THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker, a licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Vincent Medical Holdings Limited (永勝醫療控股有限公司) (the "**Company**"), you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Vincent Medical

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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1612)

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE SALE SHARES; (2) ISSUE OF THE CONSIDERATION SHARES PURSUANT TO THE SPECIFIC MANDATE; (3) APPOINTMENT OF EXECUTIVE DIRECTOR; AND (4) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to
Vincent Medical Holdings Limited

BALLAS CAPITAL

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

HALCYON 鎧盛

Halcyon Capital Limited

Capitalised terms used in this cover will have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 6 to 23 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 24 to 25 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 26 to 55 of this circular.

A notice convening the EGM of the Company to be held at Unit 2401-02, 24/F., Admiralty I, 18 Harcourt Road, Hong Kong on Thursday, 15 June 2017 at 3:00 p.m. is set out on pages 65 to 67 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the website of the Stock Exchange (www.hkexnews.hk). Whether or not you are able to attend the EGM, please complete and sign the form of proxy in accordance with the instructions printed thereon and return it to 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 as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (or at any adjournment). Completion and return of the form of proxy will not preclude the Shareholders from attending and voting at the EGM if you so wish.

26 May 2017

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Terms or expressions used in this circular shall, unless the context otherwise requires, have the meanings ascribed to them below:

"Acquisition"	the proposed acquisition of the Sale Shares by the Purchaser pursuant to the terms and conditions precedent of the Acquisition Agreement
"Acquisition Agreement"	the conditional sale and purchase agreement dated 12 April 2017 entered into between the Purchaser, the Vendors and the Target in relation to the Acquisition; and as supplemented and amended by the Supplemental Agreement
"associate(s)"; "connected person(s)"; "connected transaction(s)"; "continuing connected transaction(s)"; "percentage ratio(s)" and "subsidiary(ies)"	each has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day other than Saturday or Sunday, on which banks are open for general business in Hong Kong
"BVI"	the British Virgin Islands
"CCT Agreements"	the three master agreements being (i) the supplier agreement entered among Vincent Medical Manufacturing Co. Ltd. ("**VMHK**"), Vincent Raya (Dongguan) Electronics Co. Ltd. ("**VRDG**"), VRHK, Medrad Inc. (now known as Bayer Medical Care) and Imaxeon Pty Ltd. dated 1 August 2013; (ii) the production agreement entered among Vincent Medical Care Company Limited, VMHK and VRDG dated 31 March 2016; and (iii) the plastic and metal services agreement entered among Vincent Medical (Dongguan) Mfg. Co. Ltd. and VRDG dated 3 May 2016, as disclosed in the Company's prospectus dated 30 June 2016 and the 2016 Annual Report
"Company"	Vincent Medical Holdings Limited (永勝醫療控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange (stock code: 1612)
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement

"Completion Date"	the date on which Completion takes place in accordance with the terms and conditions of the Acquisition Agreement
"Conditions Precedent to the Issue of the 2nd Tranche Consideration Shares and the 3rd Tranche Consideration Shares"	those conditions precedent as set out under the section headed "The Acquisition Agreement – Conditions Precedent to the Issue of the 2nd Tranche Consideration Shares and the 3rd Tranche Consideration Shares"
"Consideration"	HK$130,000,000 being the total consideration for the Sale Shares payable by the Purchaser to the Vendors under the Acquisition
"Consideration Share(s)"	118,181,816 Shares being the aggregate of the 1st Tranche Consideration Shares, the 2nd Tranche Consideration Shares and the 3rd Tranche Consideration Shares to be allotted and issued, credited as fully paid, by the Company
"Controlling Shareholders"	Mr. Choi Man Shing, Ms. Liu Pui Ching and VRI, being the controlling shareholders, who jointly control their respective interests in the Company within the meaning of the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held at Unit 2401-02, 24/F., Admiralty I, 18 Harcourt Road, Hong Kong on Thursday, 15 June 2017 at 3:00 p.m. for the purpose of, if thought fit, to approve the Acquisition Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares pursuant to the Specific Mandate) by the Independent Shareholders
"Enlarged Group"	the Group and the Target Group
"FY2015"	the financial year ended 31 December 2015
"FY2016"	the financial year ended 31 December 2016
"FY2017"	the financial year ending 31 December 2017
"FY2018"	the financial year ending 31 December 2018
"Group"	the Company and its subsidiaries
"GTS"	General Technology & Service Limited, a company with limited liability incorporated under the laws of Hong Kong

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Board, comprising all the independent non-executive Directors namely Mr. Chan Ling Ming, Mr. Mok Kwok Cheung Rupert, Mr. Au Yu Chiu Steven and Prof. Yung Kai Leung, formed for the purpose of advising the Independent Shareholders in respect of, among other things, the terms of the Acquisition Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares pursuant to the Specific Mandate)
"Independent Financial Adviser"	Halcyon Capital Limited (鎧盛資本有限公司), a corporation licensed to carry out Type 6 (advising on corporate finance) of the regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares pursuant to the Specific Mandate)
"Independent Shareholders"	the Shareholders who are not required to abstain from voting in the relevant resolution to be proposed in the EGM in relation to the Acquisition Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares pursuant to the Specific Mandate)
"Issue Price"	HK$1.1 per Consideration Share
"Latest Practicable Date"	23 May 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	25 June 2017
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"Net Profit of the Target Group"	the net profit attributable to the equity shareholders of the Target (in the ordinary course of business and excluding profits and losses arising from merger, acquisition and disposal) under the consolidated audited accounts of the Target Group

"PRC"	the People's Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
"Purchaser"	Vincent Medical Care Holdings Limited (永勝醫療保健控股有限公司), a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company
"Sale Shares"	1,000 ordinary shares in the issued share capital of the Target, representing the entire issued share capital of the Target
"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) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Specific Mandate"	the specific mandate proposed to be sought from the Independent Shareholders at the EGM for the allotment and issue of an aggregate of the Consideration Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	the supplemental agreement entered into by the Purchaser, the Vendors and the Target dated 4 May 2017 to amend and supplement certain terms of the Acquisition Agreement
"Target"	Envisen Holding Limited (安維森控股有限公司), a company incorporated in the BVI with limited liability
"Target Group"	the Target and its subsidiaries
"Vendors"	the 1st Vendor and the 2nd Vendor
"VRHK"	VINCENT RAYA CO., LIMITED (永勝宏基集團有限公司), a company incorporated in Hong Kong and wholly-owned by VRI
"VRI"	VINCENT RAYA INTERNATIONAL LIMITED, a company incorporated in the BVI and being held as to 57.89% by Mr. Choi Man Shing and 42.11% by Ms. Liu Pui Ching as at the Latest Practicable Date

"1st Tranche Consideration Shares"	81,818,181 Shares to be allotted and issued at the Issue Price at Completion for payment of HK$90,000,000 as part of the Consideration to the 1st Vendor
"1st Vendor" or "Dr. Lu"	Dr. Lu Yu Fei
"2016 Annual Report"	the annual report of the Company published on 20 April 2017 for FY2016
"2nd Tranche Consideration Shares"	12,727,272 Shares to be allotted and issued at the Issue Price for payment of HK$14,000,000, as part of the Consideration to the 1st Vendor under the 2nd Tranche Payment
"2nd Tranche Payment"	payment of the balance of the Consideration as set out in the section headed "The Acquisition Agreement – Consideration and basis of determination of Consideration" in the Letter from the Board of this circular
"2nd Vendor"	Mr. Choi Cheung Tai Raymond
"3rd Tranche Consideration Shares"	23,636,363 Shares to be allotted and issued at the Issue Price for payment of HK$26,000,000, as part of the Consideration to the 2nd Vendor under the 2nd Tranche Payment
"%"	per cent.

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)

Executive Directors:
Mr. CHOI Man Shing *(Chairman)*
Mr. TO Ki Cheung *(Chief Executive Officer)*
Mr. KOH Ming Fai
Mr. FU Kwok Fu

Non-executive Directors:
Ms. LIU Pui Ching
Mr. Amir GAL OR
Mr. POON Lai Yin Michael *(Alternate to Amir GAL OR)*
Mr. GUO Pengcheng

Independent Non-executive Directors:
Mr. CHAN Ling Ming
Mr. MOK Kwok Cheung Rupert
Mr. AU Yu Chiu Steven
Prof. YUNG Kai Leung

Registered Office:
Cricket Square
Hutchins Drive
P.O. 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

26 May 2017

To the Shareholders

Dear Sir or Madam,

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE SALE SHARES; (2) ISSUE OF THE CONSIDERATION SHARES PURSUANT TO THE SPECIFIC MANDATE; (3) APPOINTMENT OF EXECUTIVE DIRECTOR; AND (4) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Company's announcement dated 12 April 2017 (the "**Announcement**") in respect of the Acquisition. On 12 April 2017, the Purchaser, the Vendors and the Target entered into the Acquisition Agreement, pursuant to which the Vendors have conditionally agreed to sell the Sale Shares (representing the entire share capital of the Target), and the Purchaser has conditionally agreed to make such purchase at the Consideration of HK$130,000,000. Upon Completion, the Target will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Company.

Reference is also made to the Company's announcement dated 4 May 2017 in respect of the Supplemental Agreement entered into by the Purchaser, the Vendors and the Target dated 4 May 2017, pursuant to which the Acquisition Agreement was amended and supplemented pursuant to the terms of the Supplemental Agreement.

The purpose of this circular is to give you further details of the Acquisition, the Acquisition Agreement, the Supplemental Agreement, the letter from the Independent Board Committee to the Independent Shareholders, the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders, and notice of the EGM at which an ordinary resolution will be proposed to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares pursuant to the Specific Mandate).

THE ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement (as amended and supplemented by the Supplemental Agreement) are summarized as follows:

Date

12 April 2017 (after trading hours)

Parties

(i) the Purchaser: Vincent Medical Care Holdings Limited, a direct wholly-owned subsidiary of the Company

(ii) the Vendors: (1) Dr. Lu, the 1st Vendor

(2) Mr. Choi Cheung Tai Raymond, the 2nd Vendor

(iii) the Target

As at the Latest Practicable Date, the Target is owned as to 80% by the 1st Vendor and as to 20% by the 2nd Vendor. The Target Group is one of the distributors of the Group for its "Inspired Medical" brand of products. Saved for the aforesaid, the Company and its connected persons (except for the 2nd Vendor) have no relationship with the 1st Vendor. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the 1st Vendor is a third party independent of and not connected with the Company and its connected persons.

The 2nd Vendor is a son of Mr. Choi Man Shing ("**Mr. Choi**"), the chairman of the Company and an executive Director, and Ms. Liu Pui Ching, a non-executive Director, being the Controlling Shareholders of the Company who, together with VRI, jointly control interest in approximately 60.03% of the number of Shares in issue as at the date of the Latest Practicable Date. The 2nd Vendor is therefore a connected person of the Company. The 2nd Vendor's portion of the Sales Shares was acquired by the 2nd Vendor at the cost of HK$12,000,000 in January 2016.

Assets to be acquired

The Sale Shares, representing the entire share capital of the Target, free from all encumbrances together with all rights attached thereto, including the right to receive all dividends and other distributions declared, made or paid, on or after the Completion Date.

Consideration and basis of determination of Consideration

The Consideration for the Acquisition will be HK$130,000,000 (as to HK$104,000,000 payable to the 1st Vendor and as to HK$26,000,000 payable to the 2nd Vendor), which shall be satisfied in the following manner:

(a) 1st Tranche Payment:

HK$90,000,000, being part of the Consideration payable to the 1st Vendor will be satisfied by the allotment and issue of the 1st Tranche Consideration Shares upon Completion at the Issue Price of HK$1.1 per Consideration Share.

(b) 2nd Tranche Payment:

(i) HK$14,000,000, being part of the Consideration, will be paid to the 1st Vendor by the allotment and issue of the 2nd Tranche Consideration Shares at the Issue Price of HK$1.1 per Consideration Share or by cash (at the election of the 1st Vendor).

(ii) HK$26,000,000, being part of the Consideration, will be paid to the 2nd Vendor by the allotment and issue of the 3rd Tranche Consideration Shares at the Issue Price of HK$1.1 per Consideration Share or by cash (at the election of the 2nd Vendor).

(iii) The 2nd Tranche Payment shall be paid on or before the 30th calendar day from the expiry of the 12 calendar-month period from the Completion Date or the fifth Business Day after the Conditions Precedent to the Issue of the 2nd Tranche Consideration Shares and the 3rd Tranche Consideration Shares shall have been satisfied (in the event of the 1st Vendor and/or the 2nd Vendor's election of payment by way of the 2nd Tranche Consideration Shares and/or the 3rd Tranche Consideration Shares), whichever is later.

The Company will publish an announcement when the settlement arrangement for the 2nd Tranche Payment is finalized.

The Consideration was arrived at after arm's length negotiations between the Company and the Vendors taking into account of (i) the positive historical financial performance of the Target Group with which the Target Group recorded increases in both the revenue and the profit attributable to the shareholders of the Target Group in FY2016 as compared with FY2015. The revenue of the Target Group increased from approximately HK$50.2 million for FY2015 to approximately HK$67.3 million for FY2016 and the profit attributable to the shareholders of the Target Group surged from approximately HK$0.4 million for FY2015 to approximately HK$9.0 million for FY2016; (ii) the business development and future prospects of the Target Group; and (iii) the benefits of the Acquisition as set out in the section headed "Reasons for and benefits of the Acquisition" below including, among others, the expansion of the Group's product offering and the potential synergy in sales network of the Target Group and that of the Group. For avoidance of doubt, in determining the Consideration, no reference was made to the net asset value of the Target Group. The Board believes that it is a common approach to determine the consideration based on the profit instead of the net asset value of a profit making company with positive cash flow recurring from its ordinary business like the Target Group. In arriving at the Consideration, the current circumstances of the Target Group, such as its operation, financial position and performance at the time of negotiation for the Acquisition were, among others, taken into account of by the Group and the Vendors. No reference was made to the then acquisition costs of the 2nd Vendor which was determined based on the then prevailing circumstances of the Target Group.

The Vendors' entitlement to the election between cash and the 2nd Tranche Consideration Shares and/or the 3rd Tranche Consideration Shares for the 2nd Tranche Payment was arrived at after arm's length negotiations, taking into account that (i) at least approximately 69.2% of the Consideration will be settled through the allotment and issue of the Consideration Shares which significantly reduced the cash outlay of the Group; (ii) the possibility of further reduction of cash outlay of the Group in the event that the Vendors opt for the Consideration Shares in the 2nd Tranche Payment; (iii) the lockup period in relation to the Consideration Shares; and (iv) other benefits of the Acquisition to the Group as set out in the section headed "Reasons for and benefits of the Acquisition" below.

The Board considers that setting a fixed Issue Price of the Consideration Shares at the time of entering into the Acquisition Agreement is on normal commercial terms based on arm's length negotiation and is consistent with common market practice. Taking into account that (i) the Issue Price is at premium to the average closing prices of the Shares of approximately HK$1.00 from the date of the listing of the Shares on the Stock Exchange (the "**Listing**") to the Latest Practicable Date, as well as the recent trading prices of the Shares and the net asset value per Share as set out in the section headed "The Acquisition Agreement – Consideration Shares" below; (ii) the trading prices of the Shares have been relatively stable since the Listing; (iii) the Consideration Shares are subject to a lockup period of 2 years; and (iv) the settlement of the 2nd Tranche Payment of approximately 12 months from the Completion represents a prolonged period of the payment obligation of the Group and defers the immediate dilution effect on the shareholding of the Group in terms of the number of Shares in issue, the Directors are of the view that the settlement arrangement for the 2nd Tranche Payment is in the interest of the Company and the Shareholders as a whole.

As shown in the shareholding table in the section headed "Effects on Shareholding Structure of the Company" below, immediately after the issuance of all Consideration Shares (assuming that there is no other change in the issued share capital of the Company since the Latest Practicable Date), the shareholding of the existing public Shareholders will be diluted from approximately 35.59% to approximately 30.03%. The Directors are of the view that the potential level of dilution is acceptable taking into account that (i) the Issue Price is at premium to the recent trading prices of the Shares and the net asset value per Share as set out in the section headed "The Acquisition Agreement - Consideration Shares" below; (ii) the lockup period in relation to the Consideration Shares; (iii) the reasons for the Acquisition as described in the section headed "Reasons for and benefits of the Acquisition" below; and (iv) the earnings per Share of the Group for FY2016 is almost the same as the theoretical earnings per share of the Enlarged Group assuming the financial results of the Target had been consolidated into the financial statements of the Company in FY2016 and all Consideration Shares had been issued in FY2016 (calculated based on the sum of the profit attributable to the owners of the Company and that of the Target, divided by the sum of the number of Shares in issue of 638,000,000 as at 31 December 2016 and the number of all Consideration Shares of 118,181,816).

The Directors are of the view that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Consideration Shares

At Completion, the 1st Tranche Consideration Shares will be allotted and issued to the 1st Vendor as set out in the section headed "The Acquisition Agreement – Consideration and basis of determination of Consideration" above. The 2nd Tranche Consideration Shares and the 3rd Tranche Consideration Shares will be allotted and issued to the Vendors on or before the 30th calendar day from the expiry of the 12 calendar-month period from the Completion Date or the fifth Business Day after the Conditions Precedent to the Issue of the 2nd Tranche Consideration Shares and the 3rd Tranche Consideration Shares shall have been satisfied (in the event of the 1st Vendor and/or the 2nd Vendor's election of payment by way of the issue of the 2nd Tranche Consideration Shares and/or the 3rd Tranche Consideration Shares), whichever is later.

The maximum number of the Consideration Shares to be issued (on the assumption of the Vendors electing to receive the 2nd Tranche Consideration Shares and the 3rd Tranche Consideration Shares as the 2nd Tranche Payment) comprise a total of 118,181,816 Shares, which represent approximately 18.52% of the existing number of Shares in issue as at the Latest Practicable Date and approximately 15.63% of the number of Shares in issue as enlarged by the allotment and issue of the Consideration Shares (assuming there is no other change in the share capital of the Company since the Latest Practicable Date).

The Issue Price of HK$1.1 per Consideration Share was determined after arm's length negotiation between the parties to the Acquisition Agreement with reference to, among other things, the recent trading prices of the Shares, which represents:

(i) a premium of approximately 100% over the audited consolidated net asset value per Share attributable to the Shareholders as at 31 December 2016 of HK$0.55 (calculated based on the Company's audited consolidated net assets attributable to Shareholders of approximately HK$351.1 million as at 31 December 2016 and the 638,000,000 Shares in issue as at the date of the Acquisition Agreement);

(ii) a premium of approximately 17.02% over the closing price of HK$0.94 per Share as quoted on the Stock Exchange on 12 April 2017, being the date of the Acquisition Agreement;

(iii) a premium of approximately 14.58% over the average closing price of approximately HK$0.96 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the last trading date prior to the date of the Acquisition Agreement;

(iv) a premium of approximately 13.40% over the average closing price of approximately HK$0.97 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days up to and including the last trading date prior to the date of the Acquisition Agreement; and

(v) a premium of approximately 20.88% over the closing price of HK$0.91 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Consideration Shares, when allotted and issued, will be credited as fully paid and will rank *pari passu* in all respects among themselves and with the Shares in issue as at the date of allotment and issue of the Consideration Shares, except that they shall not be entitled to receive any dividend, distribution or entitlement declared, paid or made by reference to a record date prior to the date of allotment and issue of the Consideration Shares.

The Issue Price was determined by the Board after arm's length negotiations with the Vendors with reference to, among others, the prevailing market prices of the Shares, in particular the trading prices of the Shares for the last thirty consecutive trading days up to and including the last trading date prior to the date of the Acquisition Agreement, and the current market conditions.

Given that the Issue Price is at premium to recent trading prices of the Shares as well as the net asset value per Share as at 31 December 2016 as set out above, the Directors consider the Issue Price to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares will be allotted and issued by the Company under the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

Lockup period

Each of the Vendors irrevocably undertakes and warrants that without the prior written consent of the Purchaser, the Vendors shall not, during the respective periods commencing on the respective dates of the allotment and issue of the 1st Tranche Consideration Shares, the 2nd Tranche Consideration Shares and the 3rd Tranche Consideration Shares and ending 2 years after the respective dates of such allotment and issuance, (i) offer, pledge, sell, contract to sell, grant, lend, or otherwise transfer or dispose of, directly or indirectly, any Consideration Shares; (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 the Consideration Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Consideration Shares, in cash or otherwise; or (iii) publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement relating to any Consideration Shares.

Amendments to the Acquisition Agreement by the Supplemental Agreement

The Acquisition Agreement is amended and supplemented by the Supplemental Agreement to the following effects:

(1) The Vendors shall irrevocably guarantee to the Purchaser that the Net Profit of the Target Group (i) for FY2017, shall not be less than HK$11 million; and (ii) for FY2017 and FY2018, shall not be less than HK$24 million in aggregate (the "**Profit Guarantee**").

(2) In the event that the actual Net Profit of the Target Group for FY2017 is less than the guaranteed amount of HK$11 million, the Vendors shall forthwith pay to the Purchaser in cash, a sum equal to the difference between the guaranteed amount and the actual Net Profit of the Target Group (the "**1st Shortfall**"), on a pro-rata basis as to their respective shareholdings in the Target as at the date of the Acquisition Agreement.

(3) In the event that the aggregate Net Profit of the Target Group for the FY2017 and FY2018 is less than the guaranteed amount of HK$24 million, the Vendors shall forthwith pay to the Purchaser in cash, a sum equal to the difference between the guaranteed amount and the actual aggregate Net Profit of the Target Group, which can be offset by the amount of the 1st Shortfall, if any, on a pro-rata basis as to their respective shareholdings in the Target as at the date of the Acquisition Agreement.

(4) The Purchaser shall procure Mr. Choi, the chairman of the Company and an executive Director to provide, upon Completion, a letter of undertaking of not to, during the period of 2 years from Completion, (a) offer, pledge, sell, contract to sell, grant, lend, or dispose of any Shares or any interest therein held by Mr. Choi or with respect to which Mr. Choi has beneficial ownership as at the date of the Acquisition Agreement (the "**Existing Shares**"); (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 the Existing Shares, whether any such transaction described in sub-clause (a) or (b) above is to be settled by delivery of the Existing Shares or any part thereof, in cash or otherwise; or (c) publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement relating to any of the Existing Shares.

For avoidance of doubt, in the event that the Target Group is loss making, the guaranteed sum payable by the Vendors in respect of each of the periods of (i) FY2017; and (ii) the two years for FY2017 and FY2018, shall equal to the aggregate of the whole sum of the guaranteed amount and the amount of the loss suffered by the Target Group for that period.

The guaranteed amounts were arrived at after taking into account: (i) the positive historical financial performance of the Target Group with which the Target Group recorded increases in both the revenue and the profit attributable to the shareholders of the Target Group in FY2016 as compared with FY2015; and (ii) the potential synergy between the Group and the Target Group after the Acquisition as set out in "Reasons for and benefits of the Acquisition" below. The Directors consider the fact that the guaranteed amount for the Net Profit of the Target Group for FY2017 is higher than that of FY2016 demonstrates the Vendors' confidence in the prospect of the Target Group.

As the Target will become an indirect wholly-owned subsidiary of the Company, the audited accounts of the Target Group, after the Acquisition, will be prepared at the same time with the consolidated accounts of the Group and be available no later than the end of March each year. The accounting standard adopted in the audited financial statements of the Target Group and in determining the Net Profit of the Target Group will be those applicable to Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The fulfillment of the Profit Guarantee is expected to be determined no later than one month after the audited accounts are available. The Vendors are expected to pay any shortfall no later than 1 month from such determination.

In determining the Consideration when the Group and the Vendors entered into the original Acquisition Agreement (without the Profit Guarantee as set out in the Supplemental Agreement), the parties to the Acquisition Agreement only took into account (i) the historical financial performance; (ii) the business development and future prospects of the Target Group; and (iii) the benefits of the Acquisition, and did not take into consideration the Profit Guarantee which was negotiated after the original Acquisition Agreement was entered into. The Directors (excluding the independent non-executive Directors) had then considered that the terms of the original Acquisition Agreement (including the Consideration) was fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Upon further negotiations between the Group and the Vendors after the entering into of the Acquisition Agreement, the Vendors are willing to provide the Profit Guarantee, which is not a mandatory term for the acquisition transaction nor a term the parties took into account when entering into the Acquisition Agreement and is the best possible term the Vendors are willing to offer to the Company without the Company incurring any extra costs. As the Company is not required to incur any extra costs in view of the Profit Guarantee, such as adjustments to the Consideration and payment terms in favour of the Vendors, the Company accepted the offer of the Profit Guarantee from the Vendors and entered into the Supplemental Agreement.

The Directors consider that given that (i) the terms of the original Acquisition Agreement (including the Consideration) were fair and reasonable even without the Profit Guarantee; (ii) the Profit Guarantee serves as an additional benefit of the Acquisition to the Company without the Company incurring any extra costs, the Profit Guarantee is in the interest of the Company and the Shareholders as a whole even though the compensation mechanism under the Profit Guarantee is not based on the price to earnings ratio derived from the Consideration.

The lockup period given by Mr. Choi forms part of the commercial terms which were arrived at after arm's length negotiations, taking into account of: (i) the benefits of such lockup period in allowing the Company to maintain a stable capital structure for the long-term growth of the Company and the Target Group as a whole in view of the potential synergy as set out in "Reasons for and benefits of the Acquisition" below; and (ii) the lockup period of the Consideration Shares.

Conditions Precedent

The Completion is conditional upon fulfillment and/or waiver (as the case may be) of the conditions precedent as set forth below:

(i) the Purchaser being satisfied in all respects with the results of the due diligence exercise to be carried out by the Purchaser on the Target Group in all aspects;

(ii) obtaining of all necessary and unconditional approvals, authorizations or consents in all relevant jurisdictions in relation to the transactions contemplated under the Acquisition Agreement and no applicable law which would prohibit, restrict or materially delay the sale and purchase of the Sale Shares (if applicable);

(iii) the due provision by the Vendors of all documents and/or information in relation to the Target Group as requested by the Purchaser and/or its advisors;

(iv) provision of the certificate of incumbency and certificate of good standing of the Target issued not early than 7 days before Completion;

(v) the warranties given by the Vendors remaining true and accurate and not misleading in any material respect on Completion as if repeated on Completion and at all times between the date of the Acquisition Agreement and Completion;

(vi) no fact or circumstance having occurred that would constitute a material breach by the Vendors of the Acquisition Agreement or be inconsistent in any material respect with any of the warranties or other provisions in relation to the Vendors set out in the Acquisition Agreement;

(vii) employment contracts and non-compete undertakings duly executed by key management person of the Target Group to satisfactory to the Purchaser (the Purchaser shall require usual protection clauses for the Target Group on confidentiality, non-competition clauses to be added to existing employment contracts and/or by way of separate undertakings for the protection of the Target Group);

(viii) absence of any action or legal proceedings against the Vendors, any member of the Target Group that may affect the transactions as contemplated in the Acquisition Agreement or the value of investment in respect of the purchase of the Sale Shares by the Purchaser;

(ix) the Vendors having delivered to the Purchaser a certificate signed certifying that the conditions precedent set out in the Acquisition Agreement have been fulfilled;

(x) any consents, approvals and compliance with such other conditions precedent in respect of the transactions as contemplated under this Agreement as may be required under the Listing Rules and/or by the Stock Exchange having been obtained;

(xi) the Independent Shareholders having approved the Acquisition Agreement and the transactions contemplated therein, including but not limited to the issue of the Consideration Shares;

(xii) the approval for the listing of, and permission to deal in, all the Consideration Shares on the main board of the Stock Exchange having been granted by the Listing Committee of the Stock Exchange; and

(xiii) all necessary licences, consents, mandates, approvals, authorisations, permissions, waivers, orders, exemptions of, among others, the Stock Exchange and/or any other governmental and/or regulatory authorities and/or the Shareholders, which are required for the issuing and/or listing of the Consideration Shares having been obtained and not having been revoked.

The conditions precedent under sub-paragraphs (i) to (ix) above may be waived by the Purchaser at its discretion and those sub-paragraphs (x) to (xiii) cannot be waived by the parties.

As at the Latest Practicable Date, in respect of the conditions precedent under sub-paragraph (ii) above has been fulfilled. Saved as the aforesaid, none of the conditions precedents has been satisfied (or waived) as at the Latest Practicable Date.

In the event that any of the abovementioned conditions precedent are not fulfilled or waived by the Purchaser on or before the Long Stop Date, a party to the Acquisition Agreement may elect to terminate the Acquisition Agreement and all rights and obligations of the parties thereunder shall cease immediately upon termination save that the termination shall not affect or prejudice the then accrued rights and obligations of the parties.

Conditions Precedent to the Issue of the 2nd Tranche Consideration Shares and the 3rd Tranche Consideration Shares

The allotment and issue of the 2nd Tranche Consideration Shares and the 3rd Tranche Consideration Shares are subject to the fulfilment of the following conditions precedent:

(i) Completion having taken place;

(ii) the approval for the listing of, and permission to deal in, all the Consideration Shares on the main board of the Stock Exchange having been granted by the Listing Committee of the Stock Exchange; and

(iii) all necessary licences, consents, mandates, approvals, authorisations, permissions, waivers, orders, exemptions of, among others, the Stock Exchange and/or any other governmental and/or regulatory authorities and/or the Shareholders, which are required for the issuing and/or listing of the 2nd Tranche Consideration Shares and the 3rd Tranche Consideration Shares, having been obtained and not having been revoked.

The Conditions Precedent to the Issue of the 2nd Tranche Consideration Shares and the 3rd Tranche Consideration Shares under sub-paragraphs (i) to (iii) above may not be waived by the parties.

In the event that the Conditions Precedent to the Issue of the 2nd Tranche Consideration Shares and the 3rd Tranche Consideration Shares are not satisfied, the Vendors shall only be entitled cash payment for the 2nd Tranche Payment.

Completion

Completion shall take place on the fifth Business Day following satisfaction or waiver of the conditions precedent set out in the section headed "The Acquisition Agreement – Conditions Precedent" above, or on such other date as the Vendors and the Company may agree in writing.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the date of as at the Latest Practicable Date; (ii) immediately after the issuance of the 1st Tranche Consideration Shares upon Completion (assuming that there is no other change in the issued share capital of the Company since the Latest Practicable Date); and (iii) immediately after the issuance of all Consideration Shares (assuming that there is no other change in the issued share capital of the Company since the Latest Practicable Date).

Name of Shareholder	As at the Latest Practicable Date		Immediately after the issuance of the 1st Tranche Consideration Shares upon Completion (assuming that there is no other change in the issued share capital of the Company since the Latest Practicable Date)		Immediately after the issuance of all Consideration Shares (assuming that there is no other change in the issued share capital of the Company since the Latest Practicable Date)	
	No. of Shares	*Approximately % of number of Shares in issue*	*No. of Shares*	*Approximately % of number of Shares in issue*	*No. of Shares*	*Approximately % of number of Shares in issue*
Mr. Choi and Liu Pui Ching	382,989,890 *(Note 1)*	60.03%	382,989,890 *(Note 1)*	53.20%	382,989,890 *(Note 1)*	50.65%
To Ki Cheung	16,497,778 *(Note 2)*	2.59%	16,497,778 *(Note 2)*	2.29%	16,497,778 *(Note 2)*	2.18%
Koh Ming Fai	4,941,166 *(Note 3)*	0.77%	4,941,166 *(Note 3)*	0.69%	4,941,166 *(Note 3)*	0.65%
Fu Kwok Fu	4,941,166 *(Note 4)*	0.77%	4,941,166 *(Note 4)*	0.69%	4,941,166 *(Note 4)*	0.65%
Dr. Lu (1st Vendor)	0	0.00%	81,818,181	11.37%	94,545,453	12.51%
Subtotal	**409,370,000**	**64.16%**	**491,188,181**	**68.24%**	**503,915,453**	**66.64%**
Public Shareholders	227,060,000	35.59%	227,060,000	31.54%	227,060,000	30.03%
Choi Cheung Tai Raymond (2nd Vendor)	1,570,000 *(Note 5)*	0.25%	1,570,000 *(Note 5)*	0.22%	25,206,363 *(Note 5)*	3.33%
Total	**638,000,000**	**100.00%**	**719,818,181**	**100.00%**	**756,181,816**	**100.00%**

Notes:

1. These interests represented:

   (a) 1,000,000 Shares held by Mr. Choi, the chairman of the Company and an executive Director. Ms. Liu Pui Ching (a non-executive Director) ("**Ms. Liu**"), as the spouse of Mr. Choi, is also deemed to be interested in the said Shares;

   (b) 381,939,890 Shares held by VRI. Mr. Choi holds 57.89% and Ms. Liu holds 42.11% of the issued share capital of VRI, respectively. By virtue of the SFO, Mr. Choi and Ms. Liu are deemed to be interested in all the Shares in which VRI is interested; and

   (c) 50,000 Shares held by VRHK. VRI holds the entire issued share capital of VRHK and therefore by virtue of the SFO, Mr. Choi and Ms. Liu are deemed to be interested in all the Shares in which VRHK is interested.

2. These interests represented 16,497,778 Shares held by Mr. To Ki Cheung, the chief executive officer of the Company and an executive Director.

3. These interests represented 4,941,166 Shares held by Mr. Koh Ming Fai, an executive Director.

4. These interests represented 4,941,166 Shares held by Mr. Fu Kwok Fu, an executive Director.

5. Reference is made to the Announcement in respect of the shareholdings of Mr. Choi Cheung Tai Raymond in the Company. Due to some inadvertent errors, the figures relating to the shareholdings of Mr. Choi Cheung Tai Raymond in the Company as stated in the English and Chinese versions of the Announcement were not correctly shown. The Board wishes to clarify the shareholdings of Mr. Choi Cheung Tai Raymond in the Company should be read as set out in the above table.

INFORMATION OF THE TARGET GROUP

The Target Group is principally engaged in the design, research and development, manufacture, sales and marketing of a wide range of medical devices including, among others medical oximeters (i.e. oxygen saturation level monitoring devices), pulse oximetry (i.e. oxygen saturation level measuring devices), bilumen breathing circuits (i.e. respiratory tubes with inner walls segregating inspiratory and expiratory airways) for anesthesia and respiratory application, blood pressures cuffs, temperature probes and medical cables (used in both patient monitoring and diagnostic systems), antennas and connected wires for hospital network connections and portable alcohol breathalyzer for measuring blood alcohol content from a breath sample. Its production facility and research and development center are located in Shenzhen, the PRC.

The Target Group's OEM (i.e. original equipment manufacturing) business comprises manufacturing of accessories for patient monitoring devices including the devices for monitoring of patients in intensive care units or patients under medical operation and antennas and connected wires for hospital network connections for its OEM customers based on their specifications and requirements, which are registered, marketed and sold under its OEM customers' own brand names. The OEM business accounted for approximately 23.14% of the turnover of the Target Group for FY2016 and 23.01% for FY2015. The Target Group's OBM (i.e. original brand manufacturing) business comprises the research, development, manufacturing and sales of accessories for anesthesia and respiratory products and for patient monitoring devices. Its flagship product the "QTube", a bilumen breathing circuit that integrated features like water traps, antimicrobial protection and self-testing into the design, has been selling to overseas medical devices companies since 2014. The OBM business accounted for approximately 15.30% of the turnover of the Target Group for FY2016 and 15.78% for FY2015. The Target Group's ODM (i.e.

original design manufacturing) business comprises the manufacture and supply of portable alcohol breathalyzer and accessories for patient monitoring devices. The ODM business accounted for approximately 47.02% of the turnover of the Target Group for FY2016 and 40.65% for FY2015.

The Target Group is also engaged in the sourcing of finished and semi-finished medical related products from overseas for sales to customers in the PRC, Europe and Asia (including hospitals in Hong Kong). In addition, the Target Group owns and operates a laboratory specialized in oximetry testing service.

The Target Group's five largest customers for FY2016 include: (i) a breathalyzer supplier based in the PRC; (ii) an antenna supplier based in South Africa; (iii) a patient monitoring device accessories supplier based in Germany; (iv) a security and medical equipment supplier based in India; and (v) a patient monitoring device accessories supplier based in the United Kingdom.

The Target Group's five largest suppliers for FY2016 include: (i) a cable manufacturer based in the PRC; (ii) a medical product supplier based in Germany; (iii) a chemical sensors supplier based in the United Kingdom; (iv) a plastic mold factory based in the PRC; and (v) a medical equipment supplier based in Germany.

The table below sets out a breakdown of the total revenue by geographical location of operations of the Target Group's customers.

Country	**FY2015** *(HK$'000)*	**FY2016** *(HK$'000)*
PRC	22,092	27,186
Germany	7,840	11,194
South Africa	7,602	9,700
India	3,374	5,247
The United Kingdom	2,560	4,467
Switzerland	1,160	2,171
Australia	715	691
Others	4,887	6,678
	50,230	**67,334**

Set out below is a summary of the audited consolidated financial information of the Target Group.

	FY2015	FY2016
	(HK$'000)	*(HK$'000)*
Turnover		
Breathalyzers and oximetry solutions	27,621	40,226
Patient monitor accessories	15,958	18,350
Respiratory products	3,548	6,901
Laboratory testing	3,103	1,857
	50,230	**67,334**
Gross Profit	**18,306**	**25,728**
Net profit before taxation	**2,059**	**11,231**
Net profit after taxation	**622**	**9,142**

The Target Group's turnover increased by approximately HK$17.1 million or 34.1%, from approximately HK$50.2 million for FY2015 to approximately HK$67.3 million for FY2016. Such increase was mainly attributable to the increase in turnover from breathalyzers and oximetry solutions and the increase in sale of goods to major customers. The Target Group's net profit increased by approximately HK$8.5 million, from approximately HK$0.6 million for FY2015 to approximately HK$9.1 million for FY2016, mainly due to (i) the increase in both the turnover and the gross profit margin; and (ii) the increase in other income which was mainly driven by the write back of other payables and the increase in sundry income and government subsidies. The increase in the gross profit margin was mainly due to the increase in the sales of breathalyzers and oximetry products which had a higher gross profit margin and the economies of scale resulted from the increase in the Target Group's production volume.

As at 31 December 2016, the audited net asset value of the Target Group was approximately HK$32.4 million. As at 31 December 2016, the Target Group's major assets include inventories of approximately HK$12.0 million, bank and cash balances of approximately HK$28.6 million and property, plant and equipment of approximately HK$5.9 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaging in the manufacturing and sale of medical devices focusing on respiratory products, imaging contrast media power injector disposables, orthopaedic and rehabilitation products. It has been the Group's strategy to focus on enhancing its competitiveness of its core business by expanding its product portfolio and continue to explore new business opportunities.

The Board considers that the Acquisition is in line with the Group's strategic direction in expanding its business and product portfolio and represents a strategic investment opportunity for the Group. The Acquisition will benefit the Group by expanding its product range to cover oximeters (i.e. oxygen saturation level monitoring devices), patient monitor accessories (i.e. vital signs monitoring devices) and alcohol breathalyzer products (i.e. alcohol level monitoring devices). Oximeters and patient monitor accessories can be used alongside with the Group's anesthesia and respiratory disposable products for patient monitoring including monitoring of patients in intensive care unit or patients under medical operation and thus are complementary to the Group's existing product offering.

Furthermore, given that the products of the Group and that of the Target Group are under the same category of anaesthesia and respiratory disposable products and some of them can be used in conjunction with each other, the Group believes that the Group and the Target Group may potentially share similar target end-users and customers. As the Group's sales network is generally different from that of the Target Group, there is a potential synergy in cross-selling of the Group's products to the Target Group's existing customers and enhancement of the market coverage and penetration of the Group's OBM products, and vice versa. The Target Group has an established direct sales capability in Guangdong, the PRC and Hong Kong and its sales network also covers Europe, Asia and Australia. Please refer to the information on the breakdown of the total revenue by geographical location of operations of the Target Group's customers as set out in the section headed "Information of the Target Group" above.

The Acquisition will be a horizontal integration of the Group's anesthesia and respiratory disposables business segment enabling the Group to further expand its business scale and to potentially benefit from the economies of scale. As the respiratory products of the Target Group such as breathing circuits involve similar production procedures and machineries, it is the current intention of the Group to explore the possibilities of leveraging the Group's production lines for those products of the Target Group with the aim to minimize overall production costs. Leveraging on its experience in managing large-scale production, the Group can also enhance the production efficiency of the Target Group.

Furthermore, upon Completion, the Group intends to appoint Dr. Lu as an executive Director of the Company, whose extensive experience and expertise in the research and development of oximetry and breathalyzers products are valuable to the Group and is expected to contribute positively to the development of the Group's respiratory equipment.

The Directors believe that the terms of the Acquisition Agreement are on normal commercial terms and fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

APPOINTMENT OF EXECUTIVE DIRECTOR

Upon Completion, the Board intends to appoint Dr. Lu, the 1st Vendor, as an executive Director of the Company. Brief biographical details of Dr. Lu are set out below:

Dr. Lu, aged 54, is a founder of and currently holds the position of the chief executive officer of the Target Group. Reference is made to the Announcement in respect of the age of Dr. Lu. It has come to the Company's attention that there is a typographical error in the English and Chinese version of the Announcement and the Company would like to clarify that the age of Dr. Lu was 53 as at the date of the Announcement instead of 43.

Dr. Lu graduated from the Sun Yat-sen University in the PRC in 1986 with a bachelor's degree in biochemistry. In 1994, Dr. Lu was awarded by the Victoria University of Wellington in New Zealand with the degree of doctor of philosophy in biochemistry. In 1997, Dr. Lu returned to work in Hong Kong from New Zealand and joined as a staff member and one of the shareholders of GTS, which currently forms part of the Target Group, in 2000. Thereafter, Dr. Lu acquired the remaining shareholding interest in GTS and set up other companies within the Target Group. Dr. Lu has over 15 years of experience in business management.

Dr. Lu will enter into a service agreement with the Company for a term of three years commencing from the date of appointment provided that at any time during the term of appointment, either party may terminate the appointment by giving to the other not less than three months' notice in writing. His appointment is subject to retirement by rotation and re-election at the next following annual general meeting in accordance with the articles of association of the Company and the Listing Rules. The emolument of Dr. Lu will be determined with reference to his duties and responsibilities, the Company's performance as well as the remuneration benchmark in the industry and the prevailing market conditions.

As at the date of this circular and save as disclosed above, Dr. Lu (i) does not have any interest in the Shares or its associated corporations which is required to be disclosed under Part XV of the SFO other than the 1st Tranche Consideration Shares and 2nd Tranche Consideration Shares under the Acquisition Agreement; (ii) does not have any relationship with other Directors, senior management, substantial Shareholders or controlling Shareholders of the Company; (iii) has not held any other positions with the Company or other group members of the Company; and (iv) has not held any directorships in listed public companies in the last three years.

The Company will publish an announcement pursuant to Rule 13.51(2) of the Listing Rules upon Dr. Lu's appointment.

LISTING RULES IMPLICATION

The 2nd Vendor is a son of Mr. Choi, the chairman of the Company and an executive Director, and Ms. Liu Pui Ching, a non-executive Director, being the Controlling Shareholders of the Company who, together with VRI, jointly control interest in approximately 60.03% of the number of Shares in issue as at the Latest Practicable Date. The 2nd Vendor is therefore a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios for the Company regarding the Acquisition are more than 5% but less than 25% while the Consideration is over HK$10,000,000, the Acquisition constitutes (i) a disclosable transaction of the Company which is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a non-exempt connected transaction of the Company which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Given that the 2nd Vendor is a son of Mr. Choi (an executive Director) and Ms. Liu Pui Ching (a non-executive Director), both of them are deemed to have material interests in the Acquisition and have abstained from voting on the board resolutions for considering and approving the Acquisition Agreement. Saved for the abovementioned, none of the Directors has a material interest in the transactions contemplated under the Acquisition Agreement, or is required to abstain from voting on the board resolutions for considering and approving the same.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee has been formed to advise and provide recommendation to the Independent Shareholders on the Acquisition Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares pursuant to the Specific Mandate). Halcyon Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same respect.

EGM AND PROXY ARRANGEMENT

Set out on pages 65 to 67 of this circular is the notice of EGM at which ordinary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares pursuant to the Specific Mandate).

VRI, a corporation jointly controlled by Mr. Choi and Ms. Liu Pui Ching, is interested in 381,939,890 Shares, representing approximately 59.87% of the number of Shares in issue as at the Latest Practicable Date. VRI also holds the entire issued share capital of VRHK, which in turn holds 50,000 Shares, representing approximately 0.0078% of the number of Shares in issue as at the Latest Practicable Date. Mr. Choi is therefore deemed to be interested in an aggregate of 382,989,890 Shares (representing approximately 60.03% of number of Shares in issue as at the Latest Practicable Date) and, taking into account the 381,939,890 Shares held by VRI, 1,000,000 Shares directly held by Mr. Choi and 50,000 Shares held by VRHK, VRI, Mr. Choi and VRHK are required to abstain from voting on the relevant resolution to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares pursuant to the Specific Mandate) in view of their material interest in the Acquisition.

Mr. Choi Cheung Tai Raymond, the 2nd Vendor, holds 1,570,000 Shares (representing approximately 0.25% of the number of Shares in issue as at the Latest Practicable Date), is also required to abstain from voting on the relevant resolution to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares pursuant to the Specific Mandate) in view of his material interest in the Acquisition. Saved for the abovementioned, to the best knowledge of the Company after having made all reasonable enquiries, as at the Latest Practicable Date, none of the Shareholders has a material interest in the transactions contemplated under the Acquisition Agreement, or is required to abstain from voting on the relevant resolution to be proposed at the EGM for approving the same.

A form of proxy for use at the EGM is enclosed. Such form of proxy is also published on the website of the Stock Exchange (www.hkexnews.hk). Whether or not you intend to be present at the EGM, you are requested to complete the form of proxy and return it to the Company in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the holding of the EGM (or at any adjournment). Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM if you so wish.

The resolution will be put to vote by way of poll at the EGM pursuant to Rule 13.39 of the Listing Rules. An announcement on the poll results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 this circular or any statement herein misleading.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee dated 26 May 2017 set out on pages 24 to 25 of this circular which contains its recommendation to the Independent Shareholders in relation to the Acquisition Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares pursuant to the Specific Mandate); and (ii) the letter from the Independent Financial Adviser dated 26 May 2017 as set out on pages 26 to 55 of this circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Acquisition Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares pursuant to the Specific Mandate) as well as the principal factors and reasons considered by the Independent Financial Adviser in arriving at its recommendation.

Based on the reasons set out hereinabove, the Board considers that the terms and the transactions contemplated under the Acquisition Agreement (including the allotment and issue of the Consideration Shares pursuant to the Specific Mandate) are on normal commercial terms, fair and reasonable, and are in the interest of the Company and its Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the proposed ordinary resolution No. 1 set out in the notice convening the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully
By order of the Board
Vincent Medical Holdings Limited
Choi Man Shing
Chairman and Executive Director

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)

26 May 2017

To the Independent Shareholders

Dear Sir or Madam,

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE SALE SHARES; AND (2) ISSUE OF THE CONSIDERATION SHARES PURSUANT TO THE SPECIFIC MANDATE

We refer to the circular of the Company to the Shareholders dated 26 May 2017 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter will have the same meanings as defined in the Circular.

We, Mr. Chan Ling Ming, Mr. Mok Kwok Cheung Rupert, Mr. Au Yu Chiu Steven and Prof. Yung Kai Leung, being the independent non-executive Directors, have been appointed by the Board as the Independent Board Committee to consider the Acquisition, being a connected transaction, pursuant to the terms and conditions of the Acquisition Agreement, and to advise the Independent Shareholders as to whether, in our opinion, the Acquisition and the Specific Mandate are fair and reasonable so far as the Independent Shareholders are concerned.

Halcyon Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Specific Mandate.

We wish to draw your attention to the letter from the Board set out on pages 6 to 23 of the Circular which contains, among others, information on the Acquisition and the Specific Mandate and the letter from the Independent Financial Adviser set out on pages 26 to 55 of the Circular which contains its advice in respect of the Acquisition and the Specific Mandate.

Having taken into account the principal factors and reasons underlying the Acquisition and the Specific Mandate as well as the advice of the Independent Financial Adviser as set out in the Circular, we consider the terms and conditions of the Acquisition and the Specific Mandate to be fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution No. 1 in respect of the Acquisition and the Specific Mandate to be proposed at the EGM.

Yours faithfully,
Mr. CHAN Ling Ming
Mr. MOK Kwok Cheung Rupert
Mr. AU Yu Chiu Steven
Prof. YUNG Kai Leung
The Independent Board Committee

Set out below is the text of the letter of advice from Halcyon Capital Limited to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Specific Mandate, which has been prepared for the purpose of inclusion in this circular.

HALCYON CAPITAL LIMITED
11th FLOOR
8 WYNDHAM STREET
CENTRAL
HONG KONG

26 May 2017

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE SALE SHARES AND (2) ISSUE OF THE CONSIDERATION SHARES PURSUANT TO THE SPECIFIC MANDATE

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Acquisition Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in a circular of the Company (the "**Circular**") to the Shareholders dated 26 May 2017, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Pursuant to the Acquisition Agreement, the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares (being entire issued share capital of the Target) at an aggregate Consideration of HK$130,000,000. The Consideration shall be satisfied as to (i) HK$90,000,000 by the allotment and issue of the 1st Tranche Consideration Shares at the Issue Price of HK$1.1 per Consideration Share to the 1st Vendor at Completion; and (ii) the remaining balance of HK$40,000,000 shall be a post Completion obligation and satisfied by: (a) as to the 1st Vendor, the allotment and issue of the 2nd Tranche Consideration Shares at the Issue Price of HK$1.1 per Consideration Share to the 1st Vendor or by cash (at the election of the 1st Vendor); and (b) as to the 2nd Vendor, the allotment and issue of the 3rd Tranche Consideration Shares at the Issue Price of HK$1.1 per Consideration Share to the 2nd Vendor or by cash (at the election of the 2nd Vendor). The Vendors have also irrevocably guaranteed to the Purchaser that the Net Profit of the Target Group: (i) for FY2017, shall not be less than HK$11 million; and (ii) for FY2017 and FY2018, shall not be less than HK$24 million in aggregate, and the shortfall of which shall be paid to the Purchaser in cash by the Vendors on a dollar-for-dollar and pro-rata basis as to the respective shareholdings of the Vendors in the Target as at the date of the Acquisition Agreement.

Since the 2nd Vendor is a son of Mr. Choi Man Shing, the chairman of the Company and an executive Director, and Ms. Liu Pui Ching, a non-executive Director, being the Controlling Shareholders holding, together with VRI, an aggregate of approximately 60.03% of the Shares in issued as at the Latest Practicable Date, the 2nd Vendor is therefore a connected person of the Company under the Listing Rules. On the other hand, the Company intends to appoint the 1st Vendor as an executive Director. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios for the Company regarding the Acquisition are more than 5% but less than 25% while the Consideration is over HK$10,000,000, the Acquisition constitutes (i) a disclosable transaction of the Company which is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a non-exempt connected transaction of the Company which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising Mr. Chan Ling Ming, Mr. Mok Kwok Cheung Rupert, Mr. Au Yu Chiu Steven and Prof. Yung Kai Leung, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the terms of the Acquisition Agreement are fair and reasonable so far as the Independent Shareholders are concerned, whether the Acquisition is in the interests of the Company and the Shareholders as a whole and how the Independent Shareholders should vote at the EGM.

Our role, as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition Agreement and the relevant transactions contemplated thereunder, is to (i) provide the Independent Board Committee and the Independent Shareholders an independent opinion and recommendation as to whether the Acquisition Agreement is entered into on normal and commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole, and whether the terms thereof are fair and reasonable so far as the Company and the Shareholders are concerned; and (ii) advise the Independent Shareholders on how to vote at the EGM.

Except for being appointed as the Independent Financial Adviser for the subject transaction, the Independent Financial Adviser had not provided other financial advisory services to the Company in the past two years from the date of this letter and there is no other relationship or interest with the Company or any other parties that could reasonably be regarded as relevant to our independence.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the information, financial information and the facts supplied to us and representations expressed by the Directors and/or management of the Group and have assumed that all such information, financial information and facts and any representations made to us, or referred to in the Circular, in all material aspects, are true, accurate and complete as at the time they were made and continue to be so as at the date of the Circular, has been properly extracted from the relevant underlying accounting records (in the case of financial information) and made after due and careful inquiry by the Directors and/or the management of the Group. The Directors and/or the management of the Group have confirmed that, after having made all reasonable enquiries and to the best of their knowledge and belief, all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

Our review and analysis were based upon, among others, the information provided by the Group including the Acquisition Agreement, the 2016 Annual Report, the prospectus of the Company dated 30 June 2016 (the "**Prospectus**"), the audited consolidated financial statements of the Target Group for the two years ended 31 December 2015 and 2016 (the "**Target Financial Statements**"), the Circular, and certain published information from the public domain.

We have also discussed with the Directors and/or the management of the Group with respect to the terms of and reasons for the entering into of the Acquisition Agreement and considered that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted an independent verification or appraisal of the information nor have we conducted any form of in-depth investigation into the businesses, affairs, financial position, profitability or the prospects of the Group, the Target Group or any of their respective subsidiaries or associates. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion for the Acquisition Agreement and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

1. Information on the Group

1.1 Principal business

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacturing and sale of medical devices focusing on respiratory products, imaging contrast media power injector disposable products and orthopaedic and rehabilitation products. As referred to in the 2016 Annual Report, the business of the Group can be broadly divided into two business segments, namely the original equipment manufacturing ("**OEM**") segment and original brand manufacturing ("**OBM**") segment. The OEM segment refers to the manufacturing of medical devices in accordance with the customer's specification for sale under the customer's or third party's brand and the OBM segment refers to the research, development, manufacturing, marketing and sale of medical devices under its own "Inspired Medical" (英仕醫療) and "Hand of Hope" brands.

The Group has a wide spread of customers across different countries. Its customer base in the OEM business includes major global healthcare and medical device companies and its own "Inspired Medical" (英仕醫療) products are sold through distributor network and used in approximately 400 hospitals in the PRC, Japan, South East Asia, the Middle East and South America. According to the 2016 Annual Report, customers from the United States of America (the "**US**") contributed the largest portion of turnover, followed by the PRC, Netherlands, Australia, Japan and other countries, which accounted for approximately 69.2%, 8.4%, 7.4%, 3.8%, 3.0% and 8.2% respectively of the relevant segmental turnover of the Group for the year ended 31 December 2016.

1.2 Financial highlights

Financial performance

Set out below is the summary of key audited consolidated financial information of the Group for the two years ended 31 December 2015 and 2016 as extracted from the 2016 Annual Report:

	For the year ended 31 December	
	2016	**2015**
	HK$'000	*HK$'000*
	(audited)	*(audited)*
Turnover	467,347	448,169
Cost of sales	(321,585)	(308,368)
Gross profit	145,762	139,801
Profit before tax	47,696	69,172
Income tax (expense)/credit	(10,614)	2,484
Profit for the year	**37,082**	**71,656**
Profit attributable to owners of the Company	**29,242**	**58,153**

As illustrated in the above table, the Group has recorded positive financial results during the two years ended 31 December 2015 and 2016 and recorded profit attributable to Shareholders of approximately HK$58.2 million and HK$29.2 million for the two years ended 31 December 2015 and 2016, respectively.

For the year ended 31 December 2016

For the year ended 31 December 2016, the Group recorded a turnover of approximately HK$467.3 million and profit attributable to the Shareholders of approximately HK$29.2 million. According to the 2016 Annual Report, there were signs of rebalancing of global economy with developed markets such as the US, where most of the Group's turnover were driven from, recovering on firm footing, but economic growth slowed down for many emerging economies, including the PRC. The Group managed to record a slight growth of approximately 4.3% in both turnover and gross profit with gross profit margin remained unchanged at 31.2% compared to those of the previous year. However, the Group still recorded a decline in profit attributable to the Shareholders of approximately 49.8% or HK$28.9 million, which was principally due to (i) the non-recurring listing expenses of approximately HK$18.0 million; (ii) the share-based compensation expenses of approximately HK$2.7 million relating to the Company's share options granted under its share option scheme approved and conditionally adopted on 17 June 2016; and (iii) the non-recurring cost of approximately HK$7.0 million (of which approximately HK$5.6 million attributable to the Shareholders) incurred related to the freight costs and additional sterilisation costs accrued as results of rectifying and resuming the in-house sterilisation process for two product lines of a customer that were suspended in March 2016 as the process did not pass the sterilisation control tests. The sterilisation process for the two product lines resumed in November 2016 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.

Segmental turnover

Set out below is the analysis of turnover by business segment of the Group for each of the two years ended 31 December 2015 and 2016 as extracted from the 2016 Annual Report:

	For the year ended 31 December			
	2016		**2015**	
Business segment	*HK$'000* *(audited)*	*% of total*	*HK$'000* *(audited)*	*% of total*
OEM	400,657	85.7	391,062	87.3
OBM	66,690	14.3	57,107	12.7
Total	**467,347**	**100.0**	**448,169**	**100.0**

The OEM segment contributed approximately 87.3% and 85.7% of the turnover of the Group during each of the two years ended 31 December 2015 and 2016, respectively, while for the same periods, the OBM segment contributed approximately 12.7% and 14.3% of the turnover of the Group respectively. For the year ended 31 December 2016, the Group recorded an increase of approximately 2.5% in turnover contributed by the OEM segment, due to the increase in sales of imaging disposable products and other products, and an increase of approximately 16.8% in turnover contributed by the OBM segment due to the increase in sales of respiratory products, and orthopaedic and rehabilitation products.

Set out below is the analysis of turnover by product category of the Group for each of the years ended 31 December 2015 and 2016 as extracted from the 2016 Annual Report:

	For the year ended 31 December			
	2016		**2015**	
Product category	*HK$'000 (audited)*	*% of total*	*HK$'000 (audited)*	*% of total*
Respiratory products	151,820	32.5	175,241	39.1
Imaging disposable products	180,817	38.7	155,675	34.7
Orthopaedic and rehabilitation products	76,403	16.3	74,124	16.5
Others *(Note)*	58,307	12.5	43,129	9.7
Total	**467,347**	**100.0**	**448,169**	**100.0**

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

According to the 2016 Annual Report, imaging disposable products of the Group contributed the largest portion of turnover, followed by respiratory products, orthopaedic and rehabilitation products and other products, which accounted for approximately 38.7%, 32.5%, 16.3% and 12.5% respectively of the relevant segmental turnover of the Group for the year ended 31 December 2016. For the year ended 31 December 2016, the Group recorded an increase of approximately 16.2% in turnover contributed by imaging disposable products, mainly due to the increase in demand of such products from its customers, while for the same period, a decrease of approximately 13.4% in turnover contributed by the respiratory products, due to the decrease in orders from some of the Group's respiratory products OEM customers which were undertaking operational restructuring.

Financial position

Set out below is the summary of key audited consolidated financial position of the Group as at 31 December 2015 and 31 December 2016 as extracted from the 2016 Annual Report:

	As at 31 December	
	2016	**2015**
	HK$'000	*HK$'000*
	(audited)	*(audited)*
Non-current assets	80,810	81,393
Current assets	414,388	238,575
Total assets	495,198	319,968
Current liabilities	89,857	96,903
Non-current liabilities	3,865	5,978
Total liabilities	93,722	102,881
Net assets	**401,476**	**217,087**
Equity attributable to owners of the Company	**351,072**	**169,358**

The total assets of the Group amounted to approximately HK$495.2 million as at 31 December 2016, which mainly consisted of bank and cash balances of approximately HK$222.2 million, inventories of approximately HK$87.9 million, trade receivables of approximately HK$75.2 million and property, plant and equipment of approximately HK$40.1 million. Total liabilities of the Group amounted to approximately HK$93.7 million, which mainly consisted of other payables and accruals of approximately HK$47.0 million, trade payables of approximately HK$32.9 million and current tax liabilities of approximately HK$6.8 million. Net asset value attributable to the Shareholders amounted to approximately HK$351.1 million as at 31 December 2016, representing an increase of approximately 107.3% or HK$181.7 million as compared to that as at 31 December 2015. Such increase was mainly attributable to the increase of approximately HK$152.9 million in bank and cash balances from approximately HK$69.3 million as at 31 December 2015 to approximately HK$222.2 million as at 31 December 2016 resulted from the increase in cash generated from operations, the proceeds from the issue of Shares to its pre-initial public offering investors, and the net proceeds from its initial public offering ("**IPO**"), after net off the effect of the income tax and the dividends paid during the year ended 31 December 2016.

1.3 Business strategy and outlook

As stated in the Prospectus, the business strategies of the Group include (i) develop OEM business by enhancing the OEM capability and service of the Group; (ii) expand OBM business by enhancing the product offering and distributorship network of the Group; and (iii) expand and upgrade the production facility of the Group to achieve a greater efficiency and increase capacity. According to the 2016 Annual Report, the net proceeds from the IPO was approximately HK$94.6 million (net of underwriting fees and relevant expenses). During the period between the listing date of the Company and 31 December 2016, approximately HK$5.3 million, HK$5.7 million, HK$3.9 million and HK$4.7 million out of the net proceeds from the IPO were utilised in the expansion and upgrading of the Group's production facility, the development of the Group's pipeline and planned products, sales and marketing and general corporate purposes and working capital, respectively. The Group has been focusing on expanding its product portfolio and exploring new business opportunities and has announced three acquisitions since its listing in July 2016. Further details of those acquisitions are disclosed under the section headed "Management Discussion and Analysis" of the 2016 Annual Report and the announcements of the Company dated 28 November 2016, 8 December 2016 and 24 January 2017.

As further stated in the 2016 Annual Report, despite the economic and political uncertainties, 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. The Group plans to keep bolstering the competitiveness of its OEM business, opening new revenue streams by offering new products as peak flow meters and circuit system for ventilators. While for its OBM business, which the Group considered to be the key growth drivers in the future, the Group will continue to build a strong product pipeline by expanding its OBM product portfolio. Meanwhile, 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.

1.4 Reasons for the Acquisition

As stated in the Letter from the Board, it has been the Group's strategy to focus on enhancing its competitiveness of its core business by expanding its product portfolio and continue to explore new business opportunities. The Board believes the Acquisition is in line with the Group's strategic direction in expanding its business and product portfolio and represents a strategic investment opportunity for the Group. The Acquisition will benefit the Group by expanding its product range to cover oximeters (i.e. oxygen saturation level monitoring devices), patient monitor accessories (i.e. vital signs monitoring devices) and alcohol breathalzer products (i.e. alcohol level monitoring devices). Oximeters and patient monitor accessories can be used alongside with the Group's anesthesia and respiratory disposable products for patient monitoring (such as patients in intensive care units or patients under medical operation) and thus are complementary to the Group's existing product offering.

Furthermore, given that the products of the Group and that of the Target Group are under the same category of anaesthesia and respiratory disposable products and some of them can be used in conjunction with each other, the Group believes that the Group and the Target Group may potentially share similar target end-users and customers. There is a potential synergy in cross-selling of the Group's products to the Target Group's existing customers and enhancement of the market coverage and penetration of the Group's OBM products, and vice versa. The Target Group has an established direct sales capability in Guangdong, the PRC and Hong Kong and its sales network covers Europe, Asia and Australia.

The Acquisition will be a horizontal integration of the Group's anaesthesia and respiratory disposables business segment enabling the Group to further expand its business scale and to potentially benefit from the economies of scale. As the respiratory products of the Target Group such as breathing circuits involve similar production procedures and machineries, it is the current intention of the Group to explore the possibilities of leveraging the Group's production lines for those products of the Target Group with the aim to minimize overall production costs. Leveraging on its experience in managing large-scale production, the Group can also enhance the production efficiency of the Target Group.

Furthermore, the Board considers that upon Completion, the Group intends to appoint Dr. Lu, being the 1st Vendor, as an executive Director, whose extensive experience and expertise in the research and development of oximetry and breathalysers products are valuable to the Group and is expected to contribute positively to the development of the Group's respiratory equipment.

We noted from the business strategy and outlook of the Group that it is the Group's intention to strengthen both of its OEM and OBM businesses, and the Group is opened for acquisition opportunities as and when appropriate, and had made acquisitions as the Directors considered appropriate since its listing in July 2016. Taking into account of the above and the fact that both the product portfolio and geographical mix of the revenue of the Target Group's businesses may potentially be complementary to the Group's existing businesses as mentioned above, we concur with the Directors that the Acquisition will enhance the product portfolio of the Group, is in line with the business strategy of the Group and will enable the Group to enhance market coverage and penetration of its OBM products and to facilitate synergy creation.

2. Information on the Target Group

2.1 Principal business

The Target is an investment holding company incorporated in the BVI with limited liability and was owned as to 80% by the 1st Vendor and 20% by the 2nd Vendor as at the date of the Acquisition Agreement. According to the Letter from the Board, the Target Group is principally engaged in the design, research and development, manufacture, sales and marketing of a wide range of medical devices. The products of the Target Group consist of, among others, medical oximeters (i.e. oxygen saturation level monitoring devices), pulse oximetry (i.e. devices to measure the oxygen saturation of blood), bilumen breathing circuits (respiratory tubes with inner walls segregating inspiratory and expiratory airways) for anesthesia and respiratory application, blood pressures cuffs, temperature probes and medical cables (used in both patient monitoring and diagnostic systems), antennas and connected wires for hospital network connections and portable alcohol breathalyzer for measuring blood alcohol content from a breath sample. Its production facility and research and development center are located in Shenzhen, the PRC.

As disclosed in the Letter from the Board and as further advised by the management of the Group, the Target Group's OEM (i.e. original equipment manufacturing) business comprises manufacturing of accessories for patient monitoring devices including the devices for monitoring of patients in intensive care units or patients under medical operation and antennas and connected wires for hospital network connections for its OEM customers based on their specifications and requirements, which are registered, marketed and sold under its OEM customers' own brand names. The OEM business accounted for approximately 23.1% of the turnover of the Target Group for FY2016 and approximately 23.0% for FY2015. The Target Group's ODM (i.e. original design manufacturing) business comprises the manufacture and supply of portable alcohol breathalyzer and accessories for patient monitoring devices. The ODM business accounted for approximately 47.0% of the turnover of the Target Group for FY2016 and approximately 40.7% for FY2015. In addition to the OEM and ODM businesses, the Target Group also engaged in (i) OBM (i.e. own branding & manufacturing) business, which accounted for approximately 15.3% of the turnover of the Target Group for FY2016 and approximately 15.8% for FY2015, which comprises the research, development, manufacturing and sales of accessories for anesthesia and respiratory products and for patient monitoring devices with its flagship product the "QTube", a bilumen breathing circuit that integrated features like water traps, antimicrobial protection and self-testing into the design, has been selling to overseas medical devices companies since 2014; (ii) the sourcing of finished and semi-finished medical related products globally for sales to customers in the PRC, Europe and Asia (including hospitals in Hong Kong); and (iii) the provision of laboratory testing services for oximetry.

As advised by the management of the Company, the Target Group is also one of the distributors of the Group and the amount of transaction between the Group and the Target Group represented approximately 0.3% and 0.2% of the revenue of the Group for the year ended 31 December 2015 and 2016, respectively.

2.2 Financial information

Set out below is the summary of key audited consolidated financial information of the Target Group for the two years ended 31 December 2015 and 2016 as extracted from the Target Financial Statements:

	For the year ended 31 December	
	2016	**2015**
	HK$'000	*HK$'000*
	(audited)	*(audited)*
Turnover	67,334	50,230
Cost of sales	(41,606)	(31,924)
Gross profit	25,728	18,306
Profit before tax	11,231	2,059
Income tax expense	(2,089)	(1,437)
Profit for the year	**9,142**	**622**
Profit attributable to owners of the Target Group	**9,035**	**364**

As illustrated above, the Target Group has recorded positive financial results for the two years ended 31 December 2015 and 2016 and recorded profit attributable to the shareholders of the Target Group of approximately HK$0.4 million and HK$9.0 million for the two years ended 31 December 2015 and 2016, respectively.

For the year ended 31 December 2016

As advised by the management of the Group, turnover of the Target Group for the year ended 31 December 2016 increased by approximately HK$17.1 million or 34.1% to approximately HK$67.3 million compared to that of the previous year which was mainly attributable to the sales of breathalyzers and oximetry solutions while the Target Group was able to record increased revenue across all three product types and among all major markets. For the year ended 31 December 2016, the Target Group recorded a gross profit of approximately HK$25.7 million, representing a growth of approximately HK$7.4 million or 40.5% as compared to that of the previous year, while for the same period, the gross profit margin of the Target Group has improved to approximately 38.2% (as compared to that of approximately 36.4% for the year ended 31 December 2015), which was principally due to decrease in raw material prices and the economies of scale resulted from the increase in the Target Group's production volume. Profit attributable to the shareholders of the Target Group for the year ended 31 December 2016 amounted to HK$9.0 million, representing an increase of approximately HK$8.6 million as compared to that of the previous year, which was mainly attributable to (i) the improvement in gross profit as mentioned above; and (ii) the increase in other income principally due to the written back of other payable of approximately HK$2.5 million, which is non-recurring in nature. Such increase was partially offset by continuous increase in distribution costs and the administrative expenses due to higher sales volume.

Segmental turnover

According to the Target Financial Statements, turnover driven from sales of products accounted for approximately HK$65.5 million or approximately 97.2% and approximately HK$47.1 million or approximately 93.9% for the two years ended 31 December 2015 and 2016, respectively, of which (i) the breathalyzers and oximetry solutions products were the major revenue contributor of the Target Group which accounted for approximately HK$27.6 million or approximately 55.0% and approximately HK$40.2 million or approximately 59.7% of the revenue of the Target Group, respectively; (ii) the patient monitor accessories products were the second largest revenue contributor of the Target Group which accounted for approximately HK$16.0 million or approximately 31.8% and approximately HK$18.4 million or approximately 27.3% of the revenue of the Target Group respectively; and (iii) the respiratory products were the third largest revenue contributor of the Target Group which accounted for approximately HK$3.6 million or approximately 7.1% and approximately HK$6.9 million or approximately 10.2% of the revenue of the Target Group respectively. The Target Group was able to record increases in revenue across its all three products for the year ended 31 December 2016 as compared to that of 2015.

According to the management of the Group, the PRC, Germany and South Africa were the three largest revenue-contributing markets of the Target Group for the years ended 31 December 2015 and 2016. Revenue from customers in the PRC contributed approximately 44.0% and 40.4% of the revenue of the Target Group for the two years ended 31 December 2015 and 2016, respectively; revenue from customers in Germany contributed approximately 15.6% and 16.6% of the revenue of the Target Group for the two years ended 31 December 2015 and 2016, respectively; and revenue from customers in South Africa contributed approximately 15.1% and 14.4% of the revenue of the Target Group for the two years ended 31 December 2015 and 2016, respectively. The revenue of the Target Group derived from each of the six major markets of the Target Group, namely the PRC, Germany, South Africa, India, the United Kingdom and Switzerland, recorded increases for the year ended 31 December 2016, as compared to that of 2015.

Set out below is the summary of key audited consolidated financial position of the Target Group as at 31 December 2015 and 31 December 2016 as extracted from the Target Financial Statements:

	As at 31 December	
	2016	**2015**
	HK$'000	*HK$'000*
	(audited)	*(audited)*
Non-current assets	5,903	6,302
Current assets	48,007	31,832
Total assets	53,910	38,134
Current liabilities	21,480	15,190
Non-current liabilities	–	–
Total liabilities	21,480	15,190
Net assets	**32,430**	**22,944**
Equity attributable to owners of the Target Group	**31,811**	**22,432**

The total assets of the Target Group amounted to approximately HK$53.9 million as at 31 December 2016, which mainly consisted of bank and cash balances of approximately HK$28.6 million (before taking into account of the proposed final dividend of the Target Group of HK$3.2 million for the year ended 31 December 2016), inventories of approximately HK$12.0 million and property, plant and equipment of approximately HK$5.9 million. Total liabilities of the Target Group amounted to approximately HK$21.5 million, which mainly consisted of other payables and accruals of approximately HK$13.2 million and trade payables of approximately HK$4.6 million. Net asset value attributable to the shareholders of the Target Group was approximately HK$31.8 million as at 31 December 2016, representing an increase of approximately 42.0% or HK$9.4 million as compared to that as at 31 December 2015.

3. General industry outlook on the medical device business

According to the Letter from the Board, the Target Group had an extensive customer base across different countries in different parts of the world. Based on information provided by the management of the Group, the PRC, the largest revenue-contributing market of the Target Group, together with Germany and South Africa are the three largest revenue-contributing markets of the Target Group which in aggregate accounted for approximately 74.7% and 71.4%, respectively, of the revenue of the Target Group for each of the years ended 31 December 2015 and 2016 respectively. On the other hand, the production base of the Target Group is located in Shenzhen, the PRC as at the Latest Practicable Date. Accordingly, our analysis below focuses on the world's total expenditure on health and the PRC market.

3.1 World's total expenditure on health

Total expenditure on health represents the total amount of money spent on health goods (including medical devices) and services. Set out below are the values of total expenditure on health of the world from 2011 to 2014:

	2011	**2012**	**2013**	**2014**
	US$ Billion	*US$ Billion*	*US$ Billion*	*US$ Billion*
Global total expenditure on health *(Notes 1 and 2)*	6,658	6,838	6,996	7,254

Source: *Calculated based on data extracted from the World Health Organisation Global Health Expenditure database access through the website of the World Bank (Note 1)*

Notes:

1. Calculated by multiplying the data extracted from Health expenditure, total (% of Gross Domestic Product ("**GDP**")) and GDP, adjusted to constant 2010 US$ sourced from the World Bank.

2. Data for year 2015 and year 2016 are yet to be available from the World Health Organisation Global Health Expenditure database access through the website of the World Bank.

According to the data extracted from the World Health Organisation Global Health Expenditure database access through the website of the World Bank, the world's total expenditure on health had increased since 2011 from approximately US$6,658 billion in 2011 to approximately US$7,254 billion in 2014, representing a compound annual growth rate ("**CAGR**") of approximately 2.9%. We noted from the data obtained from the World Bank that the health expenditure of the world accounted for approximately 9.8% to 9.9% of the total GDP during 2011 to 2014, while the three major revenue contributing countries of the Target Group, namely the PRC, South Africa and Germany, recorded a better growth as compared to the world average. The health expenditure of the PRC, South Africa and Germany accounted for approximately 5.0%, 8.6% and 10.9% of their respective GDP in 2011 and increased to approximately 5.5%, 8.8% and 11.3% of their respective GDP in 2014.

Set out below is the total expenditure on health for the PRC, being the largest revenue contributing country of the Target Group, from 2011 to 2014:

	2011	**2012**	**2013**	**2014**
	US$ Billion	*US$ Billion*	*US$ Billion*	*US$ Billion*
PRC's total expenditure on health *(Notes 1 and 2)*	336	379	418	462

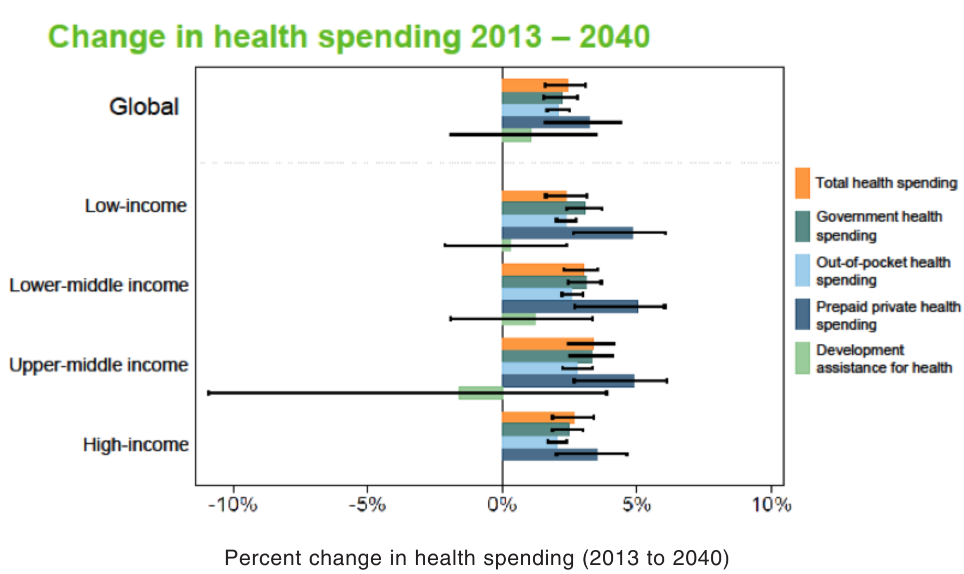
Source: *Calculated based on data extracted from the World Health Organisation Global Health Expenditure database access through the website of the World Bank (Note 1)*

Notes:

1. Calculated by multiplying the data extracted from Health expenditure, total (% of GDP) and GDP, adjusted to constant 2010 US$ sourced from the World Bank.

2. Data for year 2015 and year 2016 are not available from the World Health Organisation Global Health Expenditure database access through the website of the World Bank.

According to the data extracted from the World Health Organisation Global Health Expenditure database access through the website of the World Bank, the total expenditure on health of the PRC had increased since 2011 from approximately US$336 billion in 2011 to approximately US$462 billion in 2014, representing a CAGR of approximately 11.2% which was well exceeded the global CAGR of approximately 2.9% during the period. We have further reviewed an article "National spending on health by source for 184 countries between 2013 and 2040" published on April 2016 (the "**Article**") regarding the world health expenditure from 2013 to 2040, which extracted data from WHO's Health Spending Observatory and the Institute for Health Metrics and Evaluation's Financing Global Health 2015 report for further analysis. Set out below is the projected change in health spending from 2013 to 2040 pursuant to the Article:



Source: National spending on health by source for 184 countries between 2013 and 2040

As illustrated from the above chart and according to the Article, the total health spending per capita is expected to increase by approximately 2.4% per annum from 2013 to 2040 globally. According to the Article, spending will increase most rapidly in, based on income level segmentation, upper-middle income countries and, based on geographical segmentation, southeast Asia, east Asia, and Oceania. While health spending growth is estimated to be the lowest in sub-Saharan Africa. Nevertheless, spending on development assistance for health is expected to experience decline in certain countries.

In addition, according to the PRC's 13th Five-year Plan for economic and social development approved in the Fourth Session of the 12th National People's Congress in March 2016, it aims to set up a basic medical care system that covers urban and rural people by 2020, strengthen legislation on medical and health care, improve medical services and raise the public's health awareness. Efforts will be made to provide multi-level medical care and services to ensure that everybody enjoys basic healthcare while raising the average life expectancy to 77.34, lowering infant mortality to 7.5 out of 1,000, the mortality of children below the age of 5 to 9.5 out of 1,000, and maternal mortalities to 18 out of every 100,000. Furthermore, according to a study commissioned by the World Bank for its report "Deepening Health Reform in China" published in 2016, it was mentioned that based on its projection, total health expenditure in the PRC is expected to result in a growth from approximately 5.6% of GDP in 2015 to approximately 9.1% in 2035, representing an average increase of approximately 8.4% per year in real terms.

From the above analyses, it is noted that (i) the world's total expenditure on health had been growing steadily historically which recorded a CAGR of approximately 2.9% from 2011 to 2014 while the PRC's total expenditure on health recorded a CAGR of approximately 11.2% from 2011 to 2014; (ii) national spending on health is still expected to be in growth during 2013 to 2040 globally; (iii) the 13th Five-year Plan with the aim to promote healthier PRC brings opportunity for the medical device industry; and (iv) health expenditures in the PRC is expected to grow in coming years. In light of the above, we concur with the Directors' view that the medical device industry has been in growth in recent years and there are rooms for growth and expansion for the medical device industry in the coming decade in the world and especially in the PRC.

4. Principal terms of the Acquisition Agreement

On 12 April 2017, the Purchaser, a wholly-owned subsidiary of the Company, the Vendors and the Target entered into the acquisition agreement which was amended and supplemented by the Supplemental Agreement. The principal terms of the Acquisition Agreement are set out in the Letter from the Board and include the following:

4.1 Assets to be acquired

Pursuant to the Acquisition Agreement, the Vendors conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Shares, representing all of the issued shares in the share capital of the Target, free from all encumbrances together with all rights attached thereto, including the right to receive all dividends and other distribution declared, made or paid, on or after the Completion Date.

4.2 The Consideration

As stated in the Letter from the Board, the Consideration is HK$130,000,000 (as to HK$104,000,000 payable to the 1st Vendor and as to HK$26,000,000 payable to the 2nd Vendor), which shall be satisfied in the following manner:

(a) 1st Tranche Payment:

HK$90,000,000, being part of the Consideration payable to the 1st Vendor, will be satisfied by the allotment and issue of the 1st Tranche Consideration Shares upon Completion at the Issue Price of HK$1.1 per Consideration Share.

(b) 2nd Tranche Payment:

(i) HK$14,000,000, being part of the Consideration, will be paid to the 1st Vendor by the allotment and issue of the 2nd Tranche Consideration Shares at the Issue Price of HK$1.1 per Consideration Share or by cash (at the election of the 1st Vendor).

(ii) HK$26,000,000, being part of the Consideration, will be paid to the 2nd Vendor by the allotment and issue of the 3rd Tranche Consideration Shares at the Issue Price of HK$1.1 per Consideration Share or by cash (at the election of the 2nd Vendor).

(iii) The 2nd Tranche Payment shall be paid on or before the 30th calendar day from the expiry of the 12 calendar-month period from the Completion Date or the fifth Business Day after the Conditions Precedent to the Issue of the 2nd Tranche Consideration Shares and the 3rd Tranche Consideration Shares shall have been satisfied (in the event of the 1st Vendor and/or the 2nd Vendor's election of payment by way of the issue of the 2nd Tranche Consideration Shares and/or the 3rd Tranche Consideration Shares), whichever is later.

The Consideration was arrived at after arm's length negotiations between the Company and the Vendors taking into account of (i) the positive historical financial performance of the Target Group with which the Target Group recorded increases in both the revenue and the profit attributable to the shareholders of the Target Group in FY2016 as compared with FY2015. The revenue of the Target Group increased from approximately HK$50.2 million for FY2015 to approximately HK$67.3 million for FY2016 and the profit attributable to the shareholders of the Target Group surged from approximately HK$0.4 million for FY2015 to approximately HK$9.0 million for FY2016; (ii) the business development and future prospects of the Target Group; and (iii) the benefits of the Acquisition as set out in the section headed "Reasons for and benefits of the Acquisition" of the Letter from the Board including, among others, the expansion of the Group's product offering and the potential synergy in sales network of the Target Group and that of the

Group. As stated in the Letter from the Board, the Board believes that it is a common approach to determine the Consideration based on the profit instead of the net asset value of a profit making company with position cash flow recurring from its ordinary business like the Target Group.

Furthermore, each of the Vendors irrevocably undertakes and warrants that without the prior written consent of the Purchaser, the Vendors shall not, during the respective periods commencing on the respective dates of the allotment and issue of the 1st Tranche Consideration Shares, the 2nd Tranche Consideration Shares and the 3rd Tranche Consideration Shares and ending 2 years after the respective dates of such allotment and issuance, (i) offer, pledge, sell, contract to sell, grant, lend, or otherwise transfer or dispose of, directly or indirectly, any Consideration Shares; (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 the Consideration Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of the Consideration Shares, in cash or otherwise; or (iii) publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement relating to any Consideration Shares.

4.3 Our analysis on the Consideration

Comparable analysis

In assessing the fairness and reasonableness of the Consideration, we have also considered the price to earnings ratio (the "**P/E Ratio**") and the price to book ratio (the "**P/B Ratio**") in our analysis. Based on the audited consolidated financial statements of the Target Group for the year ended 31 December 2016, the Target Group recorded (i) audited profit attributable to the shareholders of the Target Group of approximately HK$9.0 million for the year ended 31 December 2016 and as adjusted by the write back of other payables of approximately HK$2.5 million which is non-recurring in nature; and (ii) audited net asset values attributable to the shareholders of the Target Group of approximately HK$31.8 million as at 31 December 2016. Therefore, based on the aforesaid figures, the implied P/E Ratio and P/B Ratio represented by the Acquisition are approximately 19.98 times and 4.09 times, respectively.

We considered companies which (i) are principally engaged in the manufacturing and sales of medical devices with its own and/or leased manufacturing base; (ii) have revenue from sales of medical devices of not less than 70% of the total revenue based on the latest published full year financial statements; (iii) derived revenue from customers in the PRC and had the PRC as one of their major markets based on the latest published annual report; (iv) having market capitalisation of less than HK$10 billion as we consider companies with market capitalisation exceeding such amount may represent that the development stage and scale of operation of such company may not be comparable to the Target Group; and (v) shares are listed on the Stock Exchange (the "**Comparable Companies**") to be appropriate for the purpose of our analysis. Based on the aforesaid selection criteria and our searches conducted on a best effort basis on Bloomberg and the website of the Stock Exchange, we have identified an exhaustive list of seven companies which we considered fair and representative and the relevant information of which are set out below:

Company (stock code)	Closing price as at the Latest Practicable Date	Market capitalisation	P/E Ratios	P/B Ratios
			(Note 1)	*(Note 2)*
	(HK$)	*(HK$ million)*	*(times)*	*(times)*
Golden Meditech Holdings Limited (801)	1.22	3,619	N/A	1.14
MicroPort Scientific Corporation (853) *(Note 4)*	5.69	8,199	74.62	3.17
LifeTech Scientific Corporation (1302) *(Note 4)*	1.91	8,256	48.48	8.52
PW Medtech Group Limited (1358)	1.62	2,561	11.31	0.99
Beijing Chunlizhengda Medical Instruments Co., Ltd. (1858)	12.9	892	12.03	1.66
Yestar Healthcare Holdings Company Limited (2393)	3.77	8,201	34.09	7.80
Vincent Medical Holdings Limited (1612) *(Note 3)*	0.91	581	19.85	1.65
		Minimum	**11.31**	**0.99**
		Maximum	**74.62**	**8.52**
		Average	**33.53**	**3.56**
The Acquisition			19.98	4.09

Source: The Stock Exchange's website and Bloomberg

Notes:

1. P/E ratios of the Comparable Companies are calculated based on their respective closing prices as at the Latest Practicable Date and the net profit of the Comparable Companies attributable to their respective shareholders as extracted from their respective latest published annual report or annual results announcement (as the case may be) divided by the total number of issued shares as at their respective financial year end dates. Data in RMB and the US dollars ("**US$**") are translated into HK$ at a rate of RMB1:HK$1.1687 and US$1:HK$7.7625 respectively, being the average exchange rate during the year ended 31 December 2016 as quoted from Bloomberg.

2. P/B ratios of the Comparable Companies are calculated based on their respective closing prices as at the Latest Practicable Date and the net assets value of the Comparable Companies attributable to their respective shareholders as extracted from their respective latest published statements of financial position divided by the total number of issued shares as at their respective dates of statement of financial position. Data in RMB and the US$ are translated into HK$ at a rate of RMB1:HK$1.1166 and US$1:HK$7.7559 respectively, being the exchange rate as at 31 December 2016 as quoted from Bloomberg.

3. The Company incurred non-recurring listing expenses of approximately HK$18.0 million for the year ended 31 December 2016. If such non-recurring listing expenses were excluded, the P/E Ratio of the Company would decrease to approximately 12.29 times and the average P/E Ratio of the Comparable Companies would decrease to approximately 32.27 times.

4. Each of MicroPort Scientific Corporation and LifeTech Scientific Corporation recorded relatively high P/E Ratio among the Comparable Companies. We noted that the closing share price of MicroPort Scientific Corporation increased from HK$3.97 on 27 July 2016, being the date of publication of profit alert announcement by the company and prior to the publication of announcement on 29 August 2016 in relation to the proposed spin-off (which would have no financial effect on the consolidated financial statements of the company based on the relevant announcement), to HK$6.22 on 24 October 2016. On the other hand, the relatively high P/E Ratio recorded by LifeTech Scientific Corporation was in line with its improvement in financial results and its business and product development. In the event that the P/E Ratios of MicroPort Scientific Corporation and LifeTech Scientific Corporation were excluded from the above analysis, the average P/E Ratio of the then Comparable Companies would be approximately 19.53 times, and the P/E Ratio in relation to the Acquisition would still be comparable to the average P/E Ratio of the then Comparable Companies.

As shown in the table set out above, the average P/E Ratio and P/B Ratio of the Comparable Companies are approximately 33.53 times and 3.56 times respectively. The implied P/E Ratio in relation to the Acquisition of approximately 19.98 times was considerably below the average of the Comparable Companies, and represented a discount of approximately 40.4% to the average P/E Ratio of the Comparable Companies. The implied P/B Ratio in relation to the Acquisition of approximately 4.09 times falls within the range of the Comparable Companies while was above the average of the Comparable Companies, and represented a premium of approximately 14.9% over the average P/B Ratio of the Comparable Companies.

We further noted that the Issue Price represented a premium of approximately 17.02% over the closing price of HK$0.94 per Share as quoted on the Stock Exchange on 12 April 2017, being the date of the Acquisition Agreement. If the closing price of the Shares are being used for the purpose of the above analysis and assuming the Vendors elected cash for settlement of the 2nd Tranche Payment, the then implied P/E Ratio and P/B Ratio of the Acquisition would have become approximately 17.99 times and 3.68 times, respectively, and each of which shall fall within the range of the Comparable Companies and represented discount of approximately 46.3% to and a premium of approximately 3.4% over the average of the Comparable Companies. If the closing price of the Shares are being used for the purpose of the above analysis and assuming the Vendors elected the issue of Shares for settlement of the 2nd Tranche Payment, the then implied P/E Ratio and P/B Ratio of the Acquisition would have become approximately 17.08 times and 3.50 times, respectively, and each of which shall fall within the range of the Comparable Companies and represented discount of approximately 49.1% and 1.7%, respectively, to the average of the Comparable Companies. Nevertheless, if the final dividend of the Target Group is being excluded for the purpose of calculating the P/B Ratio, the then P/B Ratio of the Acquisition would have become approximately 4.55 times, representing a premium of approximately 27.8% over the average P/B Ratio of the Comparable Companies.

Vendors' undertaking on net profits

As stated in the Letter from the Board, the Vendors shall irrevocably guarantee to the Purchaser that the Net Profit of the Target Group: (i) for FY2017, shall not be less than HK$11 million; and (ii) for FY2017 and FY2018, shall not be less than HK$24 million in aggregate (the "**Profit Guarantee**").

In the event that the actual Net Profit of the Target Group for FY2017 is less than the guaranteed amount of HK$11 million, the Vendors shall forthwith pay to the Purchaser in cash, a sum equal to the difference between the guaranteed amount and the actual Net Profit of the Target Group (the "**1st Shortfall**"), on a pro-rata basis as to their respective shareholdings in the Target as at the date of the Acquisition Agreement.

In the event that the aggregate Net Profit of the Target Group for the FY2017 and FY2018 is less than the guaranteed amount of HK$24 million, the Vendors shall forthwith pay to the Purchaser in cash, a sum equal to the difference between the guaranteed amount and the actual aggregate Net Profit of the Target Group, which can be offset by the amount of the 1st Shortfall, if any, on a pro-rata basis as to their respective shareholdings in the Target as at the date of the Acquisition Agreement.

As stated in the Letter from the Board, in the event that the Target Group is loss making, the guaranteed sum payable by the Vendors in respect of each of the periods of (i) FY2017; and (ii) the two years for FY2017 and FY2018, shall equal to the aggregate of the whole sum of the guaranteed amount and the amount of the loss suffered by the Target Group for that period.

We have obtained and reviewed the Target Financial Statements which covered the financial results of the Target Group for the two years ended 31 December 2015 and 2016 and noted that (i) the Target Group has recorded increases in both revenue and profit attributable to the owners of the Target as discussed above; and (ii) the Net Profit of the Target Group as guaranteed by the Vendors for the FY2017 and the average Net Profit of the Target Group as guaranteed by the Vendors for the FY2017 and FY2018 are higher than the Net Profit of the Target Group for the year ended 31 December 2016. Also, as advised by the Company, the Consideration was arrived at after arm's length negotiations between the Company and the Vendors and only took into account (i) the historical financial performance; (ii) the business development and future prospects of the Target Group; and (iii) the benefits of the Acquisition, while the parties to the Acquisition Agreement have not taken into account of the Profit Guarantee which was negotiated and agreed subsequent to the entering into of the original Acquisition Agreement. Moreover, we noted that the profit guarantee is not a mandatory clause in acquisition agreements and as stated in the Letter from the Board, such term is the best possible term the Vendor is willing to offer to the Company without the Company incurring any extra costs. As the Company is not required to incur any extra costs in view of the Profit Guarantee, such as upside adjustments to the Consideration or payment terms in favour of the Vendor, the Company accepted the offer of the Profit Guarantee from the Vendors and entered into the Supplemental Agreement.

Taking into account (i) the Vendors have provided guarantee in favour of the Purchaser that the Target Group will achieve further improvement in its financial results for the FY2017 and FY2018; (ii) the Group would be able to secure compensation from the Vendors if the relevant targets of the Net Profit of the Target Group cannot be met; (iii) the 1st Vendor is proposed to be appointed as an executive Director and, therefore, the Company can ensure that the Target Group will still be under the guidance of the 1st Vendor who is the founder and currently the chief executive officer of the Target Group; and (iv) the profit guarantee undertaken by the Vendors reflected the confidence of the Vendors in the future earning ability of the Target Group to meet the relevant net profit targets, we concur with the management of the Company's view that given that (i) the terms of the original Acquisition Agreement (including the Consideration) were fair and reasonable even without the Profit Guarantee; (ii) the Profit Guarantee serves as an additional benefit of the Acquisition to the Company without incurring any extra costs by the Company, such mechanism is fair and reasonable and could safeguard the interests of the Company and the Shareholders as a whole.

Settlement method

As mentioned above, the 1st Tranche Payment will be satisfied by the allotment and issue of the 1st Tranche Consideration Shares upon Completion, while each of the 1st Vendor and the 2nd Vendor can elect to have their respective part of the 2nd Tranche Payment to be satisfied by cash or Consideration Shares. As stated in the Letter from the Board, the Vendors' entitlement to the election between cash and the 2nd Tranche Consideration Shares and/or the 3rd Tranche Consideration Shares for the 2nd Tranche Payment was arrived at after arm's length negotiations, taking into account that (i) at least approximately 69.2% of the Consideration will be settled through the allotment and issue of the Consideration Shares which significantly reduced the cash outlay of the Group; (ii) the possibility of further reduction of cash outlay of the Group in the event that the Vendors opt for the Consideration Shares in the 2nd Tranche Payment; (iii) the lockup period in relation to the Consideration Shares; and (iv) other benefits of the Acquisition to the Group as set out in the section headed "Reasons for and benefits of the Acquisition" in the Letter from the Board.

In the event that each of the Vendors elected for cash to satisfy their respective part of the 2nd Tranche Payment, a total cash consideration of HK$40.0 million will be payable by the Company on or before the 30th calendar day from the expiry of the 12 calendar-month period from the Completion Date or the fifth Business Day after the Conditions Precedent to the Issue of the 2nd Tranche Consideration Shares and the 3rd Tranche Consideration Shares, whichever is later. As advised by the management of the Company, such amount will be financed by internal resources of the Group. Based on the fact that (i) the Group had an audited bank and cash balance of approximately HK$222.2 million as at 31 December 2016 (which included unused net proceeds from the global offering of the Company of approximately HK$75.0 million); (ii) the Group had net current assets of approximately HK$324.5 million as at 31 December 2016; (iii) the Group had been able to record net cash generated from operating activities of approximately HK$54.6 million and HK$21.5 million for the year ended 31 December 2015 and 2016, respectively, according to the 2016 Annual Report; (iv) the Target Group had an audited bank and cash balances of approximately HK$28.6 million as at 31 December 2016 before taking into account of the proposed final dividend of the Target Group of HK$3.2 million for the year ended 31 December 2016; and (v) the Target Group was able to record net cash generated from operating activities of approximately HK$4.1 million and HK$12.4 million for the year ended 31 December 2015 and 2016, respectively, according to the Target Financial Statements, we consider that the Company has the necessary financial resources to settle the Consideration and its financial position or operation will not be adversely affected by the Acquisition in the event each of the Vendors elect for payment in cash to satisfy the 2nd Tranche Payment. Accordingly, we consider that having an election between cash and shares to the Vendors will not have material impact on the interest of the Shareholders.

Payment term

As mentioned above, the Consideration will be satisfied in two tranches, namely the 1st Tranche Payment and the 2nd Tranche Payment. As further stated in the Letter from the Board, taking into account that (i) the Issue Price is at premium to the average closing prices of the Shares of approximately HK$1.00 from the date of the listing of the Shares on the Stock Exchange (the "**Listing**") to the Latest Practicable Date, as well as the recent trading prices of the Shares and the net asset value per Share; (ii) the trading prices of the Shares have been relatively stable since the Listing; (iii) the Consideration Shares are subject to a lockup period of 2 years; and (iv) the settlement of the 2nd Tranche Payment of approximately 12 months from the Completion represents a prolonged period of the payment obligation of the Group and defers the immediate dilution effect on the shareholding of the Group in terms of the number of Shares in issue, the Directors are of the view that the settlement arrangement for the 2nd Tranche Payment was in the interest of the Company and the Shareholders as a whole.

As set out in our analysis on the historical closing prices of the Shares as quoted on the Stock Exchange from 13 July 2016 (being the first day of trading of the Shares on the Stock Exchange) up to and including the Latest Practicable Date (the "**Review Period**") and the Issue Price below, we noted that the highest closing price and the lowest closing price of the Shares during the Review Period was HK$1.24 (on 11 November 2016) and HK$0.80 (on 15 August 2016), respectively, with average closing price of approximately HK$1.00. For the past six months up to and including the Latest Practicable Date, we noted that the closing prices of the Shares were relatively stable (ranging from HK$0.87 to HK$1.18), while in a decreasing trend. Taking into account of the aforesaid and the fact that such payment term will defer potential dilution impact and/or the cash outflow of the Group as a result of the satisfaction of the 2nd Tranche Payment without interest charges by the Vendors, we concur with the Company that such payment term is in the interest of the Company and the Shareholders as a whole.

Original acquisition cost of the 2nd Vendor

As stated in the Letter from the Board, the 2nd Vendor's portion of the Sales Shares was acquired by the 2nd Vendor (the "**Original Acquisition**") at the cost of HK$12.0 million in January 2016.

We noted that according to the Target Financial Statements, the audited profit attributable to the shareholders of the Target Group was merely approximately HK$0.4 million for the year ended 31 December 2015, as compared to the audited profit attributable to the shareholders of the Target Group of approximately HK$9.0 million for the year ended 31 December 2016 taking into account the write back of other payables of approximately HK$2.5 million which is non-recurring in nature. Based on the audited net profit attributable to the Target for the year ended 31 December 2015, the then P/E Ratio of the Original Acquisition was approximately 150 times, which was significantly higher than the P/E Ratio in relation to the Acquisition of approximately 19.98 times.

4.4 Our analysis on the Issue Price

The Issue Price, being HK$1.1 per Consideration Share represents:

(i) a premium of approximately 100.0% over the audited consolidated net asset value per Shares attributable to the Shareholders as at 31 December 2016 of HK$0.55 (calculated based on the Company's audited consolidated net assets attributable to Shareholders of approximately HK$351.1 million at 31 December 2016 and 638,000,000 Shares in issue as at 31 December 2016);

(ii) a premium of approximately 17.02% over the closing price of HK$0.94 per Share as quoted on the Stock Exchange on 12 April 2017, being the date of the Acquisition Agreement;

(iii) a premium of approximately 14.58% over the average closing price of approximately HK$0.96 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the last trading date prior to the date of the Acquisition Agreement;

(iv) a premium of approximately 13.40% over the average closing price of approximately HK$0.97 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days up to and including the last trading date prior to the date of the Acquisition Agreement; and

(v) a premium of approximately 20.9% over the closing price of HK$0.91 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

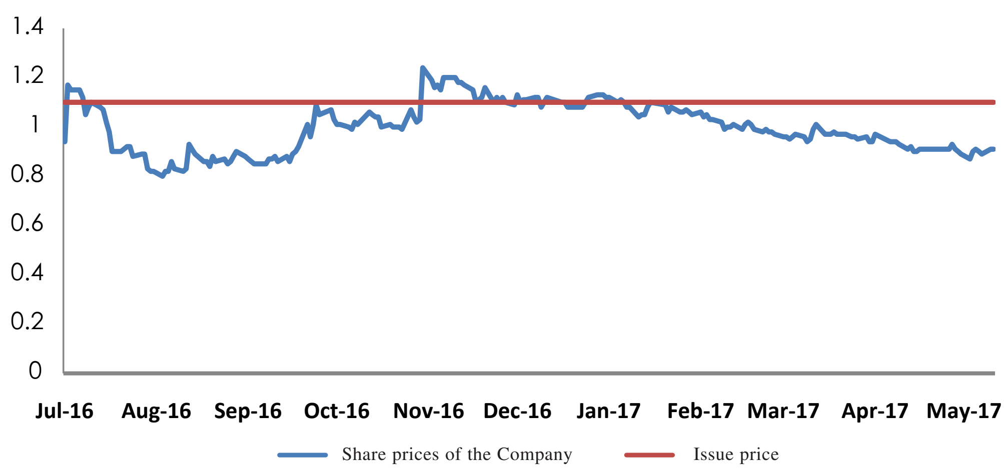
As stated in the Letter from the Board, the Issue Price of HK$1.1 per Consideration Share was determined after arm's length negotiation between the parties to the Acquisition Agreement with reference to, among other things, the prevailing market prices of the Shares and the current market conditions.

As set out above, the Issue Price represented a premium of approximately 100.0% over the audited consolidated net asset value per Shares attributable to the Shareholders as at 31 December 2016, while we further noted from the 2016 Annual Report that bank and cash balances of the Group has accounted for approximately 44.9% of its total assets as at 31 December 2016.

In assessing the fairness and reasonableness of the Issue Price of the Consideration Shares, we have compared the historical closing prices of the Shares as quoted on the Stock Exchange during the Review Period with the Issue Price of HK$1.1 per Consideration Share.

Set out below is the comparison of the daily closing prices of the Shares and the Issue Price during the Review Period:

Share price (HK$)



Source: The Stock Exchange's website

During the Review Period, the highest closing price and the lowest closing price of the Shares was HK$1.24 (on 11 November 2016) and HK$0.80 (on 15 August 2016) respectively, with an average closing price of approximately HK$1.00. We noted from the above chart that the Shares were closed below the Issue Price throughout most of the Review Period, and the Issue Price of HK$1.1 represented a premium of approximately 37.5% over the lowest closing price per Share, a discount of approximately 11.3% to the highest closing price per Share and a premium of approximately 10.0% over the average closing price per Share of the Review Period.

4.5 Our view

Taking into account of (i) at least approximately 69.2% of the Consideration will be settled through the allotment and issue of Consideration Shares which significantly reduced the cash outflow of the Group required; (ii) the Acquisition Agreement further set out the lock-up period in relation to the Consideration Shares; (iii) the implied P/E Ratio represented by the Acquisition of approximately 19.98 times and was below the average of the Comparable Companies and the implied P/B Ratio represented by the Acquisition of approximately 4.09 times was above the average while within the range of the Comparable Companies; (iv) the closing prices of the Share have been traded mostly at around or below the Issue Price during the Review Period; (v) the Issue Price represented a premium of approximately 10.0% over the average closing prices of the Shares during the Review Period; (vi) the Issue Price represented a premium of approximately 17.0% to the closing price of the Shares on the date of the Announcement; and (vii) the Issue Price represented a premium of approximately 100.0% over the audited net assets value per Share as at 31 December 2016 while bank and cash balances of the Group has accounted for approximately 44.9% of its total assets as at 31 December 2016, we are of the view that the Issue Price is fair and reasonable and in the interests of the Independent Shareholders as a whole.

5. Effects on shareholding structure and financial effect of the Acquisition

5.1 Shareholding structure

Name of Shareholder	As at the Latest Practicable Date		Immediately after issuance of the 1st Tranche Consideration Shares upon Completion		Immediately after the issuance of all Consideration Shares	
	No. of Shares	*Approximately % of number of Shares in issue*	*No. of Shares*	*Approximately % of number of Shares in issue (Note 1)*	*No. of Shares*	*Approximately % of number of Shares in issue (Note 1)*
Mr. Choi and Liu Pui Ching	382,989,890 *(Note 2)*	60.03%	382,989,890 *(Note 2)*	53.20%	382,989,890 *(Note 2)*	50.65%
To Ki Cheung	16,497,778 *(Note 3)*	2.59%	16,497,778 *(Note 3)*	2.29%	16,497,778 *(Note 3)*	2.18%
Koh Ming Fai	4,941,166 *(Note 4)*	0.77%	4,941,166 *(Note 4)*	0.69%	4,941,166 *(Note 4)*	0.65%
Fu Kwok Fu	4,941,166 *(Note 5)*	0.77%	4,941,166 *(Note 5)*	0.69%	4,941,166 *(Note 5)*	0.65%
Dr. Lu (1st Vendor)	0	0.00%	81,818,181	11.37%	94,545,453	12.51%
Subtotal	**409,370,000**	**64.16%**	**491,188,181**	**68.24%**	**503,915,453**	**66.64%**

Name of Shareholder	As at the Latest Practicable Date		Immediately after issuance of the 1st Tranche Consideration Shares upon Completion		Immediately after the issuance of all Consideration Shares	
	No. of Shares	*Approximately % of number of Shares in issue*	*No. of Shares*	*Approximately % of number of Shares in issue (Note 1)*	*No. of Shares*	*Approximately % of number of Shares in issue (Note 1)*
Public Shareholders	227,060,000	35.59%	227,060,000	31.54%	227,060,000	30.03%
Choi Cheung Tai Raymond (2nd Vendor)	1,570,000	0.25%	1,570,000	0.22%	25,206,363	3.33%
Total	**638,000,000**	**100.00%**	**719,818,181**	**100.00%**	**756,181,816**	**100.00%**

Notes:

1. Assuming that there is no other change in the issued share capital of the Company since the Latest Practicable Date.

2. These interests represented:

   (a) 1,000,000 Shares held by Mr. Choi, the chairman of the Company and an executive Director. Ms. Liu Pui Ching (a non-executive Director) ("**Ms. Liu**"), as the spouse of Mr. Choi, is also deemed to be interested in the said Shares;

   (b) 381,939,890 Shares held by VRI. Mr. Choi holds 57.89% and Ms. Liu holds 42.11% of the issued share capital of VRI, respectively. By virtue of the SFO, Mr. Choi and Ms. Liu are deemed to be interested in all the Shares in which VRI is interested; and

   (c) 50,000 Shares held VRHK. VRI holds the entire issued share capital of VRHK and therefore by virtue of the SFO, Mr. Choi and Ms. Liu are deemed to be interested in all the Shares in which VRHK is interested.

3. These interests represented 16,497,778 Shares held by Mr. To Ki Cheung, the chief executive officer of the Company and an executive Director.

4. These interests represented 4,941,166 Shares held by Mr. Koh Ming Fai, an executive Director.

5. These interests represented 4,941,166 Shares held by Mr. Fu Kwok Fu, an executive Director.

As illustrated by the shareholding table above, upon Completion, a total of 81,818,181 Consideration Shares, being the 1st Tranche Consideration Shares will be issued to the 1st Vendor as part of the Consideration pursuant to the Acquisition Agreement. As a result, the existing Shares capital in issue as at the Latest Practicable Date will be enlarged by approximately 12.8% upon Completion. The aggregate shareholding of the existing public Shareholders will then be diluted from approximately 35.6% to approximately 31.5%, representing a dilution of approximately 4.1%.

In the event that the Vendors elected to receive the 2nd Tranche Consideration Shares and the 3rd Tranche Consideration Shares as the 2nd Tranche Payment, the maximum number of Consideration Shares (including the 1st Tranche Consideration Shares) to be issued comprise a total of 118,181,816 Shares, which represented approximately 18.5% of the existing number of Shares in issue as at the Latest Practicable Date. The aggregate shareholding of the existing public Shareholders will then be diluted from approximately 35.6% to approximately 30.0%, representing a dilution of approximately 5.6%.

As stated in the Letter from the Board, the Directors are of the view that the potential level of dilution is acceptable taking into account that (i) the Issue Price is at premium to the recent trading prices of the Shares and the net asset value per Share as set out in the section headed "The Acquisition Agreement – Consideration Shares" in the Letter from the Board; (ii) the lockup period in relation to the Consideration Shares; (iii) the reasons for the Acquisition as described in the section headed "Reasons for and benefits of the Acquisition" in the Letter from the Board; and (iv) the earnings per Share of the Group for FY2016 is almost the same as the theoretical earnings per Share of the Enlarged Group assuming the financial results of the Target had been consolidated into the financial statements of the Company in FY2016 and all Consideration Shares had been issued in FY2016 (calculated based on the sum of the profit attributable to the owners of the Company and that of the Target, divided by the sum of the number of Shares in issue of 638,000,000 as at 31 December 2016 and the number of all Consideration Shares of 118,181,816).

We noted that the issuance of the Consideration Shares will result in a dilution effect for the public Shareholders. Nonetheless, taking into account that (i) the Issue Price of the Consideration Shares is at a premium of approximately 100.0% over the audited net asset value per Shares attributable to the Shareholders as at 31 December 2016 while bank and cash balances of the Group has accounted for approximately 44.9% of its total assets as at 31 December 2016; (ii) the Issue Price is at various levels of premium to prevailing market prices as elaborated above; (iii) the potential positive financial impact to the Group and its Shareholders as a result of the Acquisition (as further described in the sections below); and (iv) the reasons of the Acquisition as disclosed in the paragraph headed "1.4 Reasons for the Acquisition" above, we concur with the Company that the level of dilution is reasonable to the Shareholders.

5.2 Earnings

Upon Completion, the results of the Target Group will be consolidated into the income statement of the Group. Given the Target Group was profit-making for the year ended 31 December 2016, if the Completion had taken place on 1 January 2016, the Group would have taken up the profit of the Target Group.

5.3 Net asset value

As disclosed in the 2016 Annual Report, the audited consolidated net assets value attributable to the Shareholders was approximately HK$351.1 million as at 31 December 2016. Given that the maximum and minimum Consideration to be settled by the allotment and issue of the Consideration Shares to the Vendors are HK$130,000,000 and

HK$90,000,000, respectively, which are subject to the satisfaction of the Conditions Precedent to the Issue of the 2nd Tranche Consideration Shares and the 3rd Tranche Consideration Shares as mentioned in the Letter from the Board (the "**Consideration Shares CP**") and the election of the Vendors on payment by way of the 2nd Tranche Consideration Shares and/or the 3rd Tranche Consideration Shares, the net assets value of the Group will be enhanced by the same amount subject to the review of the auditors of the Company.

5.4 Gearing

As disclosed in the 2016 Annual Report, the gearing ratio of the Group as at 31 December 2016 was approximately 0.01 which was calculated based on total debts of approximately HK$4.6 million divided by total equity attributable to the Shareholders of approximately HK$351.1 million.

Assuming the Acquisition and the issuance of the Consideration Shares had completed on 31 December 2016 and the Vendors elected to settle the 2nd Tranche Payment through the allotment and issue of the Consideration Shares, it is expected that the gearing ratio of the Group would have been slightly decreased, principally as a result of the recognition of equity component of the Consideration Shares and partial offset by the consolidation of the bank loan of the Target Group.

Assuming the Acquisition and the issuance of the Consideration Shares had completed on 31 December 2016 and the Vendors elected to settle the 2nd Tranche Payment entirely through cash, it is expected that the gearing ratio would have been slightly increased, principally as a result of the consolidation of the bank loan of the Target Group and reduction in cash level of the Enlarged Group due to partial settlement of the Consideration by cash, and partially offset by the recognition of equity component of the Consideration Shares.

5.5 Working capital

As disclosed in the 2016 Annual Report, the Group had current assets of approximately HK$414.4 million including bank and cash balances of approximately HK$222.2 million, and current liabilities of approximately HK$89.9 million. Given that at least HK$90,000,000 out of the Consideration shall be satisfied by the allotment and issue of the Consideration Shares to the Vendors and the maximum of HK$40,000,000 out of the Consideration shall be paid by the Company to the Vendors in cash, and the Target Group had bank and cash balances of approximately HK$28.6 million as at 31 December 2016 before taking into account of the proposed final dividend of the Target Group of HK$3.2 million for the year ended 31 December 2016, we consider that the Acquisition will not have a material adverse impact on the working capital of the Group.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, which, in particular, include (i) the Acquisition will enhance the product portfolio of the Group, is in line with the business strategy of the Group and will enable the Group to enhance market coverage and penetration of its OBM products and facilitates synergy creation; (ii) the implied P/E Ratio represented by the Acquisition of approximately 19.98 times and was below the average of the Comparable Companies and the implied P/B Ratio represented by the Acquisition of approximately 4.09 times was above the average and within the range of the Comparable Companies; (iii) the closing prices of the Share have been traded mostly at around or below the Issue Price during the Review Period; (iv) the Issue Price represented a premium of approximately 17.0% to the closing price of the Shares on the date of the Announcement; (v) the Issue Price represented a premium of approximately 100.0% over the audited net assets value per Share as at 31 December 2016 while bank and cash balances of the Group has accounted for approximately 44.9% of its total assets as at 31 December 2016; and (vi) the level of dilution as a result of the allotment and issue of the Consideration Shares is considered reasonable, we consider that the business carried by the Target Group is similar to the ordinary and usual course of business of the Group, the Acquisition is on normal and commercial terms and the terms of the Acquisition Agreement are fair and reasonable and the Acquisition is in the interest of the Company and the Shareholders as a whole.

Accordingly, we advise (i) the Independent Board Committee to recommend the Independent Shareholders; and (ii) the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Halcyon Capital Limited

April Chan	**Barton Lai**
Director	*Director*

Ms. Chan is a licensed person registered with the Securities and Futures Commission and a responsible officer of Halcyon Capital Limited which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. Ms. Chan has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.

Mr. Lai is a licensed person registered with the Securities and Futures Commission under Halcyon Capital Limited which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. Mr. Lai has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.

1. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, to the best knowledge of the Directors and chief executives of the Company, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be disclosed pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code were as follows:

Interest in Shares and underlying Shares

Name of Director	Type of Interest	Number of Shares (L) *(Note 1)*	Approximate % of issued share capital as at the Latest Practicable Date *(Note 7)*
Choi Man Shing	Beneficial owner/interest in controlled corporation	382,989,890 *(Note 2)*	60.03%
Liu Pui Ching	Interest of spouse/interest in controlled corporation	382,989,890 *(Note 3)*	60.03%
To Ki Cheung	Beneficial owner	17,024,110 *(Note 4)*	2.67%
Koh Ming Fai	Beneficial owner	5,470,000 *(Note 5)*	0.86%
Fu Kwok Fu	Beneficial owner	5,470,000 *(Note 6)*	0.86%

Notes:

1. The letter "L" denotes the person's long position in the Shares or the underlying Shares.

2. These interests represented:

   (a) 1,000,000 Shares held by Mr. Choi Man Shing ("**Mr. Choi**"), the chairman of the Company and an executive Director;

   (b) 381,939,890 Shares held by VRI. Mr. Choi holds 57.89% of the issued share capital of VRI. By virtue of the SFO, Mr. Choi is deemed to be interested in all the Shares in which VRI is interested; and

   (c) 50,000 Shares held by VRHK. VRI holds the entire issued share capital of VRHK and therefore by virtue of the SFO, Mr. Choi is deemed to be interested in all the Shares in which VRHK is interested.

3. These interests represented:

   (a) 1,000,000 Shares held by Mr. Choi. Mr. Choi is the spouse of Ms. Liu Pui Ching ("**Ms. Liu**"), a non-executive Director. By virtue of the SFO, Ms. Liu is deemed to be interested in the Shares in which Mr. Choi is interested;

   (b) 381,939,890 Shares held by VRI. Ms. Liu holds 42.11% of the issued share capital of VRI. By virtue of the SFO, Ms. Liu is deemed to be interested in all the Shares in which VRI is interested; and

   (c) 50,000 Shares held by VRHK. VRI holds the entire issued share capital of VRHK and therefore by virtue of the SFO, Ms. Liu is deemed to be interested in all the Shares in which VRHK is interested.

4. These interests represented:

   (a) 16,497,778 Shares held by Mr. To Ki Cheung, the chief executive officer of the Company and an executive Director; and

   (b) 526,332 options granted to Mr. To Ki Cheung, which are subject to certain vesting conditions pursuant to the pre-IPO share option scheme adopted by the Company on 17 June 2016 (the "**Pre-IPO Share Option Scheme**").

5. These interests represented:

   (a) 4,941,166 Shares held by Mr. Koh Ming Fai, an executive Director; and

   (b) 528,834 options granted to Mr. Koh Ming Fai, which are subject to certain vesting conditions pursuant to the Pre-IPO Share Option Scheme.

6. These interests represented:

   (a) 4,941,166 Shares held by Mr. Fu Kwok Fu, an executive Director; and

   (b) 528,834 options granted to Mr. Fu Kwok Fu, which are subject to certain vesting conditions pursuant to the Pre-IPO Share Option Scheme.

7. Approximate percentage calculated based on the 638,000,000 Shares in issue as at the Latest Practicable Date.

Share options granted to the Directors under the Pre-IPO Share Option Scheme

Name of Director	Date of Grant	Vesting Schedule	Exercise Period	Exercise Price per Share *(HK$)*	Number of Shares underlying the share options granted and outstanding as at the Latest Practicable Date
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	0.8	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	0.8	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	0.8	528,834

Save as disclosed above and to the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

2. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As far as to the Directors are aware of, as at the Latest Practicable Date, the following persons (other than Directors or chief executives of the Company), were directly or indirectly interested in 5% or more of the Shares or short positions in the Shares and the underlying Shares of the Company, which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Interests in the Shares

Name of Shareholder	*Notes*	**Capacity**	**Number of Shares (L)** *(Note 1)*	**Approximate % of issued share capital as at the Latest Practicable Date** *(Note 7)*
VRI	2	Beneficial owner/interest of controlled corporation	381,989,890	59.87%
Zhuhai Huafa Group Limited	3	Interest of controlled corporation	61,248,000	9.60%
Zhuhai Financial Investment Holdings Co., Ltd	3	Interest of controlled corporation	61,248,000	9.60%
Huajin Financial (International) Holdings Limited	3	Interest of controlled corporation	61,248,000	9.60%
Huajin Infinity Investment Holding Limited	3	Interest of controlled corporation	61,248,000	9.60%
Infinity Investment Holding Group	3	Interest of controlled corporation	61,248,000	9.60%
Infinity Equity Management Company Limited	3	Interest of controlled corporation	61,248,000	9.60%
Mr. Chan Yau Ching Bob	4	Interest of controlled corporation	61,248,000	9.60%

Name of Shareholder	*Notes*	Capacity	Number of Shares (L) *(Note 1)*	Approximate % of issued share capital as at the Latest Practicable Date *(Note 7)*
Infinity Capital (Hong Kong) Limited	3&4	Interest of controlled corporation	61,248,000	9.60%
JJ Strategy Investment Inc.	4	Interest of controlled corporation	61,248,000	9.60%
Infinity Capital (Cayman Islands) Limited	3&4	Interest of controlled corporation	61,248,000	9.60%
Infinity Global Fund SPC	3&4	Beneficial owner	61,248,000	9.60%
Infinity Frontier Asset Company Limited	5	Interest of controlled corporation/Investment Manager	61,248,000	9.60%
China Orient Asset Management Corporation	6	Interest of controlled corporation	33,000,000	5.17%
Dong Yin Development (Holdings) Limited	6	Interest of controlled corporation	33,000,000	5.17%
Bright Way Enterprise Inc.	6	Beneficial owner	33,000,000	5.17%

Notes:

1. The letter "L" denotes the entity/person's long position in the Shares or the underlying Shares.

2. These interests represented:

   (a) 381,939,890 Shares held by VRI; and

   (b) 50,000 Shares held by VRHK. VRI holds the entire issued share capital of VRHK and therefore by virtue of the SFO, VRI is deemed to be interested in all the Shares held by VRHK.

3. Zhuhai Huafa Limited holds 84.5% interest in Zhuhai Financial Investment Holdings Co., Ltd, which in turn holds 100% interest in Huajin Financial (International) Holdings Limited, which in turn holds 100% in Huajin Infinity Investment Holding Limited, which in turns holds 49% in Infinity Investment Holding Group, which in turn holds 100% in Infinity Equity Management Company Limited, which in turn holds 55% interest in Infinity Capital (Hong Kong) Limited, which in turn holds 100% interest in Infinity Capital (Cayman Islands) Limited, which in turn holds 100% interest in Infinity Global Fund SPC. Therefore, each of the above companies is deemed to be interested in the same 61,248,000 held by Infinity Global Fund SPC.

4. Mr. Chan Yau Ching Bob holds 100% interest in JJ Strategy Investment Inc., which in turn holds 45% interest in Infinity Capital (Hong Kong) Limited, which in turn holds 100% interest in Infinity Capital (Cayman Islands) Limited, which in turn holds 100% Interest in Infinity Global Fund SPC. Therefore, each of Mr. Chan Yau China Bob and the above companies is deemed to be interested in the same 61,248,000 Shares held by Infinity Global Fund SPC.

5. The 61,248,000 Shares in which Infinity Frontier Asset Company Limited is interested, are interests held in its capacity as investment manager of Infinity Global Fund SPC.

6. China Orient Asset Management Corporation holds 100% interest of Dong Yin Development (Holdings) Limited, which in turn holds 100% of Bright Way Enterprise Inc. Therefore, each of China Orient Asset Management Corporation and Dong Yin Development (Holdings) Limited is deemed to be interested in the same 33,000,000 Shares held by Bright Way Enterprises Inc.

7. Approximate percentage calculated based on the 638,000,000 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, as far as is known to the Directors, there is no other party (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

3. DIRECTORS' SERVICE AGREEMENTS

Each of the Directors (except Mr. Guo Pengcheng and Prof. Yung Kai Leung) has entered into a service agreement commencing from 24 June 2016 with the Company for a term of three years. Each of Mr. Guo Pengcheng and Prof. Yung Kai Leung has entered into a service agreement commencing from 1 February 2017 for a term of three years. The service agreements may be terminated in accordance with the respective terms of the service agreements.

As at the Latest Practicable Date, none of the Directors has entered or proposed to enter into any service contracts with the Company or any member of the Enlarged Group other than contracts expiring or terminable by the Company or any member of the Enlarged Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS, CONTRACTS OF SIGNIFICANCE AND ASSETS

As at the Latest Practicable Date, save as disclosed in previous sections in this circular and save for the continuing connected transactions under the CCT Agreements, namely, (i) the supplier agreement entered among VMHK, VRDG, VRHK, Medrad Inc. (now known as Bayer Medical Care) and Imaxeon Pty Ltd. dated 1 August 2013; (ii) the production agreement entered among Vincent Medical Care Company Limited, VMHK and VRDG dated 31 March 2016; and (iii) the plastic and metal services agreement entered among Vincent Medical (Dongguan) Mfg. Co. Ltd. and VRDG dated 3 May 2016, as disclosed in the Company's prospectus dated 30 June 2016 and the 2016 Annual Report, no transaction, arrangement or contract of significance to which the Company or any of the members of the Enlarged Group was a party and in which any Director (or any entity connected with such Director) has a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date; and none of the Directors has any interest, direct or indirect, in any assets which since 31 December 2016, the date to which the latest published audited consolidated accounts of the Group were made up, have been acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and the directors of the Company's subsidiaries, or their respective associates have any interest in businesses, other than being a director of the Company and/or its subsidiaries and their respective associates, which compete or are likely to compete, either directly or indirectly, with the businesses of the Enlarged Group as required to be disclosed pursuant to the Listing Rules.

6. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited financial statements of the Group were made up.

7. EXPERT'S STATEMENTS

The following are the qualifications of the expert who have given opinion contained in this circular:

Name	Qualification
Halcyon Capital Limited (鎧盛資本有限公司)	A corporation licensed to carry out Type 6 (advising on corporate finance) of the regulated activities under the SFO

As at the Latest Practicable Date, the above expert had given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, advice and opinion and references to its name in the form and context in which it appeared.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any interest in any assets which have been, since 31 December 2016 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business in Hong Kong of the Company at Flat B2, 7th Floor, Phase 2, Hang Fung Industrial Building, 2G Hok Yuen Street. Hung Hom, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including the date of the EGM and at the EGM:

1. the Acquisition Agreement;

2. the Supplemental Agreement;

3. the CCT Agreements;

4. the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 24 and 25 of this circular;

5. the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 26 to 55 of this circular;

6. the written consent as referred to under the paragraph headed "7. Expert's Statements" in this Appendix; and

7. this circular.

9. MISCELLANEOUS

In case of any inconsistency, the English text of this circular shall prevail over its Chinese text.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**Meeting**") of Vincent Medical Holdings Limited (the "**Company**") will be held at Unit 2401-02, 24/F., Admiralty I, 18 Harcourt Road, Hong Kong on Thursday, 15 June 2017 at 3:00 p.m. for the following purpose of considering and, if thought fit, passing with or without amendment, the following ordinary resolution:

ORDINARY RESOLUTION

1. "**THAT**:

(a) the Acquisition Agreement (as defined in the circular of the Company dated 26 May 2017 (the "**Circular**") of which this notice forms part) (a copy of which is tabled at the Meeting and marked "A" and initialled by the chairman of the Meeting for identification purpose), the form and substance thereof and all the transactions contemplated thereby be and are hereby approved, confirmed and ratified;

(b) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in 118,181,816 shares of the Company (the "**Consideration Shares**") at the issue price of HK$1.1 per Consideration Share (the "**Issue Price**"), the directors of the Company be and are hereby granted a Specific Mandate (as defined in the Circular) to allot and issue the Consideration Shares at the Issue Price pursuant to the terms and conditions of the Acquisition Agreement and the articles of association of the Company, provided that this Specific Mandate shall be in addition to, and shall not prejudice or revoke any existing or such other general or special mandates which may from time to time be granted to the directors of the Company prior to the passing of this resolution; and

(c) any one or more directors of the Company be and is/are hereby authorised for and on behalf of the Company to execute (and, if necessary, affix the common seal of the Company on) any such other documents, instruments and agreements and to do any such acts or things deemed by them to be incidental to, ancillary to or in connection with the matters contemplated under the Acquisition Agreement, including but not limited to the allotment and issue of the Consideration Shares."

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

Hong Kong, 26 May 2017

Registered office:
Cricket Square
Hutchins Drive
P.O. 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

Notes:

(i) A Shareholder entitled to attend and vote at the Meeting is entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it; a proxy need not be a Shareholder.

(ii) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) as if he/she/it were solely entitled thereto, and for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of such Share.

(iii) In order to be valid, a form of proxy must be deposited 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 together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) not less than 48 hours before the time appointed for the holding of the Meeting or any adjournment thereof. The completion and return of the form of proxy shall not preclude Shareholders from attending and voting in person at the Meeting (or any adjourned meeting thereof) if they so wish.

(iv) For determining the entitlement to attend and vote at the Meeting to be held on Thursday, 15 June 2017, the register of members of the Company will be closed from Monday, 12 June 2017 to Thursday, 15 June 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 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 Friday, 9 June 2017.

(v) At the Meeting (or at any adjournment thereof), the chairman will put each of the above resolution to the vote by way of a poll as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The poll results will be published on the website of the Company at www.vincentmedical.com and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk on 15 June 2017.

(vi) If tropical cyclone warning signal no. 8 or above remains hoisted or a black rainstorm warning signal is in force at 9:00 am on the date of the Meeting, the Meeting will be postponed. Shareholders may visit the website of the Company at www.vincentmedical.com and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk for details of the postponement and alternative meeting arrangements.

The Meeting will be held as scheduled when an amber or red rainstorm warning signal is in force.

Shareholders should make their own decision as to whether they would attend the Meeting under bad weather conditions bearing in mind their own situations and if they should choose to so do, they are advised to exercise care and caution.

(vii) The Chinese translation of this notice is for reference only. In case of any inconsistency, the English version shall prevail.