附屬第一醫院) and VMDG	201120417911.6	19 October 2011	10
5	A type of nebuliser capable of sputum excretion inspiration phase and vibrating expiration phase* (一種吸氣相霧化，呼氣相震盪排痰的裝置)	Utility model	The First Affiliated Hospital of Guangzhou Medical University* (廣州醫科大學附屬第一醫院) and VMDG	201120417889.5	19 October 2011	10
6	Non-slip syringe cover* (注射管防滑蓋)	Utility model	VMDG	201220385511.6	6 August 2012	10
7	Breathing circuit device with rapidly installed heating wire* (可快裝發熱線的呼吸迴路器)	Utility model	VMDG	201220385147.3	6 August 2012	10
8	Anaesthesia circuit device with gas sampling tube embedded* (氣體採樣管嵌入式麻醉迴路器)	Utility model	VMDG	201220384866.3	6 August 2012	10

No.	Patent	Type	Owner	Patent Number	Application Date	Period of Validity (No. of years)
9	Ultrasonic nebuliser capable of providing different temperatures and different oxygen concentrations* (能提供不同溫度和不同氧氣濃度的超聲霧化裝置)	Utility model	The First Affiliated Hospital of Guangzhou Medical University* (廣州醫科大學附屬第一醫院) and VMDG	201220412530.3	20 August 2012	10
10	Monitoring device in the human respiratory breathing wave extraction method* (一種人體呼吸監測設備中吸氣波的提取方法)	Invention	VMDG	201210394962.0	28 September 2012	20
11	CPAP machine* (持續正壓呼吸機)	Design	VMDG	201230495019.X	17 October 2012	10
12	A type of humidifier for respirator* (一種呼吸機加濕器)	Utility model	VMDG	201220564961.1	31 October 2012	10
13	A type of oxygen humidifier with novel diffuser* (一種具有新型氣體擴散裝置的氧氣濕化器)	Utility model	The First Affiliated Hospital of Guangzhou Medical University* (廣州醫科大學附屬第一醫院) and VMDG	201220605101.8	16 November 2012	10
14	A type of oxygen humidifier with novel filtering device* (一種具有新型過濾裝置的氧氣濕化器)	Utility model	The First Affiliated Hospital of Guangzhou Medical University* (廣州醫科大學附屬第一醫院) and VMDG	201220604701.2	16 November 2012	10
15	A type of anti-drain and burn-resistant heater* (一種防燒防漏電發熱裝置)	Utility model	VMDG	201220605000.0	16 November 2012	10
16	A novel type of connector lug* (一種新型接線頭)	Utility model	VMDG	201220605136.1	16 November 2012	10
17	A type of data cable for measuring temperature and humidity* (一種用於溫濕度測量的數據線)	Utility model	VMDG	201220639810.8	29 November 2012	10
18	A type of gas humidifier alarm system* (一種氣體濕化器報警系統)	Utility model	VMDG	201220639811.2	29 November 2012	10

No.	Patent	Type	Owner	Patent Number	Application Date	Period of Validity (No. of years)
19	A type of rehabilitative device for setting humeral shaft fracture* (一種肱骨幹骨折固定康復裝置)	Utility model	VMDG	201220639809.5	29 November 2012	10
20	A type of rehabilitation knee brace* (一種新型膝關節康復護具)	Utility model	VMDG	201220639853.6	29 November 2012	10
21	A type of oxygen humidifier with novel filtering device* (一種具有新型過濾裝置的氧氣濕化器)	Invention	The First Affiliated Hospital of Guangzhou Medical University* (廣州醫科大學附屬第一醫院) and VMDG	201210571478.0	26 December 2012	20
22	A type of oxygen humidifier with gas diffuser* (一種具有氣體擴散裝置的氧氣濕化器)	Invention	The First Affiliated Hospital of Guangzhou Medical University* (廣州醫科大學附屬第一醫院) and VMDG	201210571500.1	26 December 2012	20
23	A type of heating device for gas humidifier* (一種氣體濕化器用加熱裝置)	Invention	VMDG	201210571816.0	26 December 2012	20
24	A type of black box for gas humidifier* (一種氣體濕化器用黑匣子)	Invention	VMDG	201210571752.4	26 December 2012	20
25	A type of thread heating tube* (一種螺紋加熱管)	Utility model	VMDG	201320080309.7	21 February 2013	10
26	A type of height adjustable neck support* (一種可調節高度的頸托)	Utility model	VMDG	201320296318.X	28 May 2013	10
27	A type of device capable of driving nebulisation through oxygen and forming exogenous end expiratory positive pressure* (一種氧氣驅動霧化並相形成外源性呼氣末正壓的裝置)	Utility model	The First Affiliated Hospital of Guangzhou Medical University* (廣州醫科大學附屬第一醫院) and VMDG	201320344954.5	17 June 2013	10

No.	Patent	Type	Owner	Patent Number	Application Date	Period of Validity (No. of years)
28	A type of device capable of driving nebulisation through oxygen and forming exogenous positive end expiratory positive pressure* (一種氧氣驅動霧化並相形成外源性呼氣末正壓的裝置)	Invention	The First Affiliated Hospital of Guangzhou Medical University* (廣州醫科大學附屬第一醫院) and VMDG	201310238634.6	17 June 2013	20
29	A type of device preventing air leakage of airway during the process of eliminating airway secretions* (一種清除氣道分泌物時防止氣道漏氣的裝置)	Utility model	The First Affiliated Hospital of Guangzhou Medical University* (廣州醫科大學附屬第一醫院) and VMDG	201320658327.9	24 October 2013	10
30	A type of device preventing air leakage of airway during the process of eliminating airway secretions* (一種清除氣道分泌物時防止氣道漏氣的裝置)	Invention	The First Affiliated Hospital of Guangzhou Medical University* (廣州醫科大學附屬第一醫院) and VMDG	201310505492.5	24 October 2013	20
31	A type of oxygen humidifier with heating device* (一種具有加熱裝置的氧氣濕化器)	Utility model	The First Affiliated Hospital of Guangzhou Medical University* (廣州醫科大學附屬第一醫院) and VMDG	201420011819.3	9 January 2014	10
32	A type of oxygen humidifier with heating device* (一種具有加熱裝置的氧氣濕化器)	Invention	The First Affiliated Hospital of Guangzhou Medical University* (廣州醫科大學附屬第一醫院) and VMDG	201410009165.5	9 January 2014	20

No.	Patent	Type	Owner	Patent Number	Application Date	Period of Validity (No. of years)
33	A type of oxygen humidifier with heating and gas diffusion devices* (一種具有加熱裝置及氣體擴散裝置的氧氣濕化器)	Utility model	The First Affiliated Hospital of Guangzhou Medical University* (廣州醫科大學附屬第一醫院) and VMDG	201420011817.4	9 January 2014	10
34	A type of neck support* (一種頸托)	Utility model	VMDG	201420012657.5	9 January 2014	10
35	A type of neck support* (一種頸托)	Invention	VMDG	201410009749.2	9 January 2014	20
36	A type of invasive/non-invasive mechanical ventilation gas humidifying and heating system* (一種有/無創機械通氣氣體濕化加溫系統)	Utility model	The First Affiliated Hospital of Guangzhou Medical University* (廣州醫科大學附屬第一醫院) and VMDG	201420236181.3	9 May 2014	10
37	A type of nebuliser with oxygen generation and detection functions for the degree of blood oxygen saturation* (具有製氧、血氧濃度檢測功能的霧化裝置)	Utility model	The First Affiliated Hospital of Guangzhou Medical University* (廣州醫科大學附屬第一醫院) and VMDG	201420624807.8	27 October 2014	10
38	Assistant breathing apparatus for aerosol gas* (輔助呼吸氣霧氣體的裝置)	Utility model	The First Affiliated Hospital of Guangzhou Medical University* (廣州醫科大學附屬第一醫院) and VMDG	201420680741.4	14 November 2014	10
39	A type of CPAP device* (一種CPAP設備)	Utility model	VMDG	201420779419.7	10 December 2014	10
40	A type of breathing ventilation valve* (一種呼吸通氣閥)	Utility model	VMDG	201420855416.7	30 December 2014	10
41	A type of breathing gas humidifying device* (一種呼吸氣體濕化裝置)	Utility model	VMDG	201420855465.0	30 December 2014	10
42	A type of pressure relief valve for medical use* (一種醫用壓力安全閥)	Utility model	VMDG	201420855458.0	30 December 2014	10

No.	Patent	Type	Owner	Patent Number	Application Date	Period of Validity (No. of years)
43	A type of paediatric CPAP continuous positive pressure ventilation system and pressure generator* (小兒CPAP持續氣道正壓通氣系統及其壓力發生器)	Utility model	VMDG	201520414051.9	16 June 2015	10
44	A type of cylindrical barometer* (一種柱式氣壓計)	Utility model	VMDG	201520491697.7	9 July 2015	10
45	A type of safe and comfortable walk protector* (一種安全舒適的步行護具)	Utility model	VMDG	201520491638.X	9 July 2015	10
46	A type of safe and hygienic artificial nose heat and moisture exchanger* (一種安全衛生的人工鼻)	Utility model	VMDG	201520585647.5	6 August 2015	10
47	A type of ventilator hose* (一種呼吸機軟管)	Utility model	VMRD-GZ	201320331077.8	8 June 2013	10
48	Ventilator* (呼吸機)	Design	VMRD-GZ	201430328629.X	5 September 2014	10
49	Ventilator* (呼吸機)	Design	VMRD-GZ	201530134351.7	9 May 2015	10
50	CPAP machine* (持續正壓呼吸機)	Design	VMRD-GZ	201530134358.9	9 May 2015	10
51	A type of breathing device* (一種呼吸設備)	Utility model	VMRD-GZ	201520351645.X	27 May 2015	10
52	Ventilator graphical user interface design* (呼吸機的圖形用戶界面設計)	Design	VMRD-GZ	201530229092.6	1 July 2015	10
53	Rehabilitative robotic hand* (復康機械手)	Design	RRCL	201430314411.9	29 August 2014	10
54	Wearable power assistive device for hand rehabilitation	Utility	RRCL and The Hong Kong Polytechnic University	US 2013/0261514 A1	28 March 2013	20

As at the Latest Practicable Date, applications have been made for the registration of the following patents in the PRC and the U.S.:

No.	Patent	Type	Applicant	Patent Number	Application Date
1	A type of safe and hygienic heat and moisture exchanger* (一種安全衛生的人工鼻)	Invention	VMDG	201510476337.4	6 August 2015
2	Paediatric CPAP continuous positive pressure ventilation system and pressure generator* (小兒CPAP持續氣道正壓通氣系統及其壓力發生器)	Invention	VMDG	201510332092.8	16 June 2015
3	Breathing system with self-adaptive internal temperature control breathing pipeline and method* (一種呼吸管道內溫度可自適應控制的呼吸系統及其方法)	Invention	VMDG	201410846606.7	31 December 2014
4	A type of breathing ventilation valve and method of use* (一種呼吸通氣閥及其使用方法)	Invention	VMDG	201410839135.7	30 December 2014
5	Device for assisting respiration of aerosol gas and a method for regulating respiration of aerosol gas* (輔助呼吸氣霧氣體的裝置及調節呼吸氣霧氣體的方法)	Invention	The First Affiliated Hospital of Guangzhou Medical University* (廣州醫科大學附屬第一醫院) and VMDG	201410644206.8	14 November 2014
6	Nebuliser with oxygen generation and detection functions for the degree of blood oxygen saturation and uses* (具有製氧、血氧濃度檢測功能的霧化裝置及其使用方法)	Invention	The First Affiliated Hospital of Guangzhou Medical University* (廣州醫科大學附屬第一醫院) and VMDG	201410580839.7	27 October 2014
7	A type of invasive/non-invasive mechanical ventilation gas humidifying and heating system and method* (一種有/無創機械通氣氣體濕化加溫系統及其方法)	Invention	The First Affiliated Hospital of Guangzhou Medical University* (廣州醫科大學附屬第一醫院) and VMDG	201410194488.6	9 May 2014
8	A type of oxygen humidifier with heating device and diffuser* (一種具有加熱裝置及氣體擴散裝置的氧氣濕化器)	Invention	The First Affiliated Hospital of Guangzhou Medical University* (廣州醫科大學附屬第一醫院) and VMDG	201410009163.6	9 January 2014

No.	Patent	Type	Applicant	Patent Number	Application Date
9	A type of thread heating tube and its preparation method* (一種螺紋加熱管及其製備方法)	Invention	VMDG	201310055533.5	21 February 2013
10	Blood oxygen saturation measuring method and instrument* (一種血氧飽和度測量方法及測量儀)	Invention	VMDG	201210424616.2	30 October 2012
11	A type of device for aerosol inhalation of inspiratory phase and formation of exogenous positive end expiratory pressure from expiratory phase* (一種吸氣相霧化吸入、呼氣相形成外源性呼氣末正壓的裝置)	Invention	VMDG	201110333053.1	19 October 2011
12	A type of sputum excretion device capable of nebulising inspiration phase and vibrating expiration phase* (一種吸氣相霧化，呼氣相震盪排痰的裝置)	Invention	The First Affiliated Hospital of Guangzhou Medical University* (廣州醫科大學附屬第一醫院) and VMDG	201110333036.8	19 October 2011
13	A type of nebuliser in synchronisation with the respiration time phase* (一種與呼吸時相同步的霧化裝置)	Invention	The First Affiliated Hospital of Guangzhou Medical University* (廣州醫科大學附屬第一醫院) and VMDG	201110333076.2	19 October 2011
14	Wearable power assistive device	Utility	RRCL and The Hong Kong Polytechnic University	61617671	10 April 2012
15	Controlling mechanism for wearable power assistive device	Utility	RRCL and The Hong Kong Polytechnic University	61661345	3 July 2012

(c) Computer Software Copyrights

As at the Latest Practicable Date, we had registered the copyrights of the following computer software which we believe are material to our business. Under the Regulation on Computer Software Protection Regulations in the PRC* (《計算機軟件保護條例》), the copyright of a computer software owned by a corporate entity is protected in the PRC for a period starting from the date of completion until 31 December of the 50th anniversary of the date of first publication. The copyright protection will expire if a computer software is not published within 50 years of its date of completion.

No.	Name of software	Registered Owner	Registration No.	Completion Date	First Publication Date
1	Control software for humidifier VHB10 V1.0* (濕化器VHB10控制軟件 V1.0)	VMDG	2012SR133324	15 January 2011	15 January 2011
2	Control software for humidifier VHB10A V1.0* (濕化器VHB10A控制軟件 V1.0)	VMDG	2012SR134729	15 June 2011	15 June 2011
3	Control software for humidifier VHB15 V1.0* (濕化器VHB15控制軟件V1.0)	VMDG	2012SR135560	6 February 2012	6 February 2012
4	VHB15A Control system without heating wire for humidifier V1.0* (VHB15A濕化器無加熱線控制系統 V1.0)	VMDG	2012SR128477	16 November 2012	16 November 2012
5	VHB15A System of export of data of humidifier V1.0* (VHB15A濕化器數據導出系統 V1.0)	VMDG	2012SR128319	16 November 2012	16 November 2012
6	VHB15A Black box system for humidifier V1.0* (VHB15A濕化器黑匣子系統 V1.0)	VMDG	2012SR128468	16 November 2012	16 November 2012
7	VHB15A Heating and alarm system for humidifier V1.0* (VHB15A濕化器加熱及報警系統 V1.0)	VMDG	2012SR128471	16 November 2012	16 November 2012
8	Control software for Vincent Medical sleep apnea CPAP machine* (永勝持續正壓睡眠呼吸機控制軟件)	VMRD-GZ	2015SR098962	4 June 2015	Not yet published

(d) Copyrights

As at the Latest Practicable Date, we were the registered owner of the following copyrights in the PRC. Under the PRC Copyright Law* (《中華人民共和國著作權法》) and the PRC Copyright Law Implementation Regulations* (《中華人民共和國著權法實施條例》), copyrights owned by a corporate entity are protected in the PRC for a period starting from the date of completion until 31 December of the 50th anniversary of the date of first publication. The copyright protection under the aforementioned law and regulations will expire if the work is not published within 50 years of its date of completion.

No.	Title	Registered Owner	Registration No.	Completion Date	Registration Date
1	Labelling diagram of breathing circuit system for machine* (呼吸迴路系統機器端標識圖)	VMDG	2013-F-00084047	25 October 2012	17 February 2013
2	Labelling diagram of breathing circuit for patient* (呼吸迴路系統患者端標識圖)	VMDG	2013-F-00081531	25 October 2012	17 January 2013

(e) Domain names

As at the Latest Practicable Date, we had registered the following domain names which we believe are material to our business:

Registrant	Domain name	Expiry Date
VMHK	vincentmedical.com	11 September 2016
VRMD	vincentmedical.com.cn	22 December 2016

FURTHER INFORMATION ABOUT OUR DIRECTORS

9. Particulars of service contracts

Each of our executive Directors, non-executive Directors and independent non-executive Directors has entered into a service contract with our Company pursuant to which each of them has agreed to act as Director for a fixed term of three years commencing from the Listing Date unless terminated by either party thereto giving not less than three months' prior written notice.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of its subsidiaries other than agreements expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

10. Directors' remunerations

The aggregate amount of remuneration including salaries, allowances and benefits in kind which were paid to our Directors for 2013, 2014 and 2015 were HK$2.4 million, HK$2.5 million and HK$2.6 million, respectively.

Under the current arrangements, it is expected that our Directors will be entitled to receive an aggregate remuneration including salaries, allowances and benefits in kind (excluding any discretionary bonuses) of approximately HK$4.5 million for the year ending 31 December 2016.

None of our Directors or any past directors of any member of our Group has been paid any sum of money during the Track Record Period as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any members of our Group.

None of our Directors waived any remuneration during the Track Record Period.

11. Disclosure of interests

(a) Interests and short positions of Directors and the chief executive of our Company in the Shares, underlying Shares or debentures of our Company and its associated corporations

So far as our Directors are aware, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and taking no account of any Shares which may be allotted and issued upon the exercise of any option granted or which may be granted under the Share Option Schemes), the interests and short positions of our Directors and chief executive of our Company in the Shares or underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) once the Shares are listed, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein once the Shares are listed, or which will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules to be notified to our Company and the Stock Exchange once the Shares are listed, will be as follows:

Name of Director	Name of our Group member / associated corporation	Capacity	Number and class of securities (L) *(Note 1)*	Approximate percentage of shareholding
Mr. Choi	our Company	Interest in controlled corporation *(Note 2)*	381,939,890 Shares	59.87%
	VRI *(Note 3)*	Beneficial owner	2,750 shares of US$1.00 each	57.9%
		Interest of spouse *(Note 4)*	2,000 shares of US$1.00 each	42.1%
Ms. Liu	our Company	Interest in controlled corporation *(Note 5)*	381,939,890 Shares	59.87%
	VRI *(Note 3)*	Beneficial owner	2,000 shares of US$1.00 each	42.1%
		Interest of spouse *(Note 6)*	2,750 shares of US$1.00 each	57.9%
Mr. To	our Company	Beneficial owner	16,497,778 Shares	2.59%
Mr. Koh Ming Fai	our Company	Beneficial owner	4,941,166 Shares	0.77%
Mr. Fu Kwok Fu	our Company	Beneficial owner	4,941,166 Shares	0.77%

Notes:

1. The letter "L" denotes the entity/person's long position in the Shares or the shares in the share capital of the relevant associated corporation.

2. Mr. Choi holds 57.9% of the issued share capital of VRI. VRI directly holds 59.87% of the Shares in the issued share capital of our Company.

3. VRI is the holding company of our Company, and hence an associated corporation, of our Company under Part XV of the SFO.

4. Ms. Liu holds 42.1% of the issued share capital of VRI. Since Ms. Liu is the spouse of Mr. Choi, Mr. Choi is deemed to be interested in all the shares in VRI in which Ms. Liu is interested by virtue of the SFO.

5. Ms. Liu holds 42.1% of the issued share capital of VRI. VRI directly holds 59.87% of the Shares in the issued share capital of our Company by virtue of the SFO.

6. Mr. Choi holds 57.9% of the issued share capital of VRI. Since Mr. Choi is the spouse of Ms. Liu, Ms. Liu is deemed to be interested in all the shares in VRI in which Mr. Choi is interested by virtue of the SFO.

(b) Interests and short positions of our substantial Shareholders in the Shares and underlying Shares

Save as disclosed in the section "Substantial Shareholders" in this prospectus, our Directors are not aware of any person (other than a Director or the chief executive of our Company) who will, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and taking no account of any Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Schemes), have any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

(c) Interests of the substantial shareholder of any member of our Group (other than our Company)

So far as our Directors are aware, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and taking no account of any Shares which may be allotted and issued upon the exercise of any option granted or which may be granted under the Share Option Schemes), the following persons (not being Directors or chief executive of our Company) will, directly or indirectly, be interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any member of our Group (other than our Company):

Name of shareholder	Name of our Group member	Number and class of securities	Approximate percentage of shareholding
Bayer Medical Care *(Note 1)*	VMHK	1,718,861 shares	19.9%
Mr. Jiang Guiping	RDHK	4 shares	40%
Mr. Tsui Kam Fai Michael	RRCL	140,000 shares	17.5%
Mr. Chan Yiu Cheong	RRCL	140,000 shares	17.5%
Deltason Holding Limited *(Note 2)*	RRCL	95,000 shares	11.875%

Notes:

1. Bayer Medical Care is an indirect wholly-owned subsidiary of Bayer AG, a company headquartered in Leverkusen, Germany and which shares are listed on the stock exchanges of Frankfurt, Berlin, Dusseldorf, Hamburg, Hannover, Stuttgart and Munich in Germany and Barcelona and Madrid in Spain.

2. Deltason Holding Limited is held as to 51% by Mr. Tsui Kam Fai Michael and 49% by Mr. Chan Yiu Cheong.

12. Directors' interests in leases during the Track Record Period

During the Track Record Period, the total amount paid by our Group in aggregate to VRDL for the lease of our Hong Kong office and to VRDG for the lease of our PRC office and premises for our production plant, warehouses, staff quarters and canteen amounted to approximately HK$5.2 million, HK$5.6 million and HK$5.2 million, respectively. VRDL is a direct wholly-owned subsidiary of and VRDG is an indirect wholly-owned subsidiary of VRI, which in turn is held as to 57.89% by Mr. Choi and 42.11% by Ms. Liu. Mr. Choi, our chairman and executive Director, and Ms. Liu, our non-executive Director, are therefore considered to have an indirect interest in the assets leased by our Group during the Track Record Period and which we will continue to lease upon Listing. Please see the section "Connected Transactions" for further information.

Save as disclosed in this prospectus, none of our Directors or any persons referred to in the paragraph "Other Information — 25. Qualifications of experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been within the two years immediately preceding the date of this prospectus acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired, disposed of by or leased to any member of our Group nor will any Director apply for Shares either in his own name or in the name of a nominee.

13. Agency fees or commissions received

Except as disclosed in the section headed "Underwriting" in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

14. Related party transactions

During the two years immediately preceding the date of this prospectus, our Group engaged in the related party transactions as mentioned in Note 32 of the Accountants' Report set out in Appendix I to this prospectus.

15. Disclaimers

Save as disclosed in this prospectus:

(i) and taking no account of any Shares which may be taken up or acquired under the Global Offering or upon the exercise of any option which may be granted under the Share Option Schemes, none of our Directors or chief executive of our Company had any interest or short position in the Shares, underlying Shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) once the Shares are listed, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, once the Shares are listed, or which will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules to be notified to our Company and the Stock Exchange once the Shares are listed on the Main Board;

(ii) and taking no account of any Shares which may be taken up or acquired under the Global Offering or issued upon the exercise of any option which may be granted under the Share Option Schemes, so far as is known to our Directors, no person (not being a Director or chief executive of our Company) will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group or have any option in respect of such capital immediately following completion of the Global Offering;

(iii) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Group and any of our Directors;

(iv) none of our Directors or any persons referred to in the paragraph "Other Information — 25. Qualifications of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(v) none of the persons referred to in the paragraph "Other Information — 25. Qualifications of experts" in this Appendix has any shareholding in any member in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member in our Group;

(vi) we have no outstanding convertible debt securities; and

(vii) no amount or securities or benefits has been paid or allotted or given within the two years preceding the date of this prospectus to any of our promoters nor is any such amount of securities or benefit intended to be paid or allotted or given.

OTHER INFORMATION

16. Pre-IPO Share Option Scheme

Our Pre-IPO Share Option Scheme was conditionally approved by a written resolution of all our Shareholders passed on 17 June 2016 and adopted by a resolution of our Board 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 our Group to the growth of our Group by granting options to them as rewards and further incentives.

(a) Principal terms

The principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Share Option Scheme except that:

1. only executives, directors, employees and/or consultants of our Group can participate;

2. the subscription price per Share shall be an amount equal to 80% of the Offer Price (subject to adjustment pursuant to the terms of the Pre-IPO Share Option Scheme);

3. save for options which have been granted before the date of this prospectus, no further options will be offered or granted under the Pre-IPO Share Option Scheme;

4. the maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Scheme shall not exceed 3% of the Shares in issue immediately upon completion of the Global Offering (including the aforesaid Shares, but excluding all the Shares which may fall to be issued upon the exercise of options granted or to be granted under the Over-allotment Option and the Share Option Scheme) (subject to adjustment pursuant to the terms of the Pre-IPO Share Option Scheme);

5. 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 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%
		Total: 100%

6. 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.

Application has been made to the listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme.

(b) Outstanding options granted

As at the date of this prospectus, options to subscribe for an aggregate of 19,684,000 Shares representing 2.99% of the enlarged issued share capital of our Company immediately upon completion of the Global Offering (assuming that all options granted under the Pre-IPO Share Option Scheme are exercised, but without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme) have been conditionally granted by our Company under the Pre-IPO Share Option Scheme.

Of the 19,684,000 Shares to be issued upon full exercise of the options, 11,896,000 Shares, representing approximately 1.81% of the enlarged share capital of our Company immediately upon completion of the Global Offering (assuming that all options granted under the Pre-IPO Share Option Scheme are exercised, but without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), were granted to Directors, members of senior management (excluding our Directors), one consultant of our Group, one employee of our Group who is the son of Mr. Choi (hence a connected person of our Company) and 22 employees of our Group (none of whom are connected persons of our Company) who have been granted options to subscribe for 320,000 Shares or more each. The remaining 7,788,000 Shares, representing approximately 1.18% of the enlarged share capital of our Company immediately upon completion of the Global Offering (assuming that all options granted under the Pre-IPO Share Option Scheme are exercised, but without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), to be issued upon full exercise of the options were granted to 59 employees of the Group.

A total of 91 grantees, including three executive Directors, five members of the senior management (excluding the Directors) of our Company (as set out in the section headed "Directors and Senior Management" in this prospectus), one consultant of our Group, one employee of the Group who is the son of Mr. Choi (hence a connected person of our Company) and 81 employees (none of whom are connected persons of our Company) of our Group have been conditionally granted options under the Pre-IPO Share Option Scheme. All the options under the Pre-IPO Share Option were granted to the respective grantees on 17 June 2016. Save as disclosed, no options are held by connected persons of our Company other than those granted to the Directors, the directors of the subsidiaries of our Company and the son of Mr. Choi, under the Pre-IPO Share Option Scheme.

Exercise in full of all options granted under the Pre-IPO Share Option Scheme would result in an increase in the total number of Shares in issue immediately upon completion of the Global Offering (assuming there will be no further issue of Shares whether pursuant to the Over-allotment Option or the Share Option Scheme) by 2.99%.

Further, assuming that (i) our Company had been listed on the Stock Exchange since 1 January 2015 with 638,000,000 Shares in issue; and (ii) all the options granted under the Pre-IPO Share Option Scheme in respect of 19,684,000 Shares were exercisable on 1 January 2015, the dilutive effect on earnings per Share attributable to Shareholders on a pro forma basis would be approximately 0.61% for the year ended 31 December 2015.

(c) Summary of grantees

Below is a list containing details of our Directors, senior management, consultants, connected persons of our Group and persons who have been granted options to subscribe for 320,000 Shares or more each who are grantees under the Pre-IPO Share Option Scheme:

No.	Grantee	Position	Address	Exercise price of each option Share	Number of Shares to be issued upon full exercise of the option	Approximate percentage of issued share capital of our Company immediately upon Listing	Exercise period
1.	To Ki Cheung	Executive Director and chief executive officer	Flat A, 12th Floor, Tower 3, Sausalito, 1 Yuk Tai Street, Ma On Shan, New Territories, Hong Kong	80% of the Offer Price	131,583	0.02	1st anniversary of the Listing Date to 16 June 2026
					131,583	0.02	2nd anniversary of the Listing Date to 16 June 2026
					131,583	0.02	3rd anniversary of the Listing Date to 16 June 2026
					131,583	0.02	4th anniversary of the Listing Date to 16 June 2026
2.	Koh Ming Fai	Executive Director	Flat D, 7th Floor, Block B, Grammy Centre, 238 Yee Kuk Street, Shamshuipo, Hong Kong	80% of the Offer Price	132,208.5	0.02	1st anniversary of the Listing Date to 16 June 2026
					132,208.5	0.02	2nd anniversary of the Listing Date to 16 June 2026
					132,208.5	0.02	3rd anniversary of the Listing Date to 16 June 2026
					132,208.5	0.02	4th anniversary of the Listing Date to 16 June 2026
3.	Fu Kwok Fu	Executive Director	Room 24H, 24th Floor, Block 2, 333 Castle Peak Road (Castle Peak Bay), Hanford Garden, Tuen Mun, New Territories, Hong Kong	80% of the Offer Price	132,208.5	0.02	1st anniversary of the Listing Date to 16 June 2026
					132,208.5	0.02	2nd anniversary of the Listing Date to 16 June 2026
					132,208.5	0.02	3rd anniversary of the Listing Date to 16 June 2026
					132,208.5	0.02	4th anniversary of the Listing Date to 16 June 2026

No.	Grantee	Position	Address	Exercise price of each option Share	Number of Shares to be issued upon full exercise of the option	Approximate percentage of issued share capital of our Company immediately upon Listing	Exercise period
4.	Wai Yiu Tung Yuyu	Company secretary and financial controller	Room 1201, 12th Floor, Wo Fai House, Wo Ming Court, Ngan O Road, Tseung Kwan O, New Territories, Hong Kong	80% of the Offer Price	132,000	0.02	1st anniversary of the Listing Date to 16 June 2026
					132,000	0.02	2nd anniversary of the Listing Date to 16 June 2026
					132,000	0.02	3rd anniversary of the Listing Date to 16 June 2026
					132,000	0.02	4th anniversary of the Listing Date to 16 June 2026
5.	Yu Lun Fai Alex	Operations manager	Flat D, 5th Floor, On Foo Building, 36 Lo Tak Court, Tsuen Wan, New Territories, Hong Kong	80% of the Offer Price	82,000	0.0125	1st anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	2nd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	3rd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	4th anniversary of the Listing Date to 16 June 2026
6.	Kwok Kam Ming	Quality assurance manager	Flat 6, 16th Floor, Block C, Mei Fai House, Yue Fai Court, 45 Yue Kwong Road, Hong Kong	80% of the Offer Price	82,000	0.0125	1st anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	2nd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	3rd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	4th anniversary of the Listing Date to 16 June 2026

No.	Grantee	Position	Address	Exercise price of each option Share	Number of Shares to be issued upon full exercise of the option	Approximate percentage of issued share capital of our Company immediately upon Listing	Exercise period
7.	Zhang Changqing	Sales and marketing manager	No. 503, Unit 1, Block 4, Yongjiang Garden, Fengping Road, Wulian Village, Fenggang Town, Dongguan City, PRC	80% of the Offer Price	132,000	0.02	1st anniversary of the Listing Date to 16 June 2026
					132,000	0.02	2nd anniversary of the Listing Date to 16 June 2026
					132,000	0.02	3rd anniversary of the Listing Date to 16 June 2026
					132,000	0.02	4th anniversary of the Listing Date to 16 June 2026
8.	Xu Jiebing	Research and development manager	Flat 1801, Block 3-2, Huishang Garden, Fenggang Town, Dongguan City, PRC	80% of the Offer Price	132,000	0.02	1st anniversary of the Listing Date to 16 June 2026
					132,000	0.02	2nd anniversary of the Listing Date to 16 June 2026
					132,000	0.02	3rd anniversary of the Listing Date to 16 June 2026
					132,000	0.02	4th anniversary of the Listing Date to 16 June 2026
9.	Zheng Zeguang	Consultant	Flat 1506, 245 Yifu Road, Haizhu District, Guangzhou City, PRC	80% of the Offer Price	132,000	0.02	1st anniversary of the Listing Date to 16 June 2026
					132,000	0.02	2nd anniversary of the Listing Date to 16 June 2026
					132,000	0.02	3rd anniversary of the Listing Date to 16 June 2026
					132,000	0.02	4th anniversary of the Listing Date to 16 June 2026

No.	Grantee	Position	Address	Exercise price of each option Share	Number of Shares to be issued upon full exercise of the option	Approximate percentage of issued share capital of our Company immediately upon Listing	Exercise period
10.	Choi Cheung Tai, Raymond	Assistant plant manager and the son of Mr. Choi	Flat D, 23rd Floor, Block 5, Bayshore Towers, 608 Sai Sha Road, Ma On Shan, New Territories, Hong Kong	80% of the Offer Price	82,000	0.0125	1st anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	2nd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	3rd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	4th anniversary of the Listing Date to 16 June 2026
11.	Fung Kai Kwun	Plastics manager	G/F., 125 Hang Tau Tsuen, Yuen Long, New Territories, Hong Kong	80% of the Offer Price	82,000	0.0125	1st anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	2nd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	3rd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	4th anniversary of the Listing Date to 16 June 2026
12.	Wong Wai Sum	Marketing manager	Flat B, 3/F., Block 1, Kisland Villa Phase 1, No. 23 Sha Tseng Road, Tong Yun Sun Tsuen, Yuen Long, New Territories, Hong Kong	80% of the Offer Price	82,000	0.0125	1st anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	2nd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	3rd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	4th anniversary of the Listing Date to 16 June 2026

No.	Grantee	Position	Address	Exercise price of each option Share	Number of Shares to be issued upon full exercise of the option	Approximate percentage of issued share capital of our Company immediately upon Listing	Exercise period
13.	Wu Hung Po	PIE manager	Flat D, 16/F., Block 1, South Wave Court, 3 Shum Wan Road, Aberdeen. Hong Kong	80% of the Offer Price	82,000	0.0125	1st anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	2nd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	3rd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	4th anniversary of the Listing Date to 16 June 2026
14.	Yeung Wing Fung	Operations manager – soft goods	Flat G, 13/F., Hong King Building, 28 Hong Keung St., San Po Kong, Kowloon, Hong Kong	80% of the Offer Price	82,000	0.0125	1st anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	2nd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	3rd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	4th anniversary of the Listing Date to 16 June 2026
15.	Yim Siu Lan	Assistant production manager	208, Sheung Pak Nai, Ha Tsuen, Ping Shan, Yuen Long, New Territories, Hong Kong	80% of the Offer Price	82,000	0.0125	1st anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	2nd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	3rd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	4th anniversary of the Listing Date to 16 June 2026

No.	Grantee	Position	Address	Exercise price of each option Share	Number of Shares to be issued upon full exercise of the option	Approximate percentage of issued share capital of our Company immediately upon Listing	Exercise period
16.	Tang Fung Kei, Janice	Assistant finance and administration manager	Flat E, 37/F., Tower 6, Bauhinia Garden, 11 Tong Chun St., Tseung Kwan O, New Territories, Hong Kong	80% of the Offer Price	82,000	0.0125	1st anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	2nd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	3rd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	4th anniversary of the Listing Date to 16 June 2026
17.	Chan Mui Fong	Marketing manager	Flat D, 2/F., Block 5, Chevalier Garden, Ma On Shan, New Territories, Hong Kong	80% of the Offer Price	82,000	0.0125	1st anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	2nd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	3rd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	4th anniversary of the Listing Date to 16 June 2026
18.	Tsai Hon Ning, Eric	Plant manager	Room 1501, Mei Tin House, Hing Tin Estate, Lam Tin, Kowloon, Hong Kong	80% of the Offer Price	82,000	0.0125	1st anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	2nd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	3rd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	4th anniversary of the Listing Date to 16 June 2026

No.	Grantee	Position	Address	Exercise price of each option Share	Number of Shares to be issued upon full exercise of the option	Approximate percentage of issued share capital of our Company immediately upon Listing	Exercise period
19.	Xu Bin	Assistant manager	No. 125, Jiangmin Village, Changshou Town, Pingjiang County, Hunan Province, PRC	80% of the Offer Price	82,000	0.0125	1st anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	2nd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	3rd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	4th anniversary of the Listing Date to 16 June 2026
20.	Wang Zongbing	Assistant manager	Room 2-3, Unit 2, Block 3, No. 29, Baixin Road, Baishiyi Town, Jiulongpo District, Chongqing City, PRC	80% of the Offer Price	82,000	0.0125	1st anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	2nd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	3rd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	4th anniversary of the Listing Date to 16 June 2026
21.	Tian Xuefeng	manager	Room 503, Unit D, Block 4, Fuda Garden, Panshan Road, Luohu District, Shenzhen City, Guangdong Province, PRC	80% of the Offer Price	82,000	0.0125	1st anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	2nd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	3rd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	4th anniversary of the Listing Date to 16 June 2026

No.	Grantee	Position	Address	Exercise price of each option Share	Number of Shares to be issued upon full exercise of the option	Approximate percentage of issued share capital of our Company immediately upon Listing	Exercise period
22.	Huang Chengbin	Manager	No. 10, Qiaolong Jiuwei, Tangxia Town, Dongguan City, Guangdong Province, PRC	80% of the Offer Price	82,000	0.0125	1st anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	2nd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	3rd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	4th anniversary of the Listing Date to 16 June 2026
23.	Yang Fuqiang	Assistant manager	1F. No. 5, Flat 2, No. 34, Jiefang Road, Guancheng District, Dongguan City, Guangdong Province, PRC	80% of the Offer Price	82,000	0.0125	1st anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	2nd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	3rd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	4th anniversary of the Listing Date to 16 June 2026
24.	Chen Yin	Assistant manager	No. 22-1, Changqing Road, Bijie City, Guizhou Province, PRC	80% of the Offer Price	82,000	0.0125	1st anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	2nd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	3rd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	4th anniversary of the Listing Date to 16 June 2026

No.	Grantee	Position	Address	Exercise price of each option Share	Number of Shares to be issued upon full exercise of the option	Approximate percentage of issued share capital of our Company immediately upon Listing	Exercise period
25.	Zeng Bo	Assistant manager	No. 131, Wanguang Village Committee Mabu Village, Huilong Town, Longchuan County, Guangdong Province, PRC	80% of the Offer Price	82,000	0.0125	1st anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	2nd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	3rd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	4th anniversary of the Listing Date to 16 June 2026
26.	Zhang Yongming	Assistant manager	7F. No. 1, Unit 1, Block 1, No. 60, Liulinshang street, Nanlong Town, Nanbu County, Sichuan Province, PRC	80% of the Offer Price	82,000	0.0125	1st anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	2nd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	3rd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	4th anniversary of the Listing Date to 16 June 2026
27.	Gao Changfu	Assistant manager	Room 5B, 5F., Block 3, Huijiang Garden, Tangxia Town, Dongguan City, Guangdong Province, PRC	80% of the Offer Price	82,000	0.0125	1st anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	2nd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	3rd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	4th anniversary of the Listing Date to 16 June 2026

No.	Grantee	Position	Address	Exercise price of each option Share	Number of Shares to be issued upon full exercise of the option	Approximate percentage of issued share capital of our Company immediately upon Listing	Exercise period
28.	Li Huabiao	Assistant manager	Room 201, No. 8, Dongwu Lane, South of Haizhu District, Guangzhou City.	80% of the Offer Price	82,000	0.0125	1st anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	2nd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	3rd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	4th anniversary of the Listing Date to 16 June 2026
29.	Hao Cong	Assistant manager	No. 12-2, Living Quarters of Bailian Park, Tubu Town, Yongxiu County, Jiujiang City, Jiangxi Province, PRC	80% of the Offer Price	82,000	0.0125	1st anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	2nd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	3rd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	4th anniversary of the Listing Date to 16 June 2026
30.	Huang Youhe	Assistant manager	No. 3, Qiaolong Xinwei, Tangxia Town, Dongguan City, Guangdong Province, PRC	80% of the Offer Price	82,000	0.0125	1st anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	2nd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	3rd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	4th anniversary of the Listing Date to 16 June 2026

No.	Grantee	Position	Address	Exercise price of each option Share	Number of Shares to be issued upon full exercise of the option	Approximate percentage of issued share capital of our Company immediately upon Listing	Exercise period
31.	Xia Xulin	Assistant manager	No. 1, Workman new Village, Longchiqiao Street, Macheng City, Hubei Province, PRC	80% of the Offer Price	82,000	0.0125	1st anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	2nd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	3rd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	4th anniversary of the Listing Date to 16 June 2026
32.	Li Geyang	Finance and administration manager in Shenzhen	Room 1409, Xufeihuada Yuan, Fushi Ge, Cuizhu Road, Luohu District, Shenzhen City, Guangdong Province, PRC	80% of the Offer Price	82,000	0.0125	1st anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	2nd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	3rd anniversary of the Listing Date to 16 June 2026
					82,000	0.0125	4th anniversary of the Listing Date to 16 June 2026
				Sub-total	**11,896,000**	**1.81**	

(d) Waiver and exemption

Our Company has applied for and has been granted (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A to the Listing Rules; and (ii) an exemption from the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with the disclosure requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. Please see the section ''Waivers from Strict Compliance with the Listing Rules and Exemption from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance'' for details.

17. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by a written resolution of all the Shareholders passed on 24 June 2016 and adopted by a resolution of our Board on 24 June 2016. The terms of the Share Option Scheme are in accordance with the provisions under the Listing Rules. As at the Latest Practicable Date, no option has been granted pursuant to the Share Option Scheme.

(a) Purpose

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions of the Eligible Participants (as defined in paragraph (b) below) to our Group by granting options to them as incentives or rewards.

Our Directors consider the Share Option Scheme will enable our Group to reward the employees, our Directors and other selected participants for their contributions to our Group. Given that our Board is entitled to impose any conditions, restrictions or limitations as it may think fit when making an offer ("**Offer**") on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(b) Who may join

Our Board may during the Scheme Period (as defined in paragraph (j) below) at its absolute discretion (subject to any conditions as it may think fit) Offer to grant options to subscribe for such number of Shares as our Board may determine at an option price determined in accordance with paragraph (c) below to the following persons ("**Eligible Participants**"):

(i) any executive, employee, director (including non-executive director and independent non-executive director) of any member of our Group or any entity in which any member of our Group holds an equity interest (the "**Invested Entity**");

(ii) any advisor, consultant, professional, agent, contractor, customer, provider of goods and/or services, business or joint-venture partner of any member of our Group or any Invested Entity whom our Board in its sole discretion considers eligible for the Scheme on the basis of his or her contribution to our Group or the Invested Entity (as the case may be); and

(iii) any person whom our Board in its sole discretion considers has contributed or will contribute to our Group or to the Invested Entity (as the case may be).

(c) Subscription price

The subscription price of a Share payable on the exercise of any particular option granted under the Share Option Scheme shall be such price as our Board in its absolute discretion shall determine, save that such price shall 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 ("**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.

(d) Acceptance of Offer

HK$1.00 is payable by an Eligible Participant on acceptance of an Offer of option. Any Offer of option may be accepted, in whole or in part, in a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and in writing received by any Director or the secretary of our Company until 5:00 p.m. on the date specified in the Offer provided that no such Offer shall be open for acceptance after the expiry of the Scheme Period (as defined in paragraph (j) below) or after the Share Option Scheme has been terminated in accordance with the rules thereof.

(e) *Maximum number of Shares in respect of which options may be granted*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other schemes of our Group must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date (the "**Limit**"). Options which have lapsed in accordance with the terms of the Share Option Scheme (or any other schemes of our Group) will not be counted for the purpose of calculating the Limit.

Subject to the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, our Company may refresh the Limit at any time provided that:

(i) the Limit as refreshed does not exceed 10% of the Shares in issue as at the date of the approval by the refreshed Limit;

(ii) the options previously granted (including those outstanding, cancelled, lapsed in accordance with the provisions of the Share Option Scheme or exercised options) will not be counted for the purpose of calculating the Limit as refreshed; and

(iii) a circular containing the information and the disclaimer, respectively required under Rule 17.02(2)(d) and Rule 17.02(4) of the Listing Rules shall be despatched to the Shareholders together with the notice of the relevant general meeting.

Our Company may also with the approval of Shareholders in general meeting grant options in respect of Shares in excess of the Limit (as refreshed from time to time) to Eligible Participants specifically identified by our Company before such approval is sought. The circular issued by our Company to the Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at anytime shall not exceed 30% of the Shares in issue from time to time. No Offer may be made under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded.

(f) *Maximum entitlement of each Eligible Participant*

The total number of Shares issued and which fall to be issued upon exercise of the options granted under the Share Option Scheme and any other schemes of our Group (including both

exercised and outstanding options) to each Eligible Participant in any period of 12 consecutive months up to and including the date of grant of the options shall not exceed 1% of the Shares in issue as at the date of grant of the options.

Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by our Company disclosing the identity of the Eligible Participant, the number of and terms of the options to be granted (and options previously granted to such participant) and the information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (or his associates if such Eligible Participant is a connected person) abstaining from voting.

The number and terms (including the exercise price) of options to be granted to such Eligible Participant must be fixed before the Shareholders' approval and the date of our Board meeting at which our Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant of the options for the purpose of calculating the subscription price of the Shares.

(g) *Granting options to connected persons*

Any grant of options to a director, chief executive (as defined in the Listing Rules) or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is proposed to be an option holder).

If our Company proposes to grant options to a substantial shareholder (as defined in the Listing Rules) or any independent non-executive director of our Company or their respective associates which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value in excess of HK$5 million, based on the closing price of the Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by our Company together with the notice of the relevant general meeting and the approval of the Shareholders in general meeting at which such proposed grantee, his associates and all core connected persons of our Company shall abstain from voting in favour at such general meeting except that any such persons may vote against the relevant resolution at the general meeting provided that his intention to vote against the proposed grant has been stated in the Shareholders' circular referred to in the paragraph below, and/or such other requirements prescribed under the Listing Rules from time to time.

The Shareholders' circular referred to in the preceding paragraph shall contain the following information:

(A) details of the number and terms (including the subscription price) of the options as required under Rules 17.03(5) to 17.03(10) of the Listing Rules to be granted to each Eligible Participant, which must be fixed before the Shareholders' meeting, and the date of meeting of our Board proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price;

(B) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is proposed to be an option holder) to the independent Shareholders as to voting;

(iii) information relating to any Directors who are trustees of the Scheme or have a direct or indirect interest in the trustees;

(iv) a statement in the form set out in paragraph 2 of Appendix I, Part B of the Listing Rules;

(v) a disclaimer required under Rule 17.02(4) of the Listing Rules;

(vi) information required under Rule 2.17 of the Listing Rules; and

(vii) any other information as required by the Stock Exchange.

(h) Restrictions on the times of grant of options

For so long as the Shares are listed on the Stock Exchange,

(i) no Offer shall be made after any inside information has come to the knowledge of our Company until such inside information has been published in accordance with the requirements of the Listing Rules. In particular, no Offer may be made during the period commencing one month immediately preceding the earlier of:

(A) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(B) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of publication of the results announcement; and

(ii) the Directors must not make any Offer to an Eligible Participant who is a Director during the periods or times in which the Directors are prohibited from dealing in the Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(i) Rights are personal to option holder

An option is personal to the option holder. No option holder shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any other person over or in relation to any options, except for the transmission of an option on the death of the option holder to his personal representative(s).

(j) Exercise period and duration of the Share Option Scheme

Subject to the rules of the Share Option Scheme, options may be exercised by an Eligible Participant, in whole or in part, at any time during any period determined by the Board (provided that such period shall not) not exceed ten years from the date of grant and notified to an Eligible Participant. Subject to earlier termination by our Company in general meeting, the Share Option Scheme shall be valid and effective for a period commencing from 24 June 2016 and expiring at 5:00 p.m. on the business day preceding the tenth anniversary of such date (**"Scheme Period"**).

(k) Rights of exercise for option holders

Our Board may at its discretion, when making an Offer, impose any conditions, restrictions or limitations in relation thereto as it may think fit, including but not limited to the achievement of any performance target. Subject to the aforesaid, an Eligible Participant to whom any option is granted is not required to achieve any performance target before an option can be exercised.

No Director shall deal in any securities of our Company unless he fully complies with the provisions of the Model Code.

In the event that the grantee ceases to be an Eligible Participant under the Share Option Scheme during any relevant option period by reason of ill-health, injury, disability or death or because his employing company ceases to be a member of our Group before exercising his options in full, the grantee or his personal representative, as the case may be, may exercise the options (to the extent not already exercised) within a period of six months of such ill-health, injury, disability or death or cessation, failing which such options will lapse and determine at the end of the relevant period.

In the event that a grantee ceases to be an Eligible Participant under the Share Option Scheme by reason of retirement in accordance with his contract of employment or upon expiration of his or her contract of employment or term of directorship before exercising his or her options in full, the grantee may exercise the options (to the extent not already exercised) within a period of six months after he so retires or expiration of his contract of employment or term of directorship, failing which such options will lapse and determine at the end of the relevant period.

In the event that a grantee ceases to be an Eligible Participant under the Share Option Scheme by reason of voluntary resignation other than by reason of the circumstances set out above or by termination of his employment in accordance with the termination provisions of his contract of employment by his employing company before exercising his options in full, such options and any outstanding Offer will lapse and determine on the date of the resignation or termination.

(l) Discretion of our Board

Notwithstanding the aforesaid in paragraph (k) above, in each case, our Board may in its absolute discretion decide that any option shall not so lapse or determine subject to such conditions or limitations as our Board may decide.

(m) Rights on general offers

If a general offer by way of takeover is made to all the Shareholders and the offeror shall have obtained control of our Company as a consequence, option holders shall, subject to paragraph (k) above, be entitled at any time within the period of one month after control has been obtained to exercise the option in whole or in part (to the extent not already exercised), notwithstanding any restrictions in the terms of grant of the option which would otherwise have prevented the option from being exercised during such period. Any option that has not been so exercised within the one-month period shall cease and determine.

(n) Rights on winding-up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all option holders and thereupon, each option holder shall be entitled to exercise all or any of his or her options (to the

extent not already exercised) at any time thereafter until such resolution is duly passed or defeated or the general meeting concluded or adjourned sine die, whichever shall first occur. If such resolution is duly passed, all options shall, to the extent that they have not been exercised, lapse and determine.

(o) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of the jurisdiction in which our Company was incorporated, our Company shall give notice to all the option holders on the same date as it gives notice of the meeting to its members or creditors summoning the meeting to consider such compromise or arrangement and each option holder (or where permitted his personal representative) shall forthwith be entitled to exercise his or her option until the earlier of the date two months thereafter or the date on which the compromise or arrangement is sanctioned by the court. But the exercise of the option as aforesaid shall be conditional upon the compromise or arrangement being sanctioned by the court and becoming effective.

Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine.

(p) Ranking of Shares issued upon exercise of options

The Shares to be allotted and issued upon the exercise of an option will not carry voting rights until completion of the registration of the option holder (or any other person nominated by the option holder) as the Shareholder thereof in the register of members of our Company. Subject to the aforesaid, Shares allotted and issued on the exercise of options will carry the same rights as all Shares in issue on the date of the exercise and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation, as attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of entry of such Shareholder in the register of members of our Company.

(q) Effect of alterations to capital

Upon any variation in the share capital of our Company arising from any reduction, sub-division or consolidation of share capital, any rights issue or the issue of any share capital by way of capitalisation of profits or reserves or in connection with an open offer to the Shareholders (each a "**Relevant Event**"), the number or nominal amount of Shares comprised in each option and/or the subscription price thereunder may be adjusted in any manner as our Board (having received a confirmation in writing from the auditors of our Company or an approved independent financial advisor that in their/its opinion the adjustments proposed satisfy the requirements of the note to Rule 17.03(13) of the Listing Rules and/or the rules, requirements and guidelines issued by the Stock Exchange from time to time) may deem appropriate provided always that:

(i) no increase shall be made in the aggregate subscription price relating to any option;

(ii) any adjustments should give each option holder the same proportion of the share capital of our Company as that to which he or she was previously entitled prior to such adjustments;

(iii) no adjustments shall be made which will enable a Share to be issued at less than its nominal value; and

(iv) where the Relevant Event arises from an issue of Shares, references to options shall include references to options that have been exercised prior to the date of the adjustment in respect of Shares which otherwise do not rank and are not entitled to participate in the issue by reason of the option holder not having been then registered as the holder of the relevant Shares.

(r) Lapse of options

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the option as may be determined by our Board;

(ii) the date of lapse as provided in paragraphs (k), (m) or (o) above;

(iii) the date of commencement of a winding up of our Company; and

(iv) the date on which the option holder commits a breach of paragraph (i) above.

(s) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of our Board except that:

(i) any alteration to the advantage of the option holders or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and

(ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted,

shall first be approved by the Shareholders in general meeting except where the proposed alteration takes effect automatically under the existing terms of the Share Option Scheme. Any change to the authority of our Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(t) Cancellation of options

Any unexercised option may be cancelled if the relevant option holder so agrees. Issuance of new options to the same option holder may only be made if there are unissued options available under the Share Option Scheme (excluding the cancelled options) within the 10% Limit or the Limit as refreshed pursuant to rule 5.1(b) of the Share Option Scheme and in compliance with the terms of the Share Option Scheme in force from time to time.

(u) Termination of the Share Option Scheme

Our Company may by ordinary resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be granted but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) Administration of the Share Option Scheme

The Share Option Scheme shall be administered by our Board whose decision (save as otherwise provided therein) shall be final and binding on all parties.

(w) Condition of the Share Option Scheme

The Share Option Scheme is conditional upon: (1) the approval for the listing of, and permission to deal in, the Shares in issue and to be issued, and any Shares to be issued pursuant to the exercise of Options under the Share Option Scheme, being granted by the Listing Committee of the Stock Exchange; (2) the Global Offering becoming unconditional and not being terminated according to the terms thereof; and (3) the commencement of dealing of the Shares on the Stock Exchange.

(x) Present status of the Share Option Scheme

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(y) Value of Options

Our Directors consider it inappropriate to disclose the value of the options which may be granted under the Share Option Scheme as if they had been granted at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and to a certain extent would be misleading to investors.

18. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on us or any of our subsidiaries in the PRC and that the Cayman Islands currently have no estate duty, inheritance tax or gift tax.

19. Tax and other indemnities

Our Controlling Shareholders (the "**Indemnifiers**") have entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the material contract (m) referred to in the paragraph "Further Information about the Business of our Group — 7. Summary of material contracts" above) to provide indemnities on a joint and several basis, in respect of, among other matters:

(a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing whether alone or in conjunction with any other circumstances whenever occurring and whether or not the tax liabilities are chargeable against or attributable to any other person, firm, company or corporation;

(b) tax liabilities (including all reasonable fines, penalties, costs, charges, expenses and interest relation to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date; and

(c) all claims, damages, losses, costs, expenses, actions and proceedings (if any) arising out of or in connection with any non-compliance or alleged non-compliance by any member of our Group with any applicable PRC rules, regulations and laws in relation to any properties, social insurance contributions and housing fund contributions on or before the Listing Date.

The Indemnifiers are under no liability under the deed of indemnity in respect of any taxation:

(a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 31 December 2015;

(b) to the extent that such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, otherwise than any such act, omission or transaction:

(i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before 1 January 2016; and

(ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 1 January 2016 or pursuant to any statement of intention made in the prospectus; or

(c) to the extent that such taxation liabilities or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by IRD or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the deed of indemnity or to the extent such claim arises or is increased by an increase in rates of taxation or claim after the date of the deed of indemnity with retrospective effect; or

(d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 31 December 2015 which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

20. Litigation

Neither our Company nor any of its subsidiaries is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company or any member of our Group that would have a material adverse effect on the results of operations or financial condition of our Group.

21. Promoters

Our Company has no promoter as the term is defined under the Listing Rules.

22. Application for listing of Shares

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued

as mentioned herein (including any Shares to be issued within the Limit and pursuant to the exercise of any options that may be granted under the Share Option Schemes).

The Listing of the Shares on the Stock Exchange is sponsored by BOSC International Company Limited.

23. Sole Sponsor

The Sole Sponsor will receive a fee of approximately HK$4.3 million for acting as the sole sponsor to the Listing. The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

Save for the aforesaid fee and underwriting commission (in its capacity as International Underwriters or Hong Kong Underwriters), the Sole Sponsor will not receive any agency fee or commission.

24. Preliminary expenses

The preliminary expenses incurred by our Company were approximately HK$65,000 and were paid by our Company.

25. Qualifications of experts

The following are the qualifications of the experts which have given their opinions or advice which are contained, or referred to, in this prospectus:

Expert	Qualification
BOSC International Company Limited	Licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined in the SFO
China Insights Consultancy	Industry consultant
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Grant Sherman Appraisal Limited	Independent property valuers
Herbert Smith Freehills, a Hong Kong partnership	Qualified to advise on U.S. sanction laws and the international sanction laws of the U.N.
Herbert Smith Freehills LLP	Qualified to advise on E.U. sanction laws
Herbert Smith Freehills, an Australian partnership	Qualified to advise on Australian sanction laws
RSM Hong Kong	Certified public accountants
RSM Tax Advisory (Hong Kong) Limited	Tax adviser
Zhong Lun Law Firm	PRC legal advisers

26. Consents of experts

Each of the experts set out in the table above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letters and/or opinions and summaries of opinions (as the case may be) and/or the references to its name or summaries of opinion included in the form and context in which they are respectively included.

None of the experts named above:

(a) is interested beneficially or non-beneficially in any shares in any member of our Group; or

(b) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.

27. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding up and Miscellaneous Provisions) Ordinance insofar as applicable.

28. Bilingual prospectus

Pursuant to Rule 11.14 of the Listing Rules and section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions of this prospectus are being published separately but are available to the public at the same time.

29. Miscellaneous

(a) Save as disclosed in this prospectus, within two years preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of its subsidiaries had been issued or agreed to be issued or was proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of its subsidiaries was under option or was agreed conditionally or unconditionally to be put under option;

(iii) no commission had been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any share in our Company or any of its subsidiaries; and

(iv) no commissions, discounts, brokerages or other special terms had been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries.

(b) Our Directors have confirmed that (i) there has been no material adverse change in the financial or trading positions of our Group since 31 December 2015 (being the date to which the latest audited consolidated financial information of our Group were made up); and (ii) there had not been any interruption in the business of our Group which might have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.

(c) Our Company has no founder, management or deferred shares.

(d) No securities of our Group are listed, and no listing of any such securities is proposed to be sought, on any other stock exchange.

(e) All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

(f) Our Group had not issued any debentures nor did it have any outstanding debentures or any convertible debt securities as at the Latest Practicable Date.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE**, **YELLOW**, **GREEN** and **PINK** application forms, the written consents referred to in "Statutory and General Information — Other Information — 26. Consents of experts" in Appendix IV to this prospectus and copies of the material contracts referred to in "Statutory and General Information — Further Information About the Business of Our Group — 7. Summary of material contracts" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of MinterEllison at Level 25, One Pacific Place, 88 Queensway, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and Articles of Association;

(b) the accountants' report of our Group issued by RSM Hong Kong, the text of which is set out in Appendix I to this prospectus;

(c) the audited combined financial statements of our Company and where applicable, companies now comprising our Group during the Track Record Period;

(d) the letter issued by RSM Hong Kong on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;

(e) the tax report prepared by RSM Tax Advisory (Hong Kong) Limited;

(f) the letter prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law referred to in "Summary of the Constitution of the Company and Cayman Company Law" in Appendix III to this prospectus;

(g) the Cayman Companies Law;

(h) the legal opinions issued by Zhong Lun Law Firm in respect of our general matters and property interests of our Group in the PRC;

(i) the advice in respect of certain economic sanctions administered by the U.S., E.U., Australia and the U.N. prepared by Herbert Smith Freehills;

(j) the industry report prepared by China Insights Consultancy as referred to in "Industry Overview" of this prospectus;

(k) the property valuation certificates in respect of certain of our leased properties in Hong Kong and the PRC prepared by Grant Sherman Appraisal Limited;

(l) the material contracts referred to in "Statutory and General Information — Further Information About the Business of Our Company — 7. Summary of material contracts" in Appendix IV to this prospectus;

(m) the service contacts referred to in "Statutory and General Information — Further Information About Our Directors — 9. Particulars of service contracts" in Appendix IV to this prospectus;

(n) the written consents referred to in "Statutory and General Information — Other Information — 26. Consents of experts" in Appendix IV to this prospectus;

(o) the rules of the Share Option Schemes; and

(p) the list of all the grantees who have been conditionally granted options to subscribe for the Shares under the Pre-IPO Share Option Scheme, containing all the details as required under Rule 17.02(1)(b) of the Listing Rules and paragraph 10 of Part I of Companies (Winding Up and Miscellaneous Provisions) Ordinance.

VINCENT MEDICAL HOLDINGS LIMITED

永勝醫療控股有限公司