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## **Vincent Medical Holdings Limited**

**永勝醫療控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 1612)

### **CONNECTED TRANSACTIONS LEASE RENEWAL AGREEMENTS**

#### **LEASE RENEWAL AGREEMENTS**

Pursuant to the Existing 2017 PRC Lease Agreements, the Group has been leasing the Leased Properties from VRDG. As the Existing 2017 PRC Lease Agreements will expire on 31 December 2019, the Group has entered into the Third PRC Lease Renewal Agreement and the Fourth PRC Lease Renewal Agreement with VRDG on 20 December 2019 to continue to lease the Leased Properties for a term of two years from 1 January 2020 to 31 December 2021.

#### **LISTING RULES IMPLICATION**

VRDG is an indirect wholly-owned subsidiary of VRI, the controlling shareholder of the Company. Accordingly, VRDG is a connected person of the Company under Chapter 14A of the Listing Rules.

In accordance with HKFRS 16 applicable to the Company, as a result of the entering into the Lease Renewal Agreements, the Group shall recognise an additional asset representing its right to use the Leased Properties in the total amount of approximately RMB4.4 million calculated with reference to the present value of aggregated lease payments as discounted using a discount rate which is equivalent to the Company's incremental borrowing rate during the entire term of the Lease Renewal Agreements. As such, the transactions under the Lease Renewal Agreements will be recognised as acquisitions of right-of-use assets which will constitute one-off connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the transactions contemplated under the Lease Renewal Agreements based on the value of the right-of-use assets recognised by the Group pursuant to HKFRS 16 on an aggregated 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.

## LEASE RENEWAL AGREEMENTS

Pursuant to the Existing 2017 PRC Lease Agreements, the Group has been leasing the Leased Properties from VRDG. As the Existing 2017 PRC Lease Agreements will expire on 31 December 2019, the Board announces that on 20 December 2019, VMDG and DVRD, as tenants, entered into the Third PRC Lease Renewal Agreement and the Fourth PRC Lease Renewal Agreement with VRDG, as a landlord, in respect of the renewal of lease of the Third PRC Property and the Fourth PRC Property for a term of two years from 1 January 2020 to 31 December 2021, respectively.

Major terms of the Lease Renewal Agreements are as follows:

	<b>Third PRC Lease Renewal Agreement</b>	<b>Fourth PRC Lease Renewal Agreement</b>
<b>Date</b>	20 December 2019	20 December 2019
<b>Tenant</b>	VMDG	DVRD
<b>Landlord</b>	VRDG	VRDG
<b>Location of property</b>	Factory 1 of Zone B industrial complex located at 45-46 Qiaolong Shabu Industrial Zone, Tangxia Town, Dongguan City, the PRC	Factory 2 of Zone B industrial complex located at 45-46 Qiaolong Shabu Industrial Zone, Tangxia Town, Dongguan City, the PRC
<b>Size of property (GFA)</b>	4,230 sq.m.	4,960 sq.m.
<b>Term</b>	1 January 2020 to 31 December 2021	1 January 2020 to 31 December 2021
<b>Rent</b>	RMB89,000 per calendar month (Note)	RMB104,000 per calendar month (Note)

	<b>Third PRC Lease Renewal Agreement</b>	<b>Fourth PRC Lease Renewal Agreement</b>
<b>Payment terms</b>	The monthly rental shall be payable monthly on the first day of each calendar month	The monthly rental shall be payable monthly on the first day of each calendar month
<b>Use of property</b>	Warehouse	Production plant and warehouse

*Note:*

The rent is inclusive of management fees but exclusive of VAT and other operating outgoings.

### **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 consistent with the prevailing market rates of similar properties in the locality.

### **Right-of-use assets**

Based on preliminary estimation of the Company with reference to the valuation report issued by Grant Sherman Appraisal Limited, the value of the right-of-use assets to be recognised by the Group under the transactions shall amount to approximately RMB4.4 million, which is the present value of aggregated lease payments in accordance with HKFRS 16. Discount rate of approximately 5.5% per annum, which is equivalent to the Company's incremental borrowing rate during the entire term of the Lease Renewal Agreements, is applied to compute the present value of aggregate lease payments under the transactions.

### **REASONS AND BENEFITS FOR ENTERING INTO THE LEASE RENEWAL AGREEMENTS**

During the terms of the Lease Renewal Agreements, the Leased Properties will continue to be used as the Group's warehouse and production plant. 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 bear unnecessary relocation cost and expenses if the Company has to move to other premises.

## **INTERNAL CONTROL**

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

In view of the 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 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**

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.

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

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, VRDG is an indirect wholly-owned subsidiary of VRI, which is a controlling shareholder of the Company. Accordingly, VRDG is a connected person of the Company.

### **LISTING RULES IMPLICATIONS**

VRDG is an indirect wholly-owned subsidiary of VRI, the controlling shareholder of the Company. Accordingly, VRDG is a connected person of the Company under Chapter 14A of the Listing Rules.

In accordance with HKFRS 16 applicable to the Company, as a result of the entering into the Lease Renewal Agreements, the Group shall recognise an additional asset representing its right to use the Leased Properties in the total amount of approximately RMB4.4 million calculated with reference to the present value of aggregated lease payments as discounted using a discount rate which is equivalent to the Company's incremental borrowing rate during the entire term of the Lease Renewal Agreements. As such, the transactions under the Lease Renewal Agreements will be recognised as acquisitions of right-of-use assets which will constitute one-off connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the transactions contemplated under the Lease Renewal Agreements based on the value of the right-of-use assets recognised by the Group pursuant to HKFRS 16 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.

The Directors (including the independent non-executive Directors) are of the view that the Lease Renewal Agreements 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 for the Lease Renewal Agreements 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. 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 transactions contemplated thereunder. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Lease Renewal Agreements 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), 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
“connected person”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“DVRD”	東莞永健康復器具有限公司 (translated as “Dongguan Vincent Rehabilitation Devices Company Limited”), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Existing 2017 PRC Lease Agreements”	the lease agreements both 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 at 45-46 Qiaolong Shabu Industrial Zone, Tangxia Town, Dongguan City, the PRC, the details of which are set out in the announcement of the Company dated 15 June 2017
“Fourth PRC Lease Renewal Agreement”	the lease agreement dated 20 December 2019 entered into between DVRD as tenant and VRDG as landlord in relation to the renewal of lease of the Fourth PRC Property

“Fourth PRC Property”	the Factory 2 of Zone B industrial complex located at 45-46 Qiaolong Shabu Industrial Zone, Tangxia Town, Dongguan City, the PRC
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“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 Third PRC Property and the Fourth PRC Property
“Lease Renewal Agreements”	the Third PRC Lease Renewal Agreement and the Fourth PRC Lease Renewal Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Choi”	Mr. Choi Man Shing, the chairman, an executive Director and one of the controlling shareholders of the Company, and the spouse of Ms. Liu
“Ms. Liu”	Ms. Liu Pui Ching, a former non-executive Director and one of the controlling shareholders of the Company, and the spouse of Mr. Choi
“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
“Shareholder(s)”	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
“Third PRC Lease Renewal Agreement”	the lease agreement dated 20 December 2019 entered into between VMDG as tenant and VRDG as landlord in relation to the renewal of lease of the Third PRC Property
“Third PRC Property”	the Factory 1 of Zone B industrial complex located at 45-46 Qiaolong Shabu Industrial Zone, Tangxia Town, Dongguan City, the PRC
“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
“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
“VRI”	VINCENT RAYA INTERNATIONAL LIMITED, a company incorporated in the British Virgin Islands and being held as to 57.89% by Mr. Choi and 42.11% by Ms. Liu as at the date of this announcement, and one of the controlling shareholders
“%”	percentage or per centum

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

Hong Kong, 20 December 2019

*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. Mok Kwok Cheung Rupert, Mr. Au Yu Chiu Steven and Prof. Yung Kai Leung as independent non-executive Directors.*