Vincent Medical Holdings Limited
永勝醫療控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1612)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018, RECOMMENDATION FOR DECLARATION OF FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2018 ("**2018**") increased by 9.3% to HK$488.0 million as compared to that of HK$446.3 million for the year ended 31 December 2017 ("**2017**").

- Gross profit for 2018 increased by 3.5% to HK$155.6 million (2017: HK$150.3 million).

- Profit attributable to owners of the Company for 2018 increased by 134.1% to HK$30.9 million (2017: HK$13.2 million).

- Basic earnings per share of the Company for 2018 increased by 135.4% to HK4.85 cents (2017: HK2.06 cents).

- Proposed final dividend of HK1.60 cents per share for 2018, to be payable on or around Thursday, 20 June 2019.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Vincent Medical Holdings Limited (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2018, together with the comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**2018** ***HK$'000***	2017 *HK$'000*
Revenue	4	**488,030**	446,302
Cost of sales		**(332,422)**	(295,999)
Gross profit		**155,608**	150,303
Other income, other gains and losses	5	**4,443**	(21,746)
Selling and distribution expenses		**(27,708)**	(23,067)
Administrative expenses		**(89,058)**	(84,613)
Profit from operations		**43,285**	20,877
Finance costs – interest on borrowings		**(810)**	(361)
Share of losses of associates		**(2,782)**	(1,003)
Share of (losses)/profits of joint ventures		**(1,562)**	104
Profit before tax		**38,131**	19,617
Income tax expense	7	**(3,928)**	(8,163)
Profit for the year	8	**34,203**	11,454
Attributable to:			
Owners of the Company		**30,943**	13,155
Non-controlling interests		**3,260**	(1,701)
		34,203	11,454
Earnings per share	10		
Basis		**HK4.85 cents**	HK2.06 cents
Diluted		**n/a**	HK2.06 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**34,203**	11,454
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Fair value changes of equity investments at fair value through other comprehensive income (FVTOCI)	**(19,081)**	–
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(9,328)**	9,393
Exchange differences reclassified to profit or loss on deemed disposal of an associate	**1,516**	–
Share of other comprehensive income of associates and joint ventures	**(170)**	17
	(7,982)	9,410
Other comprehensive income for the year, net of tax	**(27,063)**	9,410
Total comprehensive income for the year	**7,140**	20,864
Attributable to:		
Owners of the Company	**5,662**	20,600
Non-controlling interests	**1,478**	264
	7,140	20,864

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Note	2018 *HK$'000*	2017 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**53,594**	47,190
Goodwill		**1,670**	4,270
Other intangible assets		**31,987**	26,333
Investments in associates		**12,024**	4,760
Investments in joint ventures		**20,833**	22,988
Available-for-sale financial assets		**–**	48,640
Equity investments at FVTOCI		**64,304**	–
Deferred tax assets		**1,935**	–
Total non-current assets		**186,347**	154,181
Current assets			
Inventories		**95,550**	97,439
Trade receivables	11	**109,953**	115,443
Contract assets		**17,177**	–
Prepayments, deposits and other receivables		**47,109**	41,826
Current tax assets		**–**	3,277
Bank and cash balances		**81,141**	112,993
Total current assets		**350,930**	370,978
TOTAL ASSETS		**537,277**	525,159
EQUITY AND LIABILITIES			
Share capital	13	**6,377**	6,380
Reserves		**368,074**	358,805
Equity attributable to owners of the Company		**374,451**	365,185
Non-controlling interests		**59,742**	49,766
Total equity		**434,193**	414,951

	Note	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Deferred tax liabilities		**5,082**	2,395
Current liabilities			
Trade payables	12	**40,814**	43,276
Other payables and accruals		**31,398**	46,156
Borrowings		**17,244**	9,824
Current tax liabilities		**8,546**	8,557
Total current liabilities		**98,002**	107,813
TOTAL EQUITY AND LIABILITIES		**537,277**	525,159
Net current assets		**252,928**	263,165
Total assets less current liabilities		**439,275**	417,346

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION

The Company was incorporated as an exempted company in the Cayman Islands under the Companies Law of the Cayman Islands on 19 November 2015. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The address of its principal place of business is Flat B2, 7/F., Phase 2, Hang Fung Industrial Building, 2G Hok Yuen Street, Hung Hom, Hong Kong. The Company's shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. Its subsidiaries are principally engaged in manufacturing, trading, and research and development of medical devices.

In the opinion of the Directors, Vincent Raya International Limited, a company incorporated in the British Virgin Islands, is the ultimate parent. Mr. Choi Man Shing and Ms. Liu Pui Ching are the ultimate controlling parties of the Company.

2. BASIS OF PREPARATION

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

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

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) HKFRS 9 Financial Instruments; and
(ii) HKFRS 15 Revenue from Contracts with Customers.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. As permitted by the transitional provisions of HKFRS 9, the Group was elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current year.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income ("**FVTOCI**") or fair value through profit or loss ("**FVTPL**"); and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

The Group classifies its financial assets at amortised cost only if both of the following criteria are met:

- the asset is held within a business model with the objective of collecting the contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

b) Measurement

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, in the case of financial asset not at FVTPL, transactions costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

c) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets.

Impairment on other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Set out below is the impact of the adoption of HKFRS 9 on the Group.

The following table and the accompanying notes below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Classification under HKAS 39**	**Classification under HKFRS 9**	**Carrying amount under HKAS 39** *HK$'000*	**Carrying amount under HKFRS 9** *HK$'000*
Equity investments *(Note)*	Available-for-sale	FVTOCI	48,640	61,398
Trade and other receivables	Loans and receivables	Amortised cost	236,812	236,812

The impact of these changes on the Group's equity is as follows:

	Effect on FVTOCI reserve *HK$'000*	**Effect on retained earnings** *HK$'000*
Opening balance – HKAS 39	–	179,779
Reclassify non-trading equity investments from available-for-sale to financial assets at FVTOCI	12,758	–
Opening balance – HKFRS 9	12,758	179,779

Note:

These unlisted equity investments represent investments that the Group intends to hold for the long term for strategic purposes. Before adoption of HKFRS 9, these equity investments were measured at cost less impairment loss. As permitted by HKFRS 9, the Group has designated these investments at the date of initial application as measured at FVTOCI. As a result, these equity investments were reclassified from available-for-sale financial assets to financial assets at FVTOCI with fair value gain of approximately HK$12,758,000 credited to the FVTOCI reserve on 1 January 2018. Unlike HKAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group has adopted HKFRS 15 using the cumulative effect method with the effect of initially applying this standard recognised at the date of initial application. Accordingly, the information presented for 2017 has not been restated, i.e. it is presented, as previously reported, under HKAS 18, HKAS 11 and related interpretations.

Under HKFRS 15, revenue is recognised when or as the control of promised goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of promised goods or services may be transferred over time or at a point in time. Control of the promised goods or services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;

- creates and enhances an asset that the customer control as the Group performs; or

- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the promised goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the promised goods or services.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- the direct measurements of the value of assets transferred by the Group to customer; or

- The Group's efforts or inputs to the satisfaction of the performance obligations.

In prior reporting periods, revenue from the sales of original equipment manufacturing ("**OEM**") and original brand manufacturing ("**OBM**") products is generally recognised when the risk and rewards of ownership have passed to the customers.

The adoption of HKFRS 15 resulted in the following changes to the Group's accounting policies on revenue recognition.

a) Revenue from the sales of OEM products

Under HKFRS 15, OEM products that have no alternative use to the Group and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method, by reference to the costs incurred to date over the total expected costs. Otherwise, sales are recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been delivered to the designated location prescribed by the customer.

When either party to a contract has performed, the Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers goods to the customer, the Group presents the contract as a contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

b) Revenue from the sales of OBM products

Under HKFRS 15, the sales of OBM products are recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Set out below is the impact of the adoption of HKFRS 15 on the Group.

The following table summarises the impact on the Group's opening retained earnings and non-controlling interests as at 1 January 2018 is as follows:

	HK$'000
Sales of OEM products transferred over time	5,560
Related tax	(596)
Adjustment to retained earnings and non-controlling interests from adoption of HKFRS 15 on 1 January 2018	4,964
Attributable to:	
Owners of the Company	3,976
Non-controlling interests	988
	4,964

The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18, HKAS 11 and related interpretations that was previously in effect before the adoption of HKFRS 15 is as follows:

Consolidated statement of financial position (extract)	**Previously stated as at 31 December 2017**	**Adjustments under HKFRS 15**	**Restated as at 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*
Inventories	97,439	(12,262)	85,177
Contract assets	–	17,822	17,822
Current tax assets	3,277	(596)	2,681
Retained earnings	179,779	3,976	183,755
Non-controlling interests	49,766	988	50,754

The amount by each financial statements line items affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18, HKAS 11 and related interpretations that was previously in effect before the adoption of HKFRS 15 is as follows:

Consolidated statement of financial position as at 31 December 2018 (extract)	**As reported**	**Effect of the adoption of HKFRS 15**	**Amounts without adoption of HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
Inventories	95,550	11,702	107,252
Contract assets	17,177	(17,177)	–
Current tax liabilities	8,546	(587)	7,959
Retained earnings	208,573	(3,915)	204,658
Non-controlling interests	59,742	(973)	58,769

Consolidated statement of profit of loss for the year ended 31 December 2018 (extract)	**As reported**	**Effect of the adoption of HKFRS 15**	**Amounts without adoption of HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	488,030	645	488,675
Cost of sales	332,422	560	332,982
Income tax expense	3,928	9	3,937

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to HKFRSs 2015 -2017 Cycle	1 January 2019
Amendments to HKAS 28 Long-term Interest in Associates and Joint Ventures	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

HKFRS 16 Leases

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

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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

The Group's future minimum lease payments under non-cancellable operating leases for its office and factory premises amounted to approximately HK$36,417,000 as at 31 December 2018. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2019 onwards.

4. REVENUE

The Group's revenue is derived from contracts with customers.

In the following table, revenue is disaggregated by product category, geographical market and timing of revenue recognition.

	OEM		OBM		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
By product category						
Respiratory products	**95,664**	87,002	**88,203**	70,192	**183,867**	157,194
Imaging disposable products	**170,548**	165,748	**–**	–	**170,548**	165,748
Orthopaedic and rehabilitation products	**69,828**	65,842	**10,035**	10,140	**79,863**	75,982
Other products	**53,752**	47,378	**–**	–	**53,752**	47,378
	389,792	365,970	**98,238**	80,332	**488,030**	446,302
By geographical market						
United States (the "**US**")	**311,317**	312,974	**8,296**	2,826	**319,613**	315,800
The People's Republic of China (the "**PRC**")	**–**	–	**53,671**	44,197	**53,671**	44,197
Netherlands	**27,599**	16,611	**–**	–	**27,599**	16,611
Australia	**25,405**	14,821	**1,001**	975	**26,406**	15,796
Japan	**12,679**	11,803	**2,211**	1,914	**14,890**	13,717
Others	**12,792**	9,761	**33,059**	30,420	**45,851**	40,181
	389,792	365,970	**98,238**	80,332	**488,030**	446,302
By timing of recognition						
Products transferred at a point in time	**219,244**	365,970	**98,238**	80,332	**317,482**	446,302
Products transferred over time	**170,548**	–	**–**	–	**170,548**	–
	389,792	365,970	**98,238**	80,332	**488,030**	446,302

The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18.

The following table provides information about receivables and contract assets from contracts with customers:

	31 December 2018 *HK$'000*	1 January 2018 *HK$'000*
Receivables, which included in "trade receivables"	**109,953**	115,443
Contract assets	**17,177**	17,822

Contract assets primarily consist of unbilled amount resulting from sales of OEM products transferred over time. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

There were no significant changes in the contract assets balances during the reporting period.

5. OTHER INCOME, OTHER GAINS AND LOSSES

	2018 *HK$'000*	2017 *HK$'000*
Other income		
Government subsidies *(Note)*	**3,781**	–
Interest income	**182**	132
Sundry income	**900**	552
	4,863	684
Other gains and losses		
Exchange loss, net	**(1,087)**	(3,857)
Impairment of goodwill	**(2,600)**	(6,291)
Impairment of investment in an associate	**–**	(11,629)
Impairment of trade receivables	**(192)**	(110)
Write back of other payables	**3,859**	–
Write off of property, plant and equipment	**(328)**	(543)
Write off of trade receivables	**(72)**	–
	(420)	(22,430)
Total	**4,443**	(21,746)

Note:

Government subsidies mainly related to the subsidies received from the local government authorities for the achievements accomplished by the Group.

6. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors of the Group that makes strategic and operating decisions.

Directors of the Group review the internal reporting of the Group in order to assess performance and allocate resources. From business model perspective, management assesses the performance of two operating segments, which are OEM and OBM.

- OEM represents "original equipment manufacturing", whereby products are manufactured in accordance with the customer's specification for sale under the customer's or third party's brand.

- OBM represents "original brand manufacturing", comprises research, development, manufacturing, marketing and sales of medical devices under "Inspired Medical", "Hand of Hope" and "Hypnus™" brands.

Segment profits or losses do not include interest income, interest expenses, share-based payments, share of losses of associates, share of losses/profits of joint ventures, write back of other payables, impairment of investment in an associate, corporate income and corporate expenses.

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

Information about reportable segment profit or loss:

	OEM	OBM	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 December 2018			
Revenue from external customers	**389,792**	**98,238**	**488,030**
Segment profit/(loss)	**69,781**	**(23,852)**	**45,929**
Depreciation and amortisation	**7,936**	**6,901**	**14,837**
Impairment of goodwill	**–**	**2,600**	**2,600**
Impairment of trade receivables	**166**	**26**	**192**
Write off of trade receivables	**72**	**–**	**72**
Research and development expenditure	**–**	**14,631**	**14,631**
Year ended 31 December 2017			
Revenue from external customers	365,970	80,332	446,302
Segment profit/(loss)	66,383	(26,664)	39,719
Depreciation and amortisation	7,864	4,761	12,625
Impairment of goodwill	–	6,291	6,291
Impairment of trade receivables	–	110	110
Research and development expenditure	–	11,828	11,828

Reconciliation of reportable segment revenue and profit or loss:

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**488,030**	446,302
Profit or loss		
Total profit or loss of reportable segments	**45,929**	39,719
Interest income	**182**	132
Interest expenses	**(810)**	(361)
Share-based payments	**(2,717)**	(3,083)
Share of losses of associates	**(2,782)**	(1,003)
Share of (losses)/profits of joint ventures	**(1,562)**	104
Write back of other payables	**3,859**	–
Impairment of investment in an associate	**–**	(11,629)
Corporate income	**900**	552
Corporate expenses	**(4,868)**	(4,814)
Consolidated profit before tax	**38,131**	19,617

Geographical information:

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue	
	2018	2017
	HK$'000	*HK$'000*
The US	**319,613**	315,800
The PRC	**53,671**	44,197
Netherlands	**27,599**	16,611
Australia	**26,406**	15,796
Japan	**14,890**	13,717
Others	**45,851**	40,181
	488,030	446,302

	Non-current assets	
	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**39,590**	36,676
The PRC	**76,425**	68,865
Spain	**4,093**	–
	120,108	105,541

Revenue from major customers:

	2018	2017
	HK$'000	*HK$'000*
OEM segment		
Customer A	**176,557**	169,032
Customer B	**89,146**	76,009

7. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**4,523**	5,408
(Over)/under-provision in prior years	**(1,311)**	6
	3,212	5,414
Current tax – the PRC		
Provision for the year	**1,721**	2,732
(Over)/under-provision in prior years	**(1,781)**	37
	(60)	2,769
Deferred tax	**776**	(20)
Income tax expense	**3,928**	8,163

Hong Kong Profits Tax has been provided at a rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year.

On 21 March 2018, the Inland Revenue (Amendment) (No. 7) Bill 2017, which introduces a two-tiered profits tax regime, was substantively enacted. Under the two-tiered profits tax regime, the first HK$2.0 million of assessable profits of qualifying corporations will be taxed at 8.25% with effect from the year of assessment 2018/2019. Profits above HK$2.0 million will continue to be subject to the tax rate of 16.5%.

Under the Corporate Income Tax Law of the PRC which became effective from 1 January 2008, the standard corporate income tax rate is 25% except Vincent Medical (Dongguan) Mfg. Co. Ltd. (東莞永勝醫療製品有限公司) which is qualified as High and New Tech Enterprise and would be entitled to a reduced corporate income tax rate of 15%. The relevant tax rates of the Company's PRC subsidiaries range from 15% to 25%.

8. PROFIT FOR THE YEAR

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

	2018	2017
	HK$'000	*HK$'000*
Allowance for inventories (included in cost of inventories sold)	**2,697**	448
Amortisation	**1,751**	1,829
Auditor's remuneration	**1,605**	1,655
Cost of inventories sold	**332,422**	295,999
Depreciation	**13,086**	10,814
Equity-settled share-based payments	**2,717**	3,083
Impairment of goodwill (included in other gains and losses)	**2,600**	6,291
Impairment of investment in an associate (included in other gains and losses)	**–**	11,629
Impairment of trade receivables (included in other gains and losses)	**192**	110
Operating leases charges – land and buildings	**13,265**	10,143
Staff costs (including directors' emoluments)	**125,461**	113,228
Research and development expenditure	**25,960**	19,147
Write back of other payables (included in other gains and losses)	**(3,859)**	–
Write off of inventories (included in cost of inventories sold)	**359**	–
Write off of property, plant and equipment (included in other gains and losses)	**328**	543
Write off of trade receivables (included in other gains and losses)	**72**	–

Cost of inventories sold include staff costs of approximately HK$72,639,000 (2017: HK$63,663,000), depreciation of approximately HK$9,085,000 (2017: HK$7,371,000), and operating lease charges of approximately HK$5,688,000 (2017: HK$3,788,000), which are included in the amounts disclosed separately.

Research and development expenditure include staff costs of approximately HK$9,798,000 (2017: HK$5,846,000), depreciation of approximately HK$345,000 (2017: HK$530,000), and operating lease charges of approximately HK$1,186,000 (2017: HK$943,000), which are included in the amounts disclosed separately.

9. DIVIDEND

	2018	2017
	HK$'000	*HK$'000*
2017 Final of HK1.50 cents (2017: 2016 Final of HK1.50 cents) per ordinary share	**9,565**	9,570

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2018 of HK1.60 cents per share has been proposed by the Directors and is subject to approval by the shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting to be held on 22 May 2019 (the "**AGM**").

10. EARNINGS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company	**30,943**	13,155
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**637,653**	638,000
Effect of dilutive potential ordinary shares arising from share options issued by the Company *(Note)*	**n/a**	1,751
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**637,653**	639,751

Note:

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 December 2018.

11. TRADE RECEIVABLES

The general credit terms of the Group granted to its customers range from 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**49,235**	39,925
31 to 60 days	**25,258**	27,348
61 to 90 days	**20,005**	22,249
Over 90 days	**15,455**	25,921
	109,953	115,443

12. TRADE PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**25,821**	20,784
31 to 61 days	**6,303**	7,134
Over 60 days	**8,690**	15,358
	40,814	43,276

13. SHARE CAPITAL

	2018	2017
	HK$'000	*HK$'000*
Authorised		
10,000,000,000 ordinary shares of HK$0.01 each	**100,000**	100,000
Issued and fully paid		
637,650,000 (2017: 638,000,000) ordinary shares of HK$0.01 each	**6,377**	6,380

A summary of the movements in the issued share capital of the Company is as follows:

	Number of shares	**Nominal value of shares issued**
		HK$'000
At 1 January 2017, 31 December 2017 and 1 January 2018	638,000,000	6,380
Repurchase of shares	(350,000)	(3)
At 31 December 2018	**637,650,000**	**6,377**

On 3 January 2018, the Company repurchased 350,000 ordinary shares at approximately HK$228,000 and these shares were cancelled on 16 January 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

OEM

Revenue from the OEM segment amounted to HK$389.8 million (2017: HK$366.0 million), representing a growth of 6.5% and accounting for 79.9% of the Group's total revenue (2017: 82.0%). The increase was attributable to higher sales from all major product categories particularly for respiratory products. The OEM segment gross profit margin decreased to 30.4% (2017: 32.0%) mainly due to higher raw material costs, manufacturing costs and change in product mix.

During the year, we have expanded our OEM product line to offer a broader spectrum of single use plastic disposable products including tubing sets, heat and moisture exchange (HME) filters, sterilized high efficiency particulate air (HEPA) filters and surgical tools to our customers. Satisfactory growth was achieved in some of our key accounts across the respiratory range of products through deeper penetration and identifying additional value-adding opportunities.

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

By product category	**For the year ended 31 December**				
	2018		2017		Change
	HK$'000	***% of revenue***	*HK$'000*	*% of revenue*	
Respiratory products	**95,664**	**24.5%**	87,002	23.8%	+10.0%
Imaging disposable products	**170,548**	**43.8%**	165,748	45.3%	+2.9%
Orthopaedic and rehabilitation products	**69,828**	**17.9%**	65,842	18.0%	+6.1%
Others products (includes infusion regulators, moulds, surgical tools and plastic disposable products)	**53,752**	**13.8%**	47,378	12.9%	+13.5%
Total	**389,792**	**100.0%**	365,970	100.0%	+6.5%

Despite the continuing uncertainty about the trade relationship between the US and the PRC which has led to some buyers seeking alternatives by sourcing domestically or from proximal countries to mitigate risks, our OEM sales to the US market remained stable in 2018. Sales to Europe grew 58.5% to HK$32.5 million, attributable to increased sales of our respiratory products. Sales to Australia increased by 71.4% to HK$25.4 million, this was primarily attributable to higher sales of our imaging disposable products.

The table below sets out the revenue breakdown of the Group's OEM segment by location of customers:

By geography	**For the year ended 31 December**				
	2018		2017		Change
	HK$'000	***% of revenue***	*HK$'000*	*% of revenue*	
The US	**311,317**	**79.9%**	312,974	85.5%	–0.5%
Europe	**32,487**	**8.3%**	20,491	5.6%	+58.5%
Australia	**25,405**	**6.5%**	14,821	4.1%	+71.4%
Japan	**12,679**	**3.3%**	11,803	3.2%	+7.4%
Others (including Israel and Hong Kong)	**7,904**	**2.0%**	5,881	1.6%	+34.4%
Total	**389,792**	**100.0%**	365,970	100.0%	+6.5%

OBM

Our OBM segment has consistently delivered double-digit revenue growth in the past few years. In 2018, the OBM segment reported a 22.3% increase in revenue to HK$98.2 million (2017: HK$80.3 million), reflecting good progress achieved in broadening our international customer base through directly collaborating with global med-tech conglomerates and the launch of new ventilation circuits, HME filters and neonatal continuous positive airway pressure ("**CPAP**") product lines in the respiratory segment.

Gross profit margin from the OBM segment decreased to 37.8% (2017: 41.5%), this was mainly due to some increase in manufacturing costs and strategic pricing set to penetrate new customers. The implementation of two-invoice policy in the PRC also impacted the gross profit margin.

The following table sets forth the revenue breakdown of the Group's OBM segment by product category:

By product category	**For the year ended 31 December**				
	2018		2017		Change
	HK$'000	***% of revenue***	*HK$'000*	*% of revenue*	
Respiratory products	**88,203**	**89.8%**	70,192	87.4%	+25.7%
Orthopaedic and rehabilitation products	**10,035**	**10.2%**	10,140	12.6%	–1.0%
Total	**98,238**	**100.0%**	80,332	100.0%	+22.3%

The PRC market continued to be the major market for our OBM segment with sales grew by 21.4% to HK$53.7 million in 2018 (2017: HK$44.2 million). Sales to international markets recorded an overall growth of 23.3% to HK$44.5 million (2017: HK$36.1 million). Our investments in sales and marketing efforts are coming to fruition as the "Inspired Medical" branded products are gaining traction in areas that we had previously identified as new growth markets for the OBM segment. During the year, sales to the US jumped by 193.6% to HK$8.3 million attributable to growth in new customers as well as an increase in sales to existing distributors. The introduction of reimbursement codes for respiratory and anthesithesia products in Korea has caused intense price competition in the market.

The table below sets out the revenue breakdown of the Group's OBM segment by location of customers:

By geography	**For the year ended 31 December**				
	2018		2017		Change
	HK$'000	***% of revenue***	*HK$'000*	*% of revenue*	
The PRC	**53,671**	**54.6%**	44,197	55.0%	+21.4%
Europe	**10,448**	**10.6%**	9,825	12.3%	+6.3%
The US	**8,296**	**8.5%**	2,826	3.5%	+193.6%
Korea and Japan	**6,487**	**6.6%**	8,128	10.1%	–20.2%
Hong Kong	**4,713**	**4.8%**	3,440	4.3%	+37.0%
Others (including Israel, India, Australia and Canada)	**14,623**	**14.9%**	11,916	14.8%	+22.7%
Total	**98,238**	**100.0%**	80,332	100.0%	+22.3%

Development of New Products

The OBM segment launched the Inspired® Bubble CPAP system that includes heated humidifier, humidification chamber, bubble CPAP circuits, nasal prongs and pressure release valve in the fourth quarter of 2018. As a new product launched in the market, our neonatal respiratory care product line will be further enriched and become a catalyst for sales growth in the neonatal space.

Following the development of the O_2FLO Respiratory Unit for High Flow Oxygen Therapy along with our O_2B Electronic Oxygen Bender, we kicked-off our product launch strategies and showcased the devices at various major medical-tech tradeshows and professional respiratory care congresses, and received tremendous market feedback from the industry, potential partners and international distributors.

In mid-2018, we introduced the Hypnus™ CPAP 7 Series, a new series of CPAP system for the treatment of sleep-disordered breathing. The 7 Series is equipped with patented noise control and pressure regulating technologies designed to increase patient comfort and encourage compliance with the therapy. We also introduced and upgraded a new software solution, the iHypnusCare™, with new features and enhancements within the cloud-based software system.

Continued Enhancement at Manufacturing Facilities

The Group's new research and development ("**R&D**") and manufacturing facility for electronic devices in Dongguan Songshan Lake Science and Technology Industrial Park is in operation after the site is awarded ISO 13485 certification for medical device manufacturing in December 2018.

During 2018, new manufacturing equipment and production lines were installed for new products and for the automation or semi-automation of the respiratory disposable assembly lines to achieve long-term cost improvement initiatives.

Investments and Collaboration

Our manufacturing and distribution partnership with Ventec Life Systems, Inc. ("**Ventec**"), a US-based technology company focusing on providing integrated innovations in respiratory care with its revolutionary life-support multi-functional ventilator, the "VOCSN", has made substantial progress in 2018. As the manufacturing partner, we supplied Ventec with a series of disposable circuits and accessories and the sale of such has jumped by 4 times in 2018. During the year, we also started the process to prepare for the application of VOCSN for regulatory approval in the PRC. Beginning from 1 January 2019, Medicare suppliers in the US can bill for VOCSN using a new code under the new Medicare Part B reimbursement policy for a multi-function ventilator.

Fresca Medical, Inc. ("**Fresca**")'s CURVE™ System was granted the De Novo request to market the CURVE™ Positive Airway Pressure Delivery System for the treatment of obstructive sleep apnea by the FDA (Food and Drug Administration of the US) in June 2018. Our team of engineers and technicians also worked with Fresca to develop the production supply chain in the PRC. Fresca will launch the CURVE™ system in the US, Japan, Europe and the PRC after the relevant regulatory approvals are secured.

During the year, Inovytec Medical Solutions Ltd. ("**Inovytec**") launched the CE (Conformité Europèene) marked portable turbine ventilator "Ventway Sparrow", an ultra-light weight ventilator for use in emergency and transport medicine that weighs approximately 1kg (majority of turbine transport ventilators in the market weigh between 4kg and 9kg). Being the exclusive manufacturer of Inovytec, we delivered the first commercial production batch of the ventilator by end of 2018. We also worked with Inovytec's clinical and operations teams to start the process for the National Medical Products Administration (NMPA) certification of the device in the PRC.

廣州柏頤信息科技有限公司 (translated as Guangzhou 100ecare Technology Co. Limited "**100ecare**") launched a series of smart wearable devices, namely the sensor-based sleep monitoring device, household emergency wearable device and the new smart wristband, targeting the booming elderly healthcare market in the PRC. These new products started to contribute revenue to 100ecare since the fourth quarter of 2018.

Retraction Limited ("**Retraction**") launched its new version of REVEEL™ retractor after obtaining the CE marking certificate during the year. This device won a Certificate of Merit in both the Technological Achievement and Innovation and Creativity categories in the 2018 Hong Kong Awards for Industries. However, delivery of the REVEEL™ retractor was slow due to production bottlenecks.

FINANCIAL REVIEW

REVENUE

Driven by improved sales in both OEM and OBM segments, the Group's total revenue increased by 9.3% to HK$488.0 million for 2018 (2017: HK$446.3 million). Revenue from the US market and the PRC market increased by 1.2% and 21.4% respectively. In respect of business segments, OEM and OBM contributed 79.9% (2017: 82.0%) and 20.1% (2017: 18.0%), respectively, to the Group's total revenue.

GROSS PROFIT AND GROSS PROFIT MARGIN

Despite the 9.3% increase in total revenue, gross profit rose slightly by 3.5% to HK$155.6 million for 2018 (2017: HK$150.3 million). Gross profit margin for 2018 decreased by 1.8 percentage points from 33.7% to 31.9%. The aggregate effect of rising of labour costs, increasing price of raw materials for production and the appreciation of RMB against USD during the year has more than offset the positive contribution to the Group's gross profit margin through the enhancement of production efficiency.

OTHER INCOME, OTHER GAINS AND LOSSES

Other income for 2018 mainly represented the subsidies of HK$1.3 million (2017: Nil) from the Enterprise Support Scheme under the Innovation and Technology Fund of the Government of the Hong Kong Special Administrative Region and the subsidies of HK$2.5 million (2017: Nil) from "Guan-Rong Plan" of Dongguan Songshan Lake Science and Technology Industrial Park.

Other gains and losses for 2018 mainly represented write back of other payables of HK$3.9 million (2017: Nil), exchange loss of HK$1.1 million (2017: HK$3.9 million) and impairment of goodwill of HK$2.6 million (2017: HK$6.3 million). Other gains and losses for 2017 also included impairment of investment in an associate of HK$11.6 million.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by 19.9% to HK$27.7 million for 2018 (2017: HK$23.1 million). The increase was primarily due to (i) the start-up marketing cost for the new Hypnus™ business; and (ii) an increase in staff costs for sales and marketing. Selling and distribution expenses as a percentage of revenue was 5.7% (2017: 5.2%).

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 5.3% to HK$89.1 million for 2018 (2017: HK$84.6 million), which was primary due to an increase in R&D expenses related to the Group's OBM segment.

Capitalised R&D expenses (including salaries and wages of R&D staff) for 2018 was HK$6.0 million (2017: HK$1.5 million), while expensed R&D expenses (including salaries and wages of R&D staff) which included in administrative expenses for 2018 was HK$26.0 million (2017: HK$19.1 million). The increase in total R&D expenses was mainly due to (i) the expansion of the R&D team and an increase in average salaries of staff; (ii) an increase in the number of in-process R&D projects; and (iii) an increase in product development related expenses, such as engineering sample and tooling fees.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

The Group shared losses of associates for 2018 amounted to HK$2.8 million (2017: losses of HK$1.0 million) and losses of joint ventures amounted to HK$1.6 million (2017: profits of HK$0.1 million), reflected mainly by the share of results of Retraction, 100ecare and Avalon Photonics Holdings Limited ("**Avalon**").

INCOME TAX EXPENSE

Income tax expense decreased by 52.4% to HK$3.9 million (2017: HK$8.2 million) which was mainly due to over-provision of HK$3.1 million for the Hong Kong Profits Tax and the PRC Corporate Income Tax.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company for 2018 increased by 134.1% to HK$30.9 million (2017: HK$13.2 million). The increase was mainly due to an overall increase in revenue and gross profit from both OEM and OBM segments, and a decrease in impairment of goodwill and investment in an associate, which was offset by the increase in selling and distribution expenses, administrative expenses and share of losses of associates and joint ventures.

OTHER INTANGIBLE ASSETS

As at 31 December 2018, other intangible assets included (i) use right and development costs of HK$13.1 million (2017: HK$14.5 million) for "Hand of Hope" robotic hand training devices business; (ii) patents and development costs of HK$14.3 million (2017: HK$7.7 million) for Hypnus™ business; and (iii) patents and license rights of HK$4.6 million (2017: HK$4.1 million) for other products. The increase was mainly due to additions to patents and development costs for Hypnus™ business.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

As at 31 December 2018, investments in associates amounted to HK$12.0 million (2017: HK$4.8 million), consisted of the Group's investments in Retraction and another associate. The increase was mainly due to planned further capital injection of HK$6.0 million in Retraction pursuant to the preference share subscription agreement dated 28 November 2016 and acquisition of an associate at a consideration of HK$4.2 million during the year.

As at 31 December 2018, investments in joint ventures amounted to HK$20.8 million (2017: HK$23.0 million), consisted of the Group's investments in 100ecare and Avalon.

For details, please refer to the paragraph headed "Significant Investments" below.

EQUITY INVESTMENTS AT FVTOCI

On 1 January 2018, the date of initial application of HKFRS 9 Financial Instruments, the Group reclassified its equity investments (primarily consisted of the Group's investment in Fresca and Inovytec) from available-for-sale financial assets to financial assets at FVTOCI. Before adoption of HKFRS 9 on or prior to 31 December 2017, these equity investments are measured at cost less impairment losses, while after adoption of HKFRS 9 from 1 January 2018, these equity investments are measured at fair value. On 1 January 2018, the fair value of these equity investments (with cost of HK$48.6 million) amounted to HK$61.4 million.

During the year, the Group paid HK$22.0 million to subscribe additional interests in Fresca, Inovytec and other investments upon achievement of relevant milestones pursuant to the related agreements. On 31 December 2018, the fair value of the Group's equity investments amounted to HK$64.3 million.

CONTRACT ASSETS

As at 31 December 2018, contract assets primarily consisted of unbilled amount of HK$17.2 million (2017: Nil) resulting from sales of OEM products transferred over time after adoption of HKFRS 15 Revenue from Contracts with Customers from 1 January 2018. Contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

CURRENT TAX ASSETS

As at 31 December 2017, current tax assets represented prepaid Hong Kong Profits Tax for two subsidiaries incorporated in Hong Kong while as at 31 December 2018, there were no current tax assets. The decrease was attributable to the provision of Hong Kong Profits Tax for these two subsidiaries during the year.

EMPLOYEE INFORMATION

As at 31 December 2018, the total number of full-time employees of the Group was 1,103 (2017: 1,073). The remuneration of employees was determined according to their experience, qualifications, result of operations of the Group and market condition. During the year, staff costs including Directors' emoluments (excluding capitalised salaries and wages of R&D staff) amounted to HK$125.5 million (2017: HK$113.2 million), representing 25.7% of the Group's revenue (2017: 25.4%). The increase of staff costs was mainly due to an increase in number of employees, salary increment, and an increase in social insurance contributions and housing provident fund.

LIQUIDITY AND FINANCIAL RESOURCES AND BORROWINGS

Bank and cash balances for 2018 decreased by 28.2% to HK$81.1 million (2017: HK$113.0 million). This was a result of the net cash inflow from operating activities of HK$35.1 million, net cash outflow from investing activities of HK$61.3 million, net cash outflow from financing activities of HK$0.6 million and negative effect of foreign exchange rate changes of HK$5.1 million. Most of the bank and cash balances were denominated in HKD, USD and RMB.

Net cash outflow from investing activities for 2018 mainly arose from the purchase of equity investments at FVTOCI of HK$22.0 million, purchase of property, plant and equipment of HK$21.4 million, addition of other intangible assets of HK$7.9 million and capital injection/acquisition of associates of HK$10.2 million, while net cash outflow from financing activities mainly arose from final dividend paid for 2017 of HK$9.6 million, net off by net cash inflow of HK$9.2 million from borrowings.

As at 31 December 2018, total borrowings amounted to HK$17.2 million (2017: HK$9.8 million). The increase was primarily due to new bank borrowing of HK$10.0 million during the year. The net gearing ratio, which was calculated on the basis of the amount of total borrowings divided by the total equity attributable to owners of the Company, was 0.05 (2017: 0.03). As at 31 December 2018, the Group had unutilised bank facilities of HK$30.0 million.

CAPITAL EXPENDITURE AND COMMITMENTS

During the year, total investment in property, plant and equipment was HK$21.4 million (2017: HK$15.4 million), in which 39.0% was used for purchasing production equipment and the remaining balance for procurement of other fixed assets.

As at 31 December 2018, the Group had contracted capital commitments of HK$12.8 million for procurement of property, plant and equipment, which was mainly financed with internal resources.

CAPITAL STRUCTURE

As at the date of this announcement, the issued share capital of the Company was approximately HK$6.4 million, comprising 637,650,000 shares of the Company (the "**Shares**") of nominal value of HK$0.01 per Share.

SIGNIFICANT INVESTMENTS

As at 31 December 2018, the Company considered that the significant investments were as follows:

1. The Group held 40% (2017: 20%) interest in Retraction with carrying amount of HK$7.9 million (2017: HK$4.8 million). The Group further injected capital in Retraction of HK$6.0 million and shared a loss of HK$2.7 million in the consolidated statement of profit or loss during the year.

2. The Group paid US$3.0 million (2017: US$2.4 million) to subscribe for 12,091 (2017: 9,673) Series A preferred shares, representing 14.3% (2017: 12.4%) with diluted effect of the enlarged issued share capital of Inovytec. After adoption of HKFRS 9 from 1 January 2018, the equity investment in Inovytec is measured at fair value. At 31 December 2018, the fair value of the equity investment in Inovytec amounted to US$2.0 million (equivalent to HK$15.9 million) (1 January 2018: US$3.6 million (equivalent to HK$27.9 million)).

3. The Group held 10% (2017: 10%) interest in 100ecare with carrying amount of HK$9.5 million (2017: HK$9.9 million). The Group shared a profit of HK$0.04 million in the consolidated statement of profit or loss during the year.

4. The Group held 20% (2017: 20%) interest in Avalon with carrying amount of HK$11.3 million (2017: HK$13.1 million). The Group shared a loss of HK$1.6 million in the consolidated statement of profit or loss during the year.

For additional information regarding the principal activities, performance during the year and future prospects of the above significant investments, please refer to the paragraph headed "Investments and Collaboration" above.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year, the Group had no material acquisitions or disposals of subsidiaries and associated companies.

EVENTS AFTER THE REPORTING PERIOD

There were no other significant events after the reporting period up to the date of this announcement.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2018, none of the assets of the Group were pledged.

FOREIGN EXCHANGE EXPOSURE

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

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds from the global offering (the "**Net Proceeds**") received by the Company after deducting underwriting fees and estimated expenses was HK$94.6 million. Unutilised Net Proceeds as at 31 December 2018 amounted to HK$4.2 million and is deposited in a licensed bank in Hong Kong as short-term deposits. The Company intends to use the remaining Net Proceeds in accordance with the purposes set out in the prospectus of the Company dated 30 June 2016.

As at 31 December 2018, the Group has utilised the Net Proceeds as follows:

	Net Proceeds *HK$' million*	**Utilised amount** *HK$' million*	**Unutilised amount** *HK$' million*
Expansion and upgrading of production facility from 2016 to 2018	47.3	43.1	4.2
Development of pipeline and planned products from 2016 to 2018	25.5	25.5	–
Sales and marketing from 2016 to 2018	17.1	17.1	–
General corporate purposes and working capital	4.7	4.7	–

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have other contingent liabilities.

OPERATING LEASE COMMITMENT

As at 31 December 2018, the Group had operating lease commitment of HK$36.4 million (2017: HK$21.1 million).

OUTLOOK

Looking ahead in 2019, we see signs of pressure or change of product mix for our OEM segment amid the uncertainty of the trade wars as customers are trying to mitigate such risk by diversifying sourcing strategies. Despite the global macroeconomic uncertainty, we remain confident that the Group will continue to make further progress in the coming year as there are more product launches and new markets for our existing devices of the OBM segment as well as new supply contracts from our OEM segment. With the launch of a broader range of higher margin devices in 2019 and onwards, we expect to see gradual improvements in our OBM gross profit margins.

We will continue to invest prudently in our sales and marketing organization by expanding our international marketing programs as well as broaden awareness of our products to global med-tech companies to create future oriented collaboration. We also expect to continue to invest in R&D, regulatory affairs and clinical studies to expedite the development of our Inspired® products, support regulatory submissions and demonstrate the clinical efficacy of our new products.

FINAL DIVIDEND

The Board has proposed the payment of a final dividend of HK1.60 cents (2017: HK1.50 cents) per Share for the year ended 31 December 2018 to the Shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 5 June 2019. The final dividend will be paid on or around Thursday, 20 June 2019, subject to the Shareholders' approval at the AGM. No interim dividend was made for the six months ended 30 June 2018 (2017: Nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Wednesday, 22 May 2019, the register of members of the Company will be closed from Friday, 17 May 2019 to Wednesday, 22 May 2019, 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 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 16 May 2019.

For determining the entitlement to the proposed final dividend (subject to the approval of the Shareholders at the AGM), the register of members of the Company will be closed from Monday, 3 June 2019 to Wednesday, 5 June 2019, both days inclusive, during which period no transfer of the Shares will be registered. In order to qualify for the proposed final dividend as stated, all transfers 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, 31 May 2019.

CORPORATE GOVERNANCE

The Board is committed to maintaining the highest possible standards of corporate governance, and strives to maintain transparent, responsible and value-driven management practices that will enhance and safeguard the interests of the Shareholders. The Board believes that effective and high quality corporate governance is an essential platform for creating value for the Shareholders. The Board is committed to continuously reviewing and improving the Group's corporate governance practices, and maintaining the highest standards of ethical corporate behaviour across the organisation.

The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as contained in Appendix 14 to the Listing Rules as its own code of corporate governance since the date of which the shares of commenced trading on the main board of the Stock Exchange. The corporate governance principles of the Company emphasise a quality Board, sound internal controls and risk management, and transparency and accountability to all Shareholders.

In the opinion of the Directors, the Company has complied with the code provision as set out in the CG Code throughout the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company established the audit committee of the Company (the "**Audit Committee**") which currently consists of three independent non-executive Directors, namely Mr. Au Yu Chiu Steven, Mr. Chan Ling Ming and Mr. Mok Kwok Cheung Rupert, with written terms of reference which deal clearly with its authority and duties.

The Group's audited consolidated annual results for the year ended 31 December 2018 have been reviewed by the Audit Committee.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Group's auditor, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2018. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by RSM Hong Kong on this announcement.

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

On 3 January 2018, the Company repurchased 350,000 Shares at approximately HK$228,000 and these Shares were cancelled on 16 January 2018. Saved for the above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2018.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

The annual report of the Company for the year ended 31 December 2018 containing all the relevant information required by the Listing Rules and the relevant laws and regulations will be dispatched to the Shareholders and available on above websites in due course.

APPRECIATION

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

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

Hong Kong, 22 March 2019

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