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Vincent Medical Holdings Limited

永勝醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1612)

CONTINUING CONNECTED TRANSACTIONS

LEASE RENEWAL AGREEMENTS

AND

PLASTIC AND METAL SERVICES RENEWAL AGREEMENT

LEASE RENEWAL AGREEMENTS

Pursuant to the Existing HK Lease Agreement and the Existing 2016 PRC Lease Agreements, the Group has been leasing the Leased Properties from VRDL and VRDG. As the Existing HK Lease Agreement and the Existing 2016 PRC Lease Agreements will expire on 31 December 2018, the Group has entered into (i) the HK Lease Renewal Agreement with VRDL; and (ii) the First PRC Lease Renewal Agreement and the Second PRC Lease Renewal Agreement with VRDG on 12 December 2018 to continue to lease the Leased Properties for a term of three years from 1 January 2019 to 31 December 2021.

PLASTIC AND METAL SERVICES RENEWAL AGREEMENT

Pursuant to the Existing Plastic and Metal Services Agreement, VRDG has been supplying certain plastic and metal components and provision of painting, embossing, repairing and moulding services to the Group. As the Existing Plastic and Metal Services Agreement will expire on 31 December 2018, the Group has entered into the Plastic and Metal Services Renewal Agreement with VRDG on 12 December 2018 to continue the aforesaid continuing connected transaction for a term of three years from 1 January 2019 to 31 December 2021.

LISTING RULES IMPLICATION

VRDL is a direct wholly-owned subsidiary of VRI and VRDG is an indirect wholly-owned subsidiary of VRI, the controlling shareholder of the Company. Accordingly, VRDL and VRDG are connected persons of the Company under Chapter 14A of the Listing Rules. Thus, the transactions contemplated under the Lease Renewal Agreements and the Plastic and Metal Services Renewal Agreement constitute continuing connected transactions of the Company.

As the applicable percentage ratios in respect of the transactions contemplated under the Lease Renewal Agreements and the Existing 2017 PRC Lease Agreements on an aggregate basis are more than 0.1% and less than 5%, the transactions contemplated under the Lease Renewal Agreements are subject to the announcement, reporting and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the transactions contemplated under the Plastic and Metal Services Renewal Agreement on an aggregate basis are more than 0.1% and less than 5%, the transactions contemplated under the Plastic and Metal Services Renewal Agreement are subject to the announcement, reporting and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LEASE RENEWAL AGREEMENTS

Pursuant to the Existing HK Lease Agreement and the Existing 2016 PRC Lease Agreements, the Group has been leasing the Leased Properties from VRDL and VRDG. As the Existing HK Lease Agreement and the Existing 2016 PRC Lease Agreements will expire on 31 December 2018, the Board announces that on 12 December 2018,

1. VMHK, as a tenant, entered into the HK Lease Renewal Agreement with VRDL, as a landlord, in respect of the renewal of lease of the HK Property for a term of three years from 1 January 2019 to 31 December 2021; and
2. VMDG and VRMD, as tenants, entered into the First PRC Lease Renewal Agreement and the Second PRC Lease Renewal Agreement with VRDG, as a landlord, in respect of the renewal of lease of the First PRC Property and the Second PRC Property for a term of three years from 1 January 2019 to 31 December 2021, respectively.

Major terms of the Lease Renewal Agreements are as follows:

	HK Lease Renewal Agreement	First PRC Lease Renewal Agreement	Second PRC Lease Renewal Agreement
Date	12 December 2018	12 December 2018	12 December 2018
Tenant	VMHK	VMDG	VRMD
Landlord	VRDL	VRDG	VRDG
Location of property	Flat B2, 7th Floor, Phase 2, Hang Fung Industrial Building, 2G Hok Yuen Street, Hung Hom, Kowloon, Hong Kong	Various sites of an industrial complex located at Qiaolong Shuiaotou Industrial Zone, Tangxia Town, Dongguan City, the PRC	4th Floor, 45-46 Qiaolong Shabu Industrial Zone, Tangxia Town, Dongguan City, the PRC
Size of property (GFA)	2,686.26 sq.ft.	26,112.24 sq.m.	1,500.00 sq.m.
Term	1 January 2019 to 31 December 2021	1 January 2019 to 31 December 2021	1 January 2019 to 31 December 2021
Rent	HK\$42,000 per calendar month (Note 1)	RMB526,800 per calendar month (Note 2)	RMB28,500 per calendar month (Note 2)
Use of property	office	production plant, warehouse, sterilisation room, offices, staff quarters and canteen	warehouse
Historical aggregate transaction amounts	For the financial year ended 31 December 2016: HK\$456,000	For the financial year ended 31 December 2016: RMB4,824,000	For the financial year ended 31 December 2016: RMB288,000
	For the financial year ended 31 December 2017: HK\$456,000	For the financial year ended 31 December 2017: RMB4,824,000	For the financial year ended 31 December 2017: RMB288,000
	For the eleven months ended 30 November 2018: HK\$418,000	For the eleven months ended 30 November 2018: RMB4,422,000	For the eleven months ended 30 November 2018: RMB264,000
Annual caps	HK\$504,000 (Note 3)	RMB6,321,600 (Note 3)	RMB342,000 (Note 3)

Notes:

1. The rent is inclusive of rates and government rent and management fees.
2. The rent is inclusive of management fees but exclusive of VAT and other operating outgoings.
3. The annual cap is the total rent payable under the respective Lease Renewal Agreement for each of the 12-month period between 1 January 2019 and 31 December 2021.

Basis of determination

The annual rent payable by the Group in each of the Lease Renewal Agreements has been determined with reference to the prevailing market rates of leasing similar properties in the locality from the Independent Third Parties. Grant Sherman Appraisal Limited, a firm of professional surveyors and valuers independent of the Group, has reviewed the annual rent payable by the Group under each of the Lease Renewal Agreements and has confirmed that it is fair, reasonable and is consistent with the prevailing market rates of similar properties in the locality.

REASONS AND BENEFITS FOR ENTERING INTO THE LEASE RENEWAL AGREEMENTS

During the terms of the Lease Renewal Agreements, the HK Property will continue to be used by the Group as its principal place of business in Hong Kong, while the Second PRC Property will continue to be used as the Group's warehouse. For the First PRC Property, it will continue to be used as the Group's production plant, warehouse, sterilisation room, offices, staff quarters and canteen. Furthermore, the rental area of the First PRC Property under the First PRC Lease Renewal Agreement has increased by approximately 1,500 sq.m. as compared to the Existing 2016 PRC Lease Agreements and such additional area will mainly be used as offices and dormitory to further support the Group's business operations. The Company considers the location and area of the Leased Properties to be favourable and appropriate for such functions and can satisfy the needs of the Group. In addition, it is not easy to identify other appropriate premises and the Company will need to bear unnecessary relocation cost and expenses if the Company has to move to other premises.

PLASTIC AND METAL SERVICES RENEWAL AGREEMENT

Pursuant to the Existing Plastic and Metal Services Agreement, VRDG has been supplying certain plastic and metal components and provision of painting, embossing, repairing and moulding services to the Group. As the Existing Plastic and Metal Services Agreement will expire on 31 December 2018, the Board announces that on 12 December 2018, VMDG entered into the Plastic and Metal Services Renewal Agreement with VRDG in respect of the renewal of above services for a term of three years from 1 January 2019 to 31 December 2021.

Major terms of the Plastic and Metal Services Renewal Agreement are as follows:

Date	12 December 2018
Parties	VMDG as purchaser VRDG as supplier
Effective period	1 January 2019 to 31 December 2021
Nature of transaction	VRDG shall supply certain plastic and metal components and provide painting, embossing, repairing and moulding services to VMDG.
Termination	Either party to the Plastic and Metal Services Renewal Agreement may terminate the agreement by giving the other party not less than three months' notice.
Pricing basis	The price of the plastic and metal components and painting and moulding services provided by VRDG under the Plastic and Metal Services Renewal Agreement was determined based on VRDG's actual cost plus 10% margin.
Historical aggregate transaction amounts	For the financial year ended 31 December 2016: HK\$2,200,000 For the financial year ended 31 December 2017: HK\$4,300,000 For the eleven months ended 30 November 2018: HK\$4,900,000
Annual cap	For the year ending 31 December 2019: HK\$8,000,000 2020: HK\$8,800,000 2021: HK\$9,600,000

Basis of determination

The annual caps payable by the Group has been determined with reference to (a) the historical transaction value; (b) the expected increase in demand of the Group for the plastic and metal components and painting and moulding services; (c) the expected increase in costs of VRDG; and (d) an expected year-on-year increase of 10% in our sales of medical products for three years ending 31 December 2019 to 2021, respectively.

REASONS AND BENEFITS FOR ENTERING INTO THE PLASTIC AND METAL SERVICES RENEWAL AGREEMENT

During the term of the Plastic and Metal Services Renewal Agreement, the Group require VRDG to supply certain necessary plastic and metal components and provide painting, embossing, repairing and moulding services. The Company considers that the Plastic and Metal Services Renewal Agreement maximises the Group's cost efficiency and management effectiveness without any adverse impact on its operation.

INTERNAL CONTROL

In order to ensure the terms of the Lease Renewal Agreements and the Plastic and Metal Services Renewal Agreement are on normal commercial terms and fair and reasonable to the Company and the Shareholders and are no more favourable than those offered by the Group to the Independent Third Parties, the Company has formulated the following internal control policies and adopted the following internal control measures:

- (i) the finance department of the Company will closely monitor the transactions under the Lease Renewal Agreements and the Plastic and Metal Services Renewal Agreement to ensure that the transaction amount will not exceed the annual caps for the Lease Renewal Agreements and the Plastic and Metal Services Renewal Agreement;
- (ii) the finance department of the Company will conduct regular random checks to review and assess whether the transactions contemplated under the Lease Renewal Agreements and the Plastic and Metal Services Renewal Agreement are conducted on normal commercial terms, in accordance with the terms set out in the Lease Renewal Agreements and the Plastic and Metal Services Renewal Agreement and whether the rent and service fees and relevant contract terms are in the interest of the Company and the Shareholders as a whole;
- (iii) the Company's auditor will conduct an annual review of the transactions entered into under the Lease Renewal Agreements and the Plastic and Metal Services Renewal Agreement to ensure that the transaction amount is within the annual cap and the transactions are in accordance with the terms set out in the Lease Renewal Agreements and the Plastic and Metal Services Renewal Agreement; and
- (iv) the Company's independent non-executive Directors will conduct an annual review of the status of the transactions under the Lease Renewal Agreements and the Plastic and Metal Services Renewal Agreement to ensure that the Company has complied with its internal approval process and the relevant requirements under the Listing Rules.

In view of the pricing policy and internal control measures above, the Directors are of the view that appropriate measures are in place to ensure that the transactions contemplated under the Lease Renewal Agreements and the Plastic and Metal Services Renewal Agreement will be conducted on normal commercial terms and not prejudicial to the interest of the Company and its minority Shareholders.

INFORMATION ON THE GROUP AND THE PARTIES TO THE LEASE RENEWAL AGREEMENTS AND THE PLASTIC AND METAL SERVICES RENEWAL AGREEMENT

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

VMHK is a company incorporated in Hong Kong and an indirect non-wholly owned subsidiary of the Company. VMHK is principally engaged in the trading of medical devices and investment holding.

VMDG is a company established in the PRC and an indirect non-wholly owned subsidiary of the Company. VMDG is principally engaged in the manufacturing of medical devices.

VRMD is a company established in the PRC and an indirect wholly-owned subsidiary of the Company. VRMD is principally engaged in the trading of medical devices.

VRDL is a company incorporated in Hong Kong and is principally engaged in property investment. VRDG is a company established in the PRC and is principally engaged in the manufacturing of beauty products and electrical appliances and the provision of subcontracting services to the Group. As at the date of this announcement, VRDL is a direct wholly-owned subsidiary of VRI and VRDG is an indirect wholly-owned subsidiary of VRI, which is a controlling shareholder of the Company. Accordingly, VRDL and VRDG are connected persons of the Company.

LISTING RULES IMPLICATIONS

VRDL is a direct wholly-owned subsidiary of VRI and VRDG is an indirect wholly-owned subsidiary of VRI, the controlling shareholder of the Company. Accordingly, VRDL and VRDG are connected persons of the Company under Chapter 14A of the Listing Rules. Thus, the transactions contemplated under the Lease Renewal Agreements and the Plastic and Metal Services Renewal Agreement constitute continuing connected transactions of the Company.

As the applicable percentage ratios in respect of the transactions contemplated under the Lease Renewal Agreements and the Existing 2017 PRC Lease Agreements on an aggregate basis are more than 0.1% and less than 5%, the transactions contemplated under the Lease Renewal Agreements are subject to the announcement, reporting and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the transactions contemplated under the Plastic and Metal Services Renewal Agreement on an aggregate basis are more than 0.1% and less than 5%, the transactions contemplated under the Plastic and Metal Services Renewal Agreement are subject to the announcement, reporting and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the Lease Renewal Agreements and the Plastic and Metal Services Renewal Agreement have been entered into in the ordinary and usual course of business of the Group and are on normal commercial terms and on pricing terms no less favourable to the Company than those provided to the Independent Third Parties, and the terms and conditions therein as well as the annual caps for the Lease Renewal Agreements and the Plastic and Metal Services Renewal Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, VRI is owned as to 57.89% by Mr. Choi and 42.11% by Ms. Liu. Accordingly, Mr. Choi and Ms. Liu are considered as having a material interest in the transactions contemplated under the Lease Renewal Agreements and the Plastic and Metal Services Renewal Agreement. Mr. Choi, being the chairman and executive Director, has abstained from voting on the relevant resolutions of the Board approving the Lease Renewal Agreements and the Plastic and Metal Services Renewal Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Lease Renewal Agreements and the Plastic and Metal Services Renewal Agreement or is required to abstain from voting on the relevant resolutions of the Board.

DEFINITIONS

“Board”	the board of Directors
“Company”	Vincent Medical Holdings Limited 永勝醫療控股有限公司, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“connected persons”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Existing 2016 PRC Lease Agreements”	the lease agreements dated 31 March 2016 entered into between VMDG and VRMD as tenants and VRDG as landlord in relation to the lease of the First PRC Property and the Second PRC Property

“Existing 2017 PRC Lease Agreements”	the lease agreements dated 15 June 2017 entered into between VMDG and DVRD as tenants and VRDG as landlord in relation to the lease of Factories 1 and 2 of Zone B industrial complex located in 45-46 Qiaolong Shabu Industrial Zone, Tangxia Town, Dongguan City, Guangdong Province, the PRC, the details of which are set out in the announcement of the Company dated 15 June 2017
“Existing HK Lease Agreement”	the lease agreement dated 24 March 2016 entered into between VMHK as tenant and VRDL as landlord in relation to the lease of the HK Property
“Existing Plastic and Metal Services Agreement”	the plastic and metal services agreement dated 3 May 2016 entered into between VMDG as purchaser and VRDG as supplier in relation to the supply of certain plastic and metal components and provision of painting, embossing, repairing and moulding services
“First PRC Lease Renewal Agreement”	the lease agreement dated 12 December 2018 entered into between VMDG as tenant and VRDG as landlord in relation to the renewal of lease of the First PRC Property
“First PRC Property”	various sites of an industrial complex located at Qiaolong Shuiaotou Industrial Zone, Tangxia Town, Dongguan City, the PRC
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“HK Lease Renewal Agreement”	the lease agreement dated 12 December 2018 entered into between VMHK as tenant and VRDL as landlord in relation to the renewal of lease of the HK Property
“HK Property”	the premises located at Flat B2, 7th Floor, Phase 2, Hang Fung Industrial Building, 2G Hok Yuen Street, Hung Hom, Kowloon, Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Independent Third Parties”	a person who, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person of the Company
“Leased Properties”	the HK Property, the First PRC Property and the Second PRC Property
“Lease Renewal Agreements”	the HK Lease Renewal Agreement, the First PRC Lease Renewal Agreement and the Second PRC Lease Renewal Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Choi”	Mr. Choi Man Shing, an executive Director and the spouse of Ms. Liu
“Ms. Liu”	Ms. Liu Pui Ching, a former non-executive Director in the last 12 months and the spouse of Mr. Choi
“Plastic and Metal Services Renewal Agreement”	the plastic and metal services agreement dated 12 December 2018 entered into between VMDG as purchaser and VRDG as supplier in relation to the renewal of the provision of certain plastic and metal components and painting and embossing services
“PRC”	the People’s Republic of China, excluding for the purposes of this announcement only, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Second PRC Lease Renewal Agreement”	the lease agreement dated 12 December 2018 entered into between VRMD as tenant and VRDG as landlord in relation to the renewal of lease of the Second PRC Property
“Second PRC Property”	the warehouse located at the 4th Floor, 45-46 Qiaolong Shabu Industrial Zone, Tangxia Town, Dongguan City, the PRC
“Shareholders”	holder(s) of the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“VAT”	value-added tax
“VMDG”	東莞永勝醫療製品有限公司 (translated as “Vincent Medical (Dongguan) Mfg. Co. Ltd.”), a limited liability company established in the PRC and an indirect non-wholly owned subsidiary of the Company
“VMHK”	Vincent Medical Manufacturing Co., Limited (永勝醫療製品有限公司), a limited liability company incorporated in Hong Kong and an indirect non-wholly owned subsidiary of the Company
“VRDG”	永勝(東莞)電子有限公司 (translated as “Vincent Raya (Dongguan) Electronics Co., Ltd.”), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of VRI
“VRDL”	Vincent Raya Development Limited (永勝宏基發展有限公司), a limited liability company incorporated in Hong Kong and a direct wholly-owned subsidiary by VRI
“VRMD”	東莞永勝宏基醫療器械有限公司 (translated as “Vincent Raya (Dong Guan) Medical Device Co., Ltd.”), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“VRI”	Vincent Raya International Limited, a limited liability company incorporated in the British Virgin Islands and a controlling shareholder of the Company
%	per cent

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

Hong Kong, 12 December 2018

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