Vincent Medical Holdings Limited

永勝醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1612)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016 AND RECOMMENDATION FOR DECLARATION AND PAYMENT OF FINAL DIVIDEND FOR 2016 AND CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS

- Turnover for the year ended 31 December 2016 ("**2016**") increased by 4.3% to HK$467.3 million as compared to that of HK$448.2 million for the year ended 31 December 2015 ("**2015**").
- Gross profit for 2016 increased by 4.3% to HK$145.8 million as compared to that of HK$139.8 million in 2015. Gross profit margin for 2016 was 31.2% (2015: 31.2%), remained unchanged as compared to 2015.
- Profit attributable to owners of the Company for 2016 was:
  - HK$29.2 million (2015: HK$58.2 million), based on the reported net profit; and
  - HK$55.5 million (2015: HK$52.6 million), based on the Underlying Net Profit *(Note)*.
- Basic earnings per share of the Company ("**Share(s)**") for 2016 was:
  - HK5.27 cents per Share, based on the reported net profit; and
  - HK10.01 cents per Share, based on the Underlying Net Profit *(Note)*.
- Proposed final dividend of HK1.50 cents per Share for 2016, to be payable on or around Tuesday, 20 June 2017.

Note:

Underlying Net Profit for 2016 represents reported net profit attributable to owners of the Company as set out in the Consolidated Statement of Profit or Loss before deducting:

- *(i)* *the one-off Listing-related expenses of HK$18.0 million;*
- *(ii)* *the share-based compensation expenses relating to the pre-IPO share options of HK$2.7 million; and*
- *(iii)* *the one-off cost of HK$7.0 million (of which HK$5.6 million attributable to owners of the Company) incurred related to the sterilisation incident with details set out in the paragraph headed "OEM Business" in this announcement.*

Underlying Net Profit for 2015 represents reported net profit attributable to owners of the Company adjusted by excluding the effect of reversal of over-provision of Hong Kong Profits Tax of HK$11.9 million (of which HK$10.2 million attributable to owners of the Company) and the one-off Listing-related expenses of HK$4.6 million.

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Vincent Medical Holdings Limited (the "**Company**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2016, together with the comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	**2016** *HK$'000*	2015 *HK$'000*
Turnover	4	**467,347**	448,169
Cost of sales		**(321,585)**	(308,368)
Gross profit		**145,762**	139,801
Other income	5	**5,948**	1,641
Distribution costs		**(15,485)**	(14,395)
Administrative expenses		**(88,076)**	(57,829)
Profit from operations		**48,149**	69,218
Finance costs – interest on borrowings		**(339)**	(5)
Share of losses of associates		**(114)**	(41)
Profit before tax		**47,696**	69,172
Income tax (expense)/credit	7	**(10,614)**	2,484
Profit for the year	8	**37,082**	71,656
Attributable to:			
Owners of the Company		**29,242**	58,153
Non-controlling interests		**7,840**	13,503
		37,082	71,656
Earnings per Share	10		
Basis		**HK5.27 cents**	HK14.24 cents
Diluted		**HK5.25 cents**	n/a

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 *HK$'000*	2015 *HK$'000*
Profit for the year	**37,082**	71,656
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(12,104)**	(8,201)
Other comprehensive income for the year, net of tax	**(12,104)**	(8,201)
Total comprehensive income for the year	**24,978**	63,455
Attributable to:		
Owners of the Company	**19,318**	51,448
Non-controlling interests	**5,660**	12,007
	24,978	63,455

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	Note	**2016**	2015
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**40,131**	44,876
Goodwill		**9,591**	9,591
Other intangible assets		**14,628**	13,657
Investments in associates		**16,460**	13,269
Total non-current assets		**80,810**	81,393
Current assets			
Inventories		**87,899**	65,422
Trade receivables	11	**75,223**	87,188
Prepayments, deposits and other receivables		**29,060**	16,662
Bank and cash balances		**222,206**	69,303
Total current assets		**414,388**	238,575
TOTAL ASSETS		**495,198**	319,968
EQUITY AND LIABILITIES			
Share capital	13	**6,380**	12,094
Reserves		**344,692**	157,264
Equity attributable to owners of the Company		**351,072**	169,358
Non-controlling interests		**50,404**	47,729
Total equity		**401,476**	217,087

	Note	2016 HK$'000	2015 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings		**1,450**	3,725
Deferred tax liabilities		**2,415**	2,253
Total non-current liabilities		**3,865**	5,978
Current liabilities			
Trade payables	12	**32,866**	24,751
Other payables and accruals		**47,039**	30,777
Borrowings		**3,167**	992
Current tax liabilities		**6,785**	40,383
Total current liabilities		**89,857**	96,903
TOTAL EQUITY AND LIABILITIES		**495,198**	319,968
Net current assets		**324,531**	141,672
Total assets less current liabilities		**405,341**	223,065

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

The Company was incorporated as an exempted company in the Cayman Islands under the Companies Law of the Cayman Islands on 19 November 2015. The address of its registered office is Cricket Square, Hutchins Drive, 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 "**Business**").

On 13 July 2016 (the "**Listing Date**"), the Shares were listed (the "**Listing**") on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

In the opinion of the Directors, Vincent Raya International Limited ("**VRI**"), a company incorporated in the British Virgin Islands, is the ultimate parent of the Company. Mr. Choi Man Shing ("**Mr. Choi**") and Ms. Liu Pui Ching ("**Ms. Liu**") are the ultimate controlling parties of the Company (together with VRI, known as the "**Controlling Shareholders**").

2. REORGANISATION AND BASIS OF PREPARATION

Prior to the incorporation of the Company and the completion of the reorganisation for the purpose of Listing (the "**Reorganisation**"), the Business was carried out by companies now comprising the Group (collectively the "**Operating Companies**"). The Operating Companies were controlled by the Controlling Shareholders.

Immediately prior to and after the Reorganisation, the Business was and continues to be held by the Operating Companies. Pursuant to the Reorganisation, the Operating Companies together with the Business were transferred to and are held by the Company through Vincent Medical Manufacturing Holdings Limited and Vincent Medical Care Holdings Limited. The Reorganisation was completed on 18 February 2016 and thereafter, the Company became the holding company of the Group.

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

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

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2016. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

(b) 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 1 January 2016. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7 Statement of Cash Flows: Disclosure initiative	1 January 2017
Amendments to HKAS 12 Income Taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
Amendments to HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to HKFRS 2 Share-based Payment: Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 16 Leases	1 January 2019
Amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course.

HKFRS 9 Financial Instruments

The standard replaces HKAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from HKAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

HKFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in HKAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in HKAS 39 are carried forward largely unchanged.

HKFRS 9 substantially overhauls the hedge accounting requirements in HKAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The new expected credit loss impairment model in HKFRS 9 may result in the earlier recognition of impairment losses on the Group's trade receivables and other financial assets. The Group is unable to quantity the impact until a more detailed assessment is completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

The Group is currently assessing the impact of adopting HKFRS 15 on the consolidated financial statements but it is unable to estimate the impact of the new standard on the consolidated financial statements until a more detailed analysis is completed.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group's future minimum lease payments under non-cancellable operating leases for its offices and factory premises amounted to approximately HK$21,317,000 as at 31 December 2016. The Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after taking into account the transition reliefs available in HKFRS 16 and the effects of discounting.

4. TURNOVER

The Group's turnover represents sales of medical devices to customers. An analysis of the Group's turnover by products for the year is as follows:

	2016	2015
	HK$'000	*HK$'000*
Respiratory products	**151,820**	175,241
Imaging disposable products	**180,817**	155,675
Orthopaedic and rehabilitation products	**76,403**	74,124
Others	**58,307**	43,129
	467,347	448,169

5. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Exchange gain, net	**1,141**	736
Interest income	**57**	131
Gain on disposals of property, plant and equipment	**–**	284
Sundry income	**2,543**	490
Write back of trade payables	**2,207**	–
	5,948	1,641

6. 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 that make strategic and operating decisions.

The Directors 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 original equipment manufacturing ("**OEM**") business and original brand manufacturing ("**OBM**") business.

- OEM 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.

Segment profits or losses do not include interest income, interest expenses, Listing-related expenses, share-based payments, share of losses of associates, write back of trade payables, corporate income and corporate expenses.

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

Information about reportable segment profit or loss:

	OEM	**OBM**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Year ended 31 December 2016			
Revenue from external customers	**400,657**	**66,690**	**467,347**
Segment profit/(loss)	**68,868**	**(2,939)**	**65,929**
Depreciation and amortisation	**8,626**	**3,846**	**12,472**
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:

	2016	2015
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**467,347**	448,169
Profit or loss		
Total profit or loss of reportable segments	**65,929**	75,006
Interest income	**57**	131
Interest expenses	**(339)**	(5)
Listing-related expenses	**(17,964)**	(4,634)
Share-based payments	**(2,714)**	–
Share of losses of associates	**(114)**	(41)
Write back of trade payables	**2,207**	–
Unallocated corporate income	**3,684**	1,510
Unallocated corporate expenses	**(3,050)**	(2,795)
Consolidated profit before tax	**47,696**	69,172

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	
	2016	2015
	HK$'000	*HK$'000*
United States (the "**USA**")	**323,298**	331,151
The People's Republic of China (the "**PRC**")	**39,355**	37,635
Netherlands	**34,370**	9,609
Australia	**17,922**	12,015
Japan	**13,904**	13,564
Germany	**1,822**	21,954
Others	**36,676**	22,241
	467,347	448,169

	Non-current assets	
	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**30,993**	24,570
The PRC	**39,095**	43,554
Australia	**10,722**	13,269
	80,810	81,393

Revenue from major customers:

	2016	2015
	HK$'000	*HK$'000*
OEM segment		
Customer A	**187,508**	161,326
Customer B	**103,757**	73,379

7. INCOME TAX EXPENSE/(CREDIT)

	2016	2015
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**6,012**	6,392
Over-provision in prior years	**(20)**	(11,876)
	5,992	(5,484)
Current tax – the PRC		
Provision for the year	**4,365**	3,016
Under-provision in prior years	**95**	–
	4,460	3,016
Deferred tax	**162**	(16)
Income tax expense/(credit)	**10,614**	(2,484)

Hong Kong Profits Tax has been provided at a rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year ended 31 December 2016.

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

8. PROFIT FOR THE YEAR

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

	2016	2015
	HK$'000	HK$'000
Allowance for inventories (included in cost of inventories sold)	**18**	14
Amortisation	**1,522**	96
Auditor's remuneration	**1,485**	2,243
Cost of inventories sold	**321,585**	308,368
Depreciation	**11,094**	13,216
Directors' emoluments	**4,685**	2,608
Equity-settled share-based payments	**2,714**	–
Exchange gain, net	**(1,141)**	(736)
Gain on disposals of property, plant and equipment	**–**	(284)
Listing-related expenses	**17,964**	4,634
Operating lease charges – land and buildings	**9,688**	6,059
Research and development expenditure	**9,587**	7,185
Staff costs (including directors' emoluments)	**95,967**	80,090
Write back of trade payables	**(2,207)**	–
Write off of property, plant and equipment	**99**	497

9. DIVIDEND

A final dividend of HK1.50 cents per Share amounting to approximately HK$9,570,000 for the year ended 31 December 2016 has been proposed by the Directors and is subject to the approval by the shareholders of the Company (the "Shareholders") at the forthcoming annual general meeting of the Company to be held on 24 May 2017 (the "AGM").

Prior to the Listing, a dividend of HK$21,000,000 was declared in March 2016 and paid to the then shareholders of two subsidiaries of the Company in April 2016.

10. EARNINGS PER SHARE

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

	2016	2015
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company	**29,242**	58,153
	'000	***'000***
Number of Shares		
Weighted average number of ordinary Shares for the purpose of calculating basic earnings per Share	**554,746**	408,320
Effect of dilutive potential ordinary Shares arising from share options issued by the Company	**2,161**	n/a
Weighted average number of ordinary Shares for the purpose of calculating diluted earnings per Share	**556,907**	n/a

The weighted average number of ordinary Shares for the purpose of calculating basic and diluted earnings per Share for both years has been adjusted for the effect of the capitalisation issue as more fully explained in note 13.

No diluted earnings per Share was presented for the year ended 31 December 2015 as there was no potential ordinary Share outstanding during that year.

11. 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:

	2016	2015
	HK$'000	*HK$'000*
0 to 30 days	**35,910**	40,149
31 to 60 days	**23,333**	25,193
61 to 90 days	**4,602**	14,500
Over 90 days	**11,378**	7,346
	75,223	87,188

As at 31 December 2016, no allowance for estimated irrecoverable trade receivables was made (2015: HK$895,000).

Reconciliation of allowance for trade receivables:

	2016	2015
	HK$'000	*HK$'000*
At 1 January	**895**	895
Amounts written off	**(895)**	–
At 31 December	**–**	895

As of 31 December 2016, trade receivables of approximately HK$13,726,000 (2015: HK$17,088,000) 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:

	2016	2015
	HK$'000	*HK$'000*
Overdue by:		
Up to 3 months	**6,928**	16,870
Over 3 months	**6,798**	218
	13,726	17,088

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2016	2015
	HK$'000	*HK$'000*
Hong Kong dollars ("**HKD**" or "**HK$**")	**1,462**	723
Renminbi ("**RMB**")	**7,923**	7,063
US dollars ("**USD**" or "**US$**")	**65,838**	79,402
	75,223	87,188

12. TRADE PAYABLES

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	2016	2015
	HK$'000	*HK$'000*
0 to 30 days	**18,119**	9,348
31 to 60 days	**4,340**	4,104
Over 60 days	**10,407**	11,299
	32,866	24,751

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2016	2015
	HK$'000	*HK$'000*
HKD	**5,597**	6,150
RMB	**15,846**	6,852
USD	**10,965**	11,293
Others	**458**	456
	32,866	24,751

13. SHARE CAPITAL

		The Company	
	Note	**Number of Shares**	**Amount**
			HK$
Authorised:			
On incorporation, at 31 December 2015 and 1 January 2016 (US$1 each)	(a)	50,000	390,000
Cancellation of Shares under the Redenomination (as defined below)	(b)	(50,000)	(390,000)
Creation of Shares under the Redenomination (as defined below)	(b)	10,000,000,000	100,000,000
At 31 December 2016 (HK$0.01 each)		10,000,000,000	100,000,000
Issued and fully paid:			
On incorporation, at 31 December 2015 and 1 January 2016 (US$1 each)	(a)	1	8
Repurchase of Shares under the Redenomination (as defined below)	(b)	(1)	(8)
Allotment of Shares under the Redenomination (as defined below)	(b)	1	–*
Shares issued pursuant to the Reorganisation	(c)	9,998	100
Shares issued to pre-IPO investors	(d)	2,500	25
Shares capitalisation	(e)	510,387,501	5,103,875
Shares issued under the Global Offering	(f)	127,600,000	1,276,000
At 31 December 2016 (HK$0.01 each)		638,000,000	6,380,000

* *Represent an amount less than HK$1*

Notes:

(a) 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.

(b) 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 item (ii) above 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.

(c) On 18 February 2016, the Company entered into a sale and purchase agreement with each of (i) the immediate parent of Vincent Healthcare Products Limited ("**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-up, to VRI, Mr. To Ki Cheung, Mr. Koh Ming Fai and Mr. Fu Kwok Fu (Mr. To Ki Cheung, Mr. Koh Ming Fai and Mr. Fu Kwok Fu are executive 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 the immediate parent of Vincent Medical Manufacturing Co., Limited ("**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-up, to VRI in exchange for 6,918,630 shares of VMHK, representing 80.1% of the entire issued share capital of VMHK.

(d) 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.

(e) Pursuant to the written resolutions passed by the Shareholders on 24 June 2016, conditional on share premium account of the Company being credited as a result of the Global Offering (as defined in the prospectus issued by the Company dated 30 June 2016 (the "**Prospectus**")), the Directors were authorised to capitalise an amount of HK$5,103,875 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 510,387,501 Shares for allotment and issue to the then existing Shareholders in proportion to their respective shareholdings.

(f) On the Listing Date, the Company issued 127,600,000 new Shares at HK$1.00 each in relation to the Global Offering. The premium on the issue of Shares, amounting to approximately HK$116,421,000, net of Listing-related expenses, was credited to the Company's share premium account. These new Shares rank pari passu with the then existing Shares in all respects.

Share capital as presented in the consolidated statement 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).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group manufactures a wide range of medical devices, focusing on respiratory products, imaging contrast media power injector disposable products, and orthopaedic and rehabilitation products for OEM customers. Its customer base in the OEM business includes major global healthcare and medical device companies.

Armed with manufacturing expertise and enjoying industry recognition and wide market acceptance of its products, the Group has also begun its OBM business since 2003 to develop, manufacture and market respiratory equipment and disposable products and orthopaedic and rehabilitation products of its own "Inspired Medical" ("英仕醫療") brand. Today, "Inspired Medical" ("英仕醫療") products are sold through a strong distributor network and used in approximately 400 hospitals in the PRC, Japan, South East Asia, the Middle East and South America.

The Group is dedicated to developing innovative and top quality medical devices and products that can effectively address patients' needs. Through expanding its OBM product portfolio and enhancing its OEM capabilities and services, the Group aims to achieve sustainable growth and deliver value to its stakeholders.

REVIEW OF OPERATIONS

The global economic environment in 2016 was a mixed picture. We saw a rebalancing of the global economy with developed markets such as the USA recovering on firm footing, but economic growth slowed down for many emerging economies, including the PRC. In 2016, the Company continued to invest for the future. We focused on our core strategies through building a stronger foundation for our OBM business and paving the way for medium to long term growth.

During the year under review, the Group recorded business growth in both its OEM and the OBM business.

OEM BUSINESS

The Group's OEM business remains to be its major business segment and accounted for 85.7% of total turnover (2015: 87.3%). This segment recorded a turnover growth of 2.4% from HK$391.1 million in 2015 to HK$400.6 million in 2016, which was mainly attributable to the higher market demand for the Group's imaging disposable products more than offset the decrease in the sales of its respiratory products.

The following table sets forth the turnover breakdown of the Group's OEM business by product category:

	For the year ended 31 December			
	2016		2015	
	HK$'000	*%*	*HK$'000*	*%*
Respiratory products	**91,576**	**22.9**	120,188	30.7
Imaging disposable products	**180,817**	**45.1**	155,675	39.8
Orthopaedic and rehabilitation products	**69,957**	**17.5**	72,070	18.4
Others	**58,307**	**14.5**	43,129	11.1
Total	**400,657**	**100.0**	391,062	100.0

With some of our respiratory products OEM customers undertaking operational restructuring, orders from these customers were on the conservative side in 2016, resulting in a 23.8% decrease in sales of this product category to HK$91.6 million. Such slowdown in orders was more than compensated by an increase in demand from our imaging disposable products customers.

As disclosed in the Prospectus, the Group suspended the in-house sterilisation for two product lines of a customer in March 2016 as the process did not pass the sterilisation control tests. After the Group appointed an independent third party sterilisation consultant to conduct a comprehensive and rigorous review of its sterilisation process and subsequent validation by the customer on the rectifications, the sterilisation process for the two product lines resumed in November 2016 and we are seeing signs of recovery of business from this customer. As a result of this incident, the Group incurred a one-off cost of HK$7.0 million (of which HK$5.6 million attributable to owners of the Company) including freight costs of HK$4.4 million and additional sterilisation costs of HK$2.6 million.

OBM BUSINESS

During the year, sales generated from the Group's OBM business was approximately HK$66.7 million, representing an increase of 16.8% as compared to the previous year. Such growth was mainly attributable to the reinforced marketing efforts resulting in an increase in demand for the Group's OBM products. With the expected OBM product launches and expanding markets, the Group expects stronger sales growth in its OBM business from 2017 onwards.

The following table sets forth the turnover breakdown of OBM business by product category:

	For the year ended 31 December			
	2016		2015	
	HK$'000	*%*	*HK$'000*	*%*
Respiratory products	**60,244**	**90.3**	55,053	96.4
Orthopaedic and rehabilitation products	**6,446**	**9.7**	2,054	3.6
Total	**66,690**	**100.0**	57,107	100.0

Integration of RRCL into the orthopaedic and rehabilitation business unit
In December 2015, the Group acquired a controlling interest in Rehab-Robotics Company Limited ("**RRCL**"). RRCL is the developer of the "Hand of Hope", an electromyography (**EMG**) driven exoskeleton robotic hand training device for helping stroke patients regain hand mobility through motor relearning. During the year, the Group integrated RRCL into the Group's existing orthopaedic and rehabilitation business unit for better resources utilisation. Significant cost savings in the production of "Hand of Hope" were achieved with the production processes being moved to the Group's production facilities in Dongguan, the PRC, in the fourth quarter of 2016.

During the year, the Group applied for product registration and distribution permits for the "Hand of Hope" in the European Union, Korea and Singapore, and the CE certificate was granted to the product in November 2016. The Group sees high potential for the "Hand of Hope" in the rehabilitative home care market, as patients recovering from strokes can utilise the product at home for intensive rehabilitation exercise to hasten recovery, while saving costs and time.

With the "Hand of Hope" rental service which was officially launched in Hong Kong in January 2017 and is ready for market in the USA and Europe, the Group expects sales contribution from RRCL to increase in the future.

Expanding sales and distribution network
During the year under review, the Group made solid steps in expanding and strengthening its sales and distribution network in the PRC. In 2016, the Group sold its OBM products to 392 (2015: 355) distributors in the PRC. With the opening of the new sales office in Wuhan, the PRC, in October 2016, the distribution and marketing capabilities, and after-sales services of the Group in the central and western regions of the PRC have been strengthened.

The Group also expanded its overseas distribution and sales network with the number of distribution partners increased to 48 (2015: 40) in 2016. With the increased resources in marketing activities, the Group has attended many international exhibitions including major industry trade shows in the PRC, the USA, Germany and the Middle East. These activities have helped increase the awareness of the "Inspired Medical" ("英仕醫療") and the "Hand of Hope" brand in the international market.

Investment and collaboration with partners to fuel growth

During the year under review, the Group made strategic investments and collaborated with technology companies to diversify its product offerings and to better utilise its production and product commercialisation experience and expertise in the PRC and other emerging markets.

With the aim of broadening the respiratory product spectrum of the Group to cover medical ventilator products, on 25 August 2016, the Group entered into (i) the manufacturing and supply agreement; and (ii) the exclusive distribution agreement (the "**Ventec Agreements**") with Ventec Life Systems., Inc., a technology company based in the USA focusing on providing integrated innovations in respiratory care. Guided by an experienced management team with sound track record in ventilator development and medical devices, its flagship product "VOCSN", a revolutionary life-support ventilator, is currently undergoing regulatory review in different countries including the USA. Under the Ventec Agreements, the Group will be responsible for obtaining the regulatory approval in the PRC and distributing the products in most of the major cities in the PRC. The Group will also be responsible for the manufacturing of the device and its related disposables. For details, please refer to the Company's announcement dated 25 August 2016.

In order to capture the opportunities to expand the Group's anaesthesia and surgical tools product portfolio, the Group entered into a preference share subscription agreement with Retraction Limited ("**Retraction**") and its founder shareholders on 28 November 2016. Retraction is a Hong Kong-based medical device company principally engaged in design, development and commercialization of retractors for minimally invasive surgeries. Its flagship device "REVEEL" already secured CE certification and FDA 510(k), and is currently sold through various distributors to hospitals in Europe, South East Asia, the Middle East, and other jurisdictions. Details of the subscription of Retraction's preference shares are set out in the section below headed "Material Acquisitions and Disposals".

It is also the Group's strategy to collaborate with external research partners in addition to making the best use of its internal research and development ("**R&D**") platforms to broaden its access to proprietary products while minimising early stage upfront R&D costs of products. In 2016, the Group made satisfactory progress in collaboration with external R&D partners, for example, the home use ultrasonic nebulizer co-developed with the Guangzhou Institute of Respiratory Disease (廣州呼吸疾病研究所), the home care continuous positive airway pressure ("**CPAP**") equipment co-developed with

Ventific Holdings Pty Ltd ("**Ventific**") and the infant bubble CPAP equipment co-developed with 12th Man Technologies Inc.. These products, which are expected to be launched in 2017, is a testament to the Group's capability to cooperate with external research partners and overseas technology companies.

To expand the Group's robotic rehabilitation product line, the Group has obtained licences from a university-affiliated entity in Hong Kong to co-develop robotic ankle, knee and hip training equipment for recovering stroke patients. With the new systems expected to be launched in 2019, the Group is expected to be able to strengthen its position in the market of robotic rehabilitation products.

PROSPECT

The global economy appears to be strengthening as it enters 2017. However, economic and political uncertainties are also emerging, like the rise of protectionism in the developed economies as indicated by Britain's decision to pull out of the European Union and the advocacy of the USA president. Moreover, the important European elections to be held in 2017 will pose additional uncertainties to the global economy.

Despite the above, there are plenty of growth opportunities and potentials for the medical device manufacturing industry. The industry is expected to grow steadily with the global concerns of increasing healthcare expenditure, aging population and people demanding for better healthcare.

Looking forward to the next few years, we plan to keep bolstering the competitiveness of our OEM business, opening new revenue streams by offering new products as peak flow meters and circuit system for ventilators. With our in-depth experience in manufacturing and long-standing relationships with the world's leading healthcare and medical device companies, our OEM business will continue to provide strong and stable earnings for the Group.

We believe that our OBM business will be the key growth drivers for the Company in the future.

Leveraging on our extensive production and certifications capabilities and, technical and clinical experiences, we will continue to build a strong product pipeline by expanding its OBM product portfolio. We are increasing our pace of innovation, and also striving for closer collaboration with overseas partners with technical specialties.

While building a broader product portfolio, the Group will also further strengthen its distribution and sales service by opening additional sales offices in 1st and 2nd tier cities in the PRC and collaborate closer with our overseas distributors.

The Group sees tremendous value in starting early pursuit of new products or technologies with high commercial potential that will bring long term value to the Group. The Company, while remaining prudent in investing, is also open to new investment opportunities that promise to fuel its growth momentum in the future.

The following table sets forth information of the Group's major pipeline and planned products:

Product	**Partner**	**Pending Certification**	**Expected time for sale**
Home use ultrasonic nebulizer	Guangzhou Institute of Respiratory Disease (廣州呼吸疾病研究所)	CFDA	2017
Embedded heater wire circuits	–	CE	2017
Liqfree heated circuit	–	CE	2017
High flow nasal cannula	–	CE/CFDA	2017
Bubble CPAP system	12th Man Technologies Inc.	CE/CFDA/FDA	2017
Home care CPAP equipment	Ventific	CFDA	2017
Smart stethoscope	–	CE	2017
Air/Oxygen blender	12th Man Technologies Inc.	CFDA	2018
Robotic leg training equipment	–	CE	2019
Home care robotic hand training equipment	–	CE	2019

FINANCIAL REVIEW

DIVIDEND

The Board has proposed the payment of a final dividend of HK1.50 cents (2015: Nil) per ordinary Share for the year ended 31 December 2016 to the Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 5 June 2017. The final dividend will be paid on or around Tuesday, 20 June 2017, subject to the Shareholders' approval at the AGM. No interim dividend was made for the six months ended 30 June 2016 (2015: Nil).

TURNOVER

For 2016, the Group recorded turnover of HK$467.3 million (2015: HK$448.2 million), representing an increase of 4.3% over the previous year. Such increase was mainly attributable to a 2.4% increase in OEM business due to the increase in sales of imaging disposable products and other products, and a 16.8% increase in OBM business due to an increase in sales of respiratory products, and orthopaedic and rehabilitation products.

The following table sets out the Group's segmental turnover:

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Business segment		
OEM	**400,657**	391,062
OBM	**66,690**	57,107
Total	**467,347**	448,169
Product category segment		
Respiratory products	**151,820**	175,241
Imaging disposable products	**180,817**	155,675
Orthopaedic and rehabilitation products	**76,403**	74,124
Others *(Note)*	**58,307**	43,129
Total	**467,347**	448,169

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

Geographical segment		
USA	**323,298**	331,151
PRC	**39,355**	37,635
Netherlands	**34,370**	9,609
Australia	**17,922**	12,015
Japan	**13,904**	13,564
Germany	**1,822**	21,954
Others *(Note)*	**36,676**	22,241
Total	**467,347**	448,169

Note: Others mainly include Finland, Korea, Great Britain and Hong Kong.

COST OF SALES

For 2016, the Group recorded cost of sales of HK$321.5 million (2015: HK$308.4 million), representing an increase of 4.3% over the previous year. The increase was in line with the turnover.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group recorded gross profit of HK$145.8 million for 2016 (2015: HK$139.8 million), representing an increase of 4.3% over the previous year. Gross profit margin for 2016 remained unchanged at 31.2% compared to that of the previous year.

OTHER INCOME

The Group recorded other income of HK$5.9 million for 2016 (2015: HK$1.6 million), representing an increase of 268.8% over the previous year. The increase was mainly attributable to an increase in write back of trade payables of HK$2.2 million, an increase in exchange gain from foreign currency translations of HK$0.4 million, an increase in sales of scrap materials of HK$1.3 million and an increase in financial subsidies from the PRC local tax bureau of HK$0.4 million.

DISTRIBUTION COSTS

Distribution costs for 2016 amounted to HK$15.5 million (2015: HK$14.4 million), representing an increase of 7.6% over the previous year, which was mainly due to the increase in rental expenses.

ADMINISTRATIVE EXPENSES

Administrative expenses for 2016 was HK$88.1 million (2015: HK$57.8 million), representing an increase of 52.4% over the previous year. This was mainly due to the one-off Listing-related expenses of HK$18.0 million (2015: HK$4.6 million), the share-based compensation expenses relating to the pre-IPO share options of HK$2.7 million and an increase in staff costs of HK$12.8 million due to the increase in number of staff for research and development, compliance, senior positions and additional staff costs after acquisition of RRCL.

INCOME TAX EXPENSE

Income tax expense for 2016 amounted to HK$10.6 million (2015: income tax credit of HK$2.5 million), representing an increase of HK$13.1 million over the previous year. The increase was mainly due to the reversal of over-provision for tax of HK$11.9 million in 2015.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company for 2016 based on the reported net profit was HK$29.2 million (2015: HK$58.2 million), representing a decrease of 49.8% compared to the previous year.

Profit attributable to owners of the Company for 2016 based on the underlying net profit would be HK$55.5 million (2015: HK$52.6 million), representing an increase of 5.5% over the previous year. Underlying net profit for 2016 represents reported net profit before deducting (i) the one-off Listing-related expenses of HK$18.0 million; (ii) the share-based compensation expenses relating to the pre-IPO share options of HK$2.7 million; and (iii) the one-off cost of HK$7.0 million (of which HK$5.6 million attributable to owners of the Company) incurred related to the sterilisation incident as disclosed in the paragraph headed "OEM Business" above.

Underlying net profit for 2015 represents reported net profit attributable to owners of the Company for 2015 adjusted by excluding the effect of reversal of over-provision of Hong Kong Profits Tax of HK$11.9 million (of which HK$10.2 million attributable to owners of the Company) and the one-off Listing-related expenses of HK$4.6 million in 2015.

EMPLOYEE INFORMATION

As at 31 December 2016, the total number of full-time employee of the Group was 921 (2015: 879). The remuneration of employees was determined according to their experience, qualifications, results of operations of the Group and market condition. During the year, staff costs including directors' emoluments amounted to HK$96.0 million (2015: HK$80.1 million), representing 20.5% of the Group's turnover (2015: 17.9%). The increase in staff costs in 2016 was mainly due to the increase in number of staff for research and development, sales and marketing, compliance, senior positions and additional staff costs after acquisition of RRCL.

CAPITAL EXPENDITURE

The capital expenditures for the year ended 31 December 2016 and 2015 were HK$9.0 million and HK$11.3 million, respectively. The capital expenditures for 2016 and 2015 primarily represented the purchase of production equipment and facilities.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group's bank and cash balances amounted to HK$222.2 million (2015: HK$69.3 million). Most bank and cash balances were denominated in HKD, USD and RMB. The increase in bank and cash balances in 2016 was mainly due to the increase in cash generated from operations, the proceeds from the issue of Shares to the pre-IPO investors, and the net proceeds from the Global Offering, after net off the effect of the income tax and the dividends paid during the year.

As at 31 December 2016, the Group had a bank loan of HK$0.9 million (2015: Nil) and other loan of HK$3.7 million (2015: HK$4.7 million). As at 31 December 2016, no financial instruments were used for hedging purposes. The Group had an insignificant gearing ratio of 0.01 (2015: 0.03), which was calculated based on total debts divided by total equity attributable to owners of the Company. Total debts is defined to include interest-bearing bank borrowing and other debts incurred in the ordinary course of business.

CAPITAL STRUCTURE

The Shares were listed on the main board of the Stock Exchange on the Listing Date. As at the date of this announcement, the issued Share capital of the Company is approximately HK$6.4 million, comprising 638,000,000 Shares with nominal value of HK$0.01 per Share.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares were listed on the main board of the Stock Exchange on the Listing Date. The net proceeds from the Global Offering were approximately HK$94.6 million (net of underwriting fees and relevant expenses). During the period between the Listing Date and 31 December 2016, the net proceeds from the Global Offering were utilized as follows:

	Amount received from net proceeds *HK$' million*	**Amount actually used up to 31 December 2016** *HK$' million*
Expansion and upgrading of our production facility from 2016 to 2018	47.3	5.3
Development of our pipeline and planned products from 2016 to 2018	25.5	5.7
Sales and marketing from 2016 to 2018	17.1	3.9
General corporate purposes and working capital	4.7	4.7

As at the date of this announcement, the Company does not anticipate any change to the Company's intention on the use of proceeds as disclosed in the Prospectus.

SIGNIFICANT INVESTMENTS

During the year under review and as at 31 December 2016, the Group invested in, and held 20% interest in, Retraction. The Group recognized a goodwill of approximately HK$2.8 million and shared its net assets of approximately HK$2.9 million, and therefore, net value of the investment was approximately HK$5.7 million. The Group recognized a loss of approximately HK$0.07 million in the consolidated profit or loss during 2016. For details of this investment, please refer to the section below headed "Material Acquisitions and Disposals".

During the year under review and as at 31 December 2016, the Group held 20% interest in 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. The Group recognized a goodwill of approximately HK$9.4 million and shared its net assets of approximately HK$1.3 million, resulting in a net value of the investment at approximately HK$10.7 million. The Group recognised a loss of approximately HK$0.05 million in the consolidated profit or loss during 2016. The Group began its collaboration with Ventific on the development and manufacturing of a home care CPAP equipment since 2014, the equipment is expected to be launched in 2017. For details of this investment, please refer to the information set out in the section headed "History, Reorganisation and Corporate Structure" of the Prospectus.

MATERIAL ACQUISITIONS AND DISPOSALS

On 28 November 2016, Vincent Medical Retraction Limited ("**VMR**", an indirect wholly-owned subsidiary of the Company), Retraction and its founder shareholders entered into the preference share subscription agreement (the "**Retraction Agreement**"), pursuant to which Retraction has conditionally agreed to issue, and VMR has conditionally agreed to subscribe for the 27 preference shares of Retraction, representing 20% of the enlarged issued share capital of Retraction, at a consideration of US$750,000 (the "**Subscription**"). Further, pursuant to the Retraction Agreement, upon achievement of certain milestones, all the shareholders of Retraction shall procure Retraction to allot such number of preference shares to VMR at a consideration of US$750,000, which will result in an aggregate of 40% of the enlarged issued share capital of Retraction to be held by VMR. The Subscription was completed on 2 December 2016 and Retraction has become an indirect associate of the Company. For details of the Subscription, please refer to the Company's announcement dated 28 November 2016.

On 8 December 2016, 深圳永勝宏基醫療器械有限公司 (translated as Shenzhen Vincent Raya Medical Device Company Limited, "**VMSZ**"), an indirect wholly-owned subsidiary of the Company, entered into a subscription agreement (the "**100ecare Subscription Agreement**") with 廣州柏頤信息科技有限公司 (translated as "**Guangzhou 100ecare Technology Co. Ltd.**") ("**100ecare**") and its existing shareholders, pursuant to which VMSZ has conditionally agreed to subscribe for 10% of the enlarged registered share capital of 100ecare at a total consideration of RMB8.0 million. 100ecare is principally engaged in the design, development, sales and operation of wearable devices under the brand name "愛牽掛", and a cloud-based safety and healthcare platform targeting the elderly population in the PRC. For details, please refer to the Company's announcement dated 8 December 2016.

Save for the above, the Group did not have any other material acquisitions or disposals of subsidiaries, associates or joint ventures during 2016.

EVENTS AFTER THE REPORTING PERIOD

1. With respect to the subscription under the 100ecare Subscription Agreement as disclosed above, VMSZ paid RMB4.0 million to 100ecare upon fulfillment of certain conditions precedent stipulated in the 100ecare Subscription Agreement in January 2017. For the remaining RMB4.0 million, VMSZ will pay to 100ecare upon fulfillment of the remaining conditions precedent stipulated in the 100ecare Subscription Agreement.

2. On 24 January 2017, Vincent Medical Inovytec Limited ("**VMIL**"), an indirect wholly-owned subsidiary of the Company, entered into a Series A preferred share purchase agreement (the "**Inovytec Subscription Agreement**") with Inovytec Medical Solutions Ltd ("**Inovytec**"), pursuant to which Inovytec shall issue and allot to VMIL an aggregate of 15% of the enlarged issued share capital of Inovytec at a total consideration of US$3.0 million to be paid in three instalments. Inovytec is an Israeli private company focused on the development of medical devices for airway managements, oxygen therapy and defibrillation that can be used by either minimally-trained or professional first respondents in out-of-hospital cardio and respiratory emergencies and trauma situations to save lives. For details, please refer to the Company's announcement dated 24 January 2017.

   VMIL paid US$1.8 million to Inovytec upon signing the Inovytec Subscription Agreement. For the remaining consideration, VMIL will pay to Inovytec in accordance with the Inovytec Subscription Agreement.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2016, none of the assets of the Group were pledged.

FOREIGN EXCHANGE EXPOSURE

While some of the Group's costs and expenses are denominated in RMB, a substantial of sales are denominated in USD given the export-oriented nature of the OEM business. Thus, any appreciation of RMB against USD may subject the Group to increased costs and lower profitability. The Directors have assessed the impact of such foreign currency risk and considered that it may materially affect the Group's profitability. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

OPERATING LEASE COMMITMENT

As at 31 December 2016, the Group had operating lease commitment of approximately HK$21.3 million (2015: HK$13.6 million).

CAPITAL COMMITMENT

As at 31 December 2016, the Group had capital commitment of approximately HK$16.0 million (2015: HK$3.1 million), which comprised approximately HK$7.1 million (2015: HK$3.1 million) in respect of the acquisition of property, plant and equipment, and approximately HK$8.9 million (equivalent to RMB8.0 million) in respect of the capital contribution to 100ecare, which were contracted for but not provided in the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any contingent liabilities.

OTHER INFORMATION

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Wednesday, 24 May 2017, the register of members of the Company will be closed from Friday, 19 May 2017 to Wednesday, 24 May 2017, both days inclusive, during which period no transfer of the Shares will be registered. In order to be eligible to attend and vote at the above meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 18 May 2017.

For determining the entitlement to the proposed final dividend (subject to the approval of the Shareholders at the AGM), the register of members of the Company will be closed from Thursday, 1 June 2017 to Monday, 5 June 2017, both days inclusive, during which period no transfer of the Shares will be registered. In order to qualify for the proposed final dividend as stated, all transfers of the Shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 31 May 2017.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities throughout the period commencing from the Listing Date and up to 31 December 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding their transactions throughout the period commencing from the Listing Date and up to the date of this announcement.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the period commencing from the Listing Date and up to the date of this announcement.

SHARE OPTIONS SCHEMES

Pre-IPO share option scheme adopted on 17 June 2016

A pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") was adopted by the Company on 17 June 2016. The purpose of the Pre-IPO Share Option Scheme is to recognise and acknowledge the contributions made by certain executives, Directors, employees and/or consultants of the Group to the growth of the Group by granting options to them as rewards and further incentives.

On 17 June 2016 (the "**Date of Grant**"), options to subscribe for an aggregate of 19,684,000 Shares have been conditionally granted to a total of 91 grantees under the Pre-IPO Share Option Scheme by the Company. The Shares subject to the options granted under the Pre-IPO Share Option Scheme represent (i) approximately 3.09% of the Company's issued Share capital as of the date of this announcement (excluding all Shares which may be allotted and issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme); and (ii) approximately 2.99% of the Company's issued Share capital as of the date of this announcement, assuming that all options granted under the Pre-IPO Share Option Scheme are exercised. Save for the options which have been granted on the Date of Grant, no further options were granted under the Pre-IPO Share Option Scheme. The exercise price in respect of each option granted under the Pre-IPO Share Option Scheme is HK$0.80.

During the period from the Date of Grant and up to the date of this announcement, none of the above share options were exercised and 328,000 share options were forfeited as a result of voluntary resignation of the relevant option holder. The table below sets out details of the outstanding share options granted to the Directors, a consultant and other grantees under the Pre-IPO Share Option Scheme as at 31 December 2016:

				Number of Shares			
Grantee	**Date of Grant**	**Vesting schedule**	**Exercise period**	**Number of Shares underlying the share options granted**	**Outstanding as at 1 January 2016**	**Forfeited during the year**	**Outstanding as at 31 December 2016**
Directors							
To Ki Cheung	17 June 2016	25% of options will vest on each of 13 July 2017, 2018, 2019 and 2020 respectively	25% of options will be exercisable from each of 13 July 2017, 2018, 2019 and 2020 respectively to 16 June 2026	526,332	–	–	526,332
Koh Ming Fai	17 June 2016	25% of options will vest on each of 13 July 2017, 2018, 2019 and 2020 respectively	25% of options will be exercisable from each of 13 July 2017, 2018, 2019 and 2020 respectively to 16 June 2026	528,834	–	–	528,834
Fu Kwok Fu	17 June 2016	25% of options will vest on each of 13 July 2017, 2018, 2019 and 2020 respectively	25% of options will be exercisable from each of 13 July 2017, 2018, 2019 and 2020 respectively to 16 June 2026	528,834	–	–	528,834
In aggregate				**1,584,000**	**–**	**–**	**1,584,000**
Consultant							
In aggregate	17 June 2016	25% of options will vest on each of 13 July 2017, 2018, 2019 and 2020 respectively	25% of options will be exercisable from each of 13 July 2017, 2018, 2019 and 2020 respectively to 16 June 2026	**528,000**	**–**	**–**	**528,000**
Senior Management and other employees							
In aggregate	17 June 2016	25% of options will vest on each of 13 July 2017, 2018, 2019 and 2020 respectively	25% of options will be exercisable from each of 13 July 2017, 2018, 2019 and 2020 respectively to 16 June 2026	**17,572,000**	**–**	**328,000**	**17,244,000**
Total				**19,684,000**	**–**	**328,000**	**19,356,000**

A detailed summary of the terms (including the principal terms, the exercise price and vesting periods and conditions) of the Pre-IPO Share Option Scheme and list of grantees has been set out in the section headed "Appendix IV. Statutory and General Information — 16. Pre-IPO Share Option Scheme" of the Prospectus.

Share option scheme adopted on 24 June 2016

A share option scheme (the "**Share Option Scheme**") was adopted by the Company on 24 June 2016. The purpose of the Share Option Scheme is to recognise and acknowledge the contributions of eligible participants of the Share Option Scheme including any executive, Director, employee, advisor, consultant, professional, agent, contractor, customer, provider of goods and/or services or business or joint-venture partner to the Group (the "**Eligible Participants**") by granting options to them as incentives or rewards. The Share Option Scheme will expire on 23 June 2026. The subscription price per Share shall be determined by the Board and notified to the grantee at the time of offer of the option.

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

During the period from the adoption date of the Share Option Scheme and up to the date of this announcement, no share option was granted under the Share Option Scheme. Subject to the rules of the Share Option Scheme, an option may be exercised by the Eligible Participants at any time during the applicable option period determined by the Board, which in any event shall not be more than 10 years from the date of grant of option. A detailed summary of the terms of the Share Option Scheme has been set out in the section headed "Appendix IV. Statutory and General Information – 17. Share Option Scheme" of the Prospectus.

AUDIT COMMITTEE

The Company established the audit committee of the Company (the "**Audit Committee**") which currently consists of three independent non-executive Directors with written terms of reference which deal clearly with its authority and duties.

The Group's annual results for the year ended 31 December 2016 have been reviewed by the Audit Committee.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in this announcement have been agreed by the Group's auditor, RSM Hong Kong, to the amounts set out in the Group's draft audited consolidated financial statements for the year ended 31 December 2016. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.vincentmedical.com) respectively.

The annual report of the Company for the year ended 31 December 2016 containing all the relevant information required by the Listing Rules and the relevant laws and regulations will be dispatched to the Shareholders and available on above websites in due course.

APPRECIATION

On behalf of the Board, I would like to thank the Shareholders, customers and business partners for their ongoing support, and our Directors, management and employees for their dedication and contributions to our progress.

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

Hong Kong, 23 March 2017

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