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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)

CONNECTED TRANSACTION: ACQUISITION OF MACHINERY AND INVENTORY FROM A CONNECTED PERSON

(A) AGREEMENT

DVRD and VRDG entered into the Agreement on 19 September 2016 pursuant to which DVRD had made purchases of the Assets (including equipment and machinery and inventories) from VRDG at an aggregate consideration of RMB8,151,120 (equivalent to approximately HK\$9,539,560) for the purpose of setting up the Group's sewing and assembling function. The consideration of equipment and machinery was purchased at their respective net book value and the consideration of inventories was purchased at their costs. The Transaction was completed on 30 December 2016.

(B) IMPLICATIONS UNDER THE LISTING RULES

Since VRDG was a connected person of the Company as at the date of the Agreement. Accordingly, the Transaction constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Transaction constituted a non-exempt connected transaction for the Company and was subject to the reporting and announcement requirements pursuant to Rule 14A.35 of the Listing Rules but was exempt from the independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

The Company had omitted to comply with the reporting and announcement requirements of Rule 14A.35 and had failed to announce the entering into of the Agreement on 19 September 2016. The failure to make timely disclosure was due to the management's failure to report to the Board when the aggregate consideration for the Transaction exceeded the threshold under which the connected transactions would be fully exempt under Rule 14A.76(1) of the Listing Rules during the series of purchases of the Assets pursuant to the Agreement.

INTRODUCTION

The Board announces that DVRD, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with VRDG on 19 September 2016. The Agreement constituted a non-exempt connected transaction for the Company which was subject to the reporting and announcement requirements but was exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

AGREEMENT

Set out below is a summary of the principal terms of the Agreement and other relevant information in relation to the Agreement.

Date

19 September 2016

Parties

- (i) DVRD, an indirect wholly-owned subsidiary of the Company, as purchaser; and
- (ii) VRDG, as vendor

For the reasons set out in the section headed "Information on the Group and the parties to the Agreement" below, VRDG was a connected person of the Company as at the date of the Agreement.

Principal terms

Assets to be acquired

DVRD shall, before 31 December 2016, purchase the Assets from VRDG in batches.

Further information on the Assets

The aggregate original acquisition costs of the Assets to VRDG were RMB9,194,904 (equivalent to approximately HK\$10,761,144).

Consideration and payment

- (a) The consideration for equipment and machinery shall be at their respective net book value (i.e. original cost less accumulated depreciation, if any).
- (b) The consideration for inventories shall be at their costs.

The consideration set out in both (a) and (b) above was determined after arm's length negotiations between VRDG and DVRD. The aggregate consideration in the amount of RMB8,151,120 (equivalent to approximately HK\$9,539,560) was financed by the Group's internal generated fund.

DVRD shall have a credit period of 30 days for payment of the consideration.

SALE AND PURCHASE PURSUANT TO THE AGREEMENT

Pursuant to the Agreement, DVRD had made purchases of the Assets from VRDG on 23 September 2016, 29 November 2016, 16 December 2016 and 30 December 2016 respectively at an aggregate consideration of RMB8,151,120 (equivalent to approximately HK\$9,539,560), for the purpose of setting up the Group's sewing and assembling function.

Set out below is the consideration paid by DVRD and VRDG for each purchase of the Assets pursuant to the Agreement and the corresponding book value of the relevant Assets.

Date of purchase	Assets purchased	Consideration	Net book value
23 September 2016	Equipment and machinery	RMB557,919	RMB557,919
29 November 2016	Inventory	RMB4,288,354	RMB4,288,354
16 December 2016	Equipment and machinery	RMB407,847	RMB407,847
30 December 2016	Inventory	RMB2,897,000	RMB2,897,000

The set-up of the Group's sewing and assembling function was completed at the end of 2016 and, accordingly, the Group ceased its subcontracting with VRDG relating to the manufacturing of orthopaedic and rehabilitation products since then. The Transaction was completed on 30 December 2016.

INFORMATION ON THE GROUP AND THE PARTIES TO THE AGREEMENT

The Group is principally engaged in manufacturing, trading, and research and development of medical devices.

DVRD is a company established in the PRC and an indirect wholly-owned subsidiary of the Company. DVRD is principally engaged in manufacturing and selling orthopaedic and rehabilitation products.

VRDG is a company established in the PRC and is principally engaged in manufacturing beauty products and electrical appliances and providing subcontracting services to the Group which formed an ancillary part of VRDG's business. As disclosed in the prospectus of the Company dated 30 June 2016 (the "**Prospectus**"), the Group subcontracted VRDG for manufacturing orthopedic and rehabilitation products. VRDG is a subsidiary of VRI and VRI was as at the date of the Agreement (and still remains as at the date of this announcement) a controlling shareholder of the Company and hence a connected person of the Company. As at the date of the Agreement, VRI was owned as to 57.89% by Mr. Choi, an executive Director, and 42.11% by Ms. Liu, a non-executive Director. Accordingly, each of Mr. Choi and Ms. Liu was considered as having a material interest in the Agreement. By virtue of VRDG being a subsidiary of VRI, VRDG was an associate of VRI and a connected person of the Company as at the date of the Agreement.

REASONS FOR AND BENEFIT FOR ENTERING INTO THE AGREEMENT

As was disclosed in the Prospectus, VRDG was the subcontractor of the Group for the manufacturing of orthopaedic and rehabilitation products, but the subcontracting arrangement was due to be ceased by the end of 2016 and the facility to be set up by the Group would take over such manufacturing processes. The Board considered that, based on its assessment of the conditions of the Assets, the Assets were suitable for DVRD to set up the Group's own sewing and assembling facility to be used for manufacturing the orthopaedic and rehabilitation products.

Taking into account the above, together with the basis for determination of the consideration for the Transaction as disclosed above, the Directors (including all the independent non-executive Directors) were of the view that the terms of the Transaction were fair and reasonable and on normal commercial terms or better to the Group, and the entering into of the Agreement was in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As disclosed in the section headed "Information on the Group and the parties to the Agreement" above, VRDG was a connected person of the Company as at the date of the Agreement. Accordingly, the Transaction constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since all the applicable percentage ratios (other than the profits ratio) as defined under Rule 14.07 of the Listing Rules exceeded 0.1% but were below 5%, and the terms of the Transaction were on normal commercial terms or better to the Group, the Transaction constituted a non-exempt connected transaction for the Company and was subject to the reporting and announcement requirements pursuant to Rule 14A.35 of the Listing Rules but was exempt from the independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

The Company had omitted to comply with the reporting and announcement requirements of Rule 14A.35 of the Listing Rules and had failed to announce the entering into of the Agreement on 19 September 2016. The failure to make timely disclosure was due to the management's failure to report to the Board when the aggregate consideration for the Transaction exceeded the threshold under which the connected transactions would be fully exempt under Rule 14A.76(1) of the Listing Rules during the series of purchases of the Assets pursuant to the Agreement.

The executive Directors first became aware of the failure to disclose the Transaction when the management noticed it while they were drafting the director's report of the annual report of the Company for year 2016. After the executive Directors became aware of the failure, and were fully informed by the management of the genuine oversight, the executive Directors immediately directed all management to report any and all connected transactions regardless of amount and terms. A Board meeting (the "**Approval Meeting**") involving all Directors (including all the independent non-executive Directors) was also held on 12 April 2017 to discuss the failure and, if considered appropriate, to approve and ratify the Transaction and approve the appropriate announcement. At the Approval Meeting, Mr. Choi, an executive Director, and Ms. Liu, a non-executive Director, had abstained from participating in the relevant discussions and approvals, and abstained from voting on any board resolution, in respect of the Transaction, due to their material interest in the Agreement as mentioned above. Save for Mr. Choi and Ms. Liu, none of the Directors had any material interest in the Agreement.

After due and careful discussion, the Directors consider that the failure by the Company to comply with Rule 14A.35 of the Listing Rules was inadvertent. The Company has taken remedial actions to ensure full understanding of, and timely compliance with, the relevant Listing Rules and to prevent recurrence of similar incidents in the future, including re-circulation to the management and related departments of the Group the relevant Listing Rules and the Company's procedures regarding timely reporting to the senior management about potential connected transactions (including continuing connected transactions). Further, the Company will provide trainings to the management and related departments of the Group at least once annually in order to enhance their awareness and knowledge on, and also to allow them to keep abreast of the latest development in, the relevant Listing Rules.

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the meanings set out below:

“Agreement”	the agreement entered into between DVRD and VRDG dated 19 September 2016 in relation to the sale and purchase of the Assets
“Assets”	the machineries, equipment and inventories for manufacturing orthopaedic and rehabilitation products being the subject of the Agreement
“associate”	has the meaning given to it under the Listing Rules
“Board”	the board of Directors
“Company”	Vincent Medical Holdings Limited (永勝醫療控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 1612)
“connected person”	has the meaning given to it under the Listing Rules
“controlling shareholder(s)”	has the meaning given to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“DVRD”	東莞永健康復器具有限公司(translated as “Dongguan Vincent Rehabilitation Devices Company Limited”), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules governing the Listing of Securities on the Stock Exchange
“Mr. Choi”	Mr. Choi Man Shing, an executive Director and the spouse of Ms. Liu
“Ms. Liu”	Ms. Liu Pui Ching, a non-executive Director and the spouse of Mr. Choi

“PRC”	the People’s Republic of China which, for purpose of this announcement, excluding Hong Kong and the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the transactions contemplated by the Agreement
“VRDG”	永勝（東莞）電子有限公司（translated as “Vincent Raya (Dongguan) Electronics Co., Ltd.”）, a limited liability company established in the PRC and wholly-owned by VRHK
“VRHK”	Vincent Raya Co., Limited (永勝宏基集團有限公司), a limited liability company incorporated in Hong Kong and wholly-owned by VRI
“VRI”	Vincent Raya International Limited, a limited liability company incorporated in the British Virgin Islands and one of the controlling shareholders of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

This announcement contains translation between RMB and Hong Kong dollars at RMB0.8545 to HK\$1.00. The translation shall not be taken as representation that the RMB could actually be converted into Hong Kong dollars at the rate, or at all.

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

Hong Kong, 12 April 2017

As at the date of this announcement, the Board comprises Mr. Choi Man Shing, Mr. To Ki Cheung, Mr. Koh Ming Fai and Mr. Fu Kwok Fu as executive Directors, Ms. Liu Pui Ching, 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.