



Vincent Medical Holdings Limited

Stock code : 1612. HK

Net profit for 1H2020 Grew by 6-fold to HK\$ 110 million

Revenue doubled to HK\$ 502 million with Respiratory products sales rose by 2.5 times to HK\$ 360 million

Gross and net profit margin increased by 10.9 p.p. and 15.5 p.p.

Rising demand for High flow products and business continue to grow in 2H2020

Financial highlights

<i>HK\$ million</i>			
For the six months ended 30 June	2020	2019	Change
Revenue	502.3	246.5	+103.8%
Gross profit	225.3	83.7	+169.2%
Profit attributable to owners of the Company	91.8	13.7	+570.1%
EPS (HK cents)	14.40	2.14	+572.9%
Gross profit margin (%)	44.9	34.0	+10.9p.p.
Net profit margin (%)	21.8	6.3	+15.5p.p.

(Hong Kong, 25 August 2020) – **Vincent Medical Holdings Limited** (“Vincent Medical” or together with its subsidiaries, the “Group”, stock code: 1612), is pleased to announce its interim results for the six months ended 30 June 2020 (the “Period” or “1H2020”). Driven by the surging demand of respiratory products, the Group’s revenue increased by 103.8% to HK\$ 502.3 million (1H2019: HK\$ 246.5 million), with the original brand manufacturing (“OBM”) segment becoming the key growth engine, surpassing the revenue contribution from the original equipment manufacturing (“OEM”) segment and recorded maiden profit of HK\$ 77.0 million. Benefited from the improving product mix and economies of scale, gross profit increased by 169.2% to HK\$ 225.3 million as gross profit margin also increased by 10.9 p.p. to 44.9%. Profit attributable to owners of the Company rose by 570.1% to HK\$ 91.8 million (1H2019: HK\$ 13.7 million). Basic earnings per share surged by 572.9% to HK 14.4 cents (1H2019: HK 2.14 cents).

During the Period, the OBM segment (products of the Group's brands including inspired™) has become the major revenue contributor to the Group, accounting for slightly over 50.0% (1H2019: 24.6%) of the Group's total revenue. Segmental revenue surged by 313.8% to HK\$251.2 million (1H2019: HK\$60.7 million), with segmental gross profit margin increased by 16.9 p.p. to 56.3% (1H2019: 39.4%), mainly driven by the increasing global demand for respiratory devices to treat COVID-19 patients, as well as the growth in disposables sales due to the increasing number of installed base of the inspired™ VHB series humidifier (the "VHB humidifier") and the inspired™ O2FLO high flow respiratory humidifier (the "O2FLO") in the existing and new markets. During the Period, the Group shipped 95,572 units of humidifier to respiratory device manufacturers (1H2019: 3,840 units), in which the sales of VHB humidifier and its dedicated disposables recorded a significant growth of 587.9% to HK\$ 119.7 million (1H2019: HK\$ 17.4 million). The Group also shipped 4,306 units of O2FLO (1H2019: 200 units) during the Period, and the sales of its dedicated disposables and accessories reached HK\$ 25.6 million (1H2019: HK\$ 0.2 million).

A series of published evidence and guidance documents issued by the governments, health administrations, and universities have indicated that, high-flow nasal cannula may reduce the need for invasive ventilation and escalation of therapy when compared with conventional oxygen therapy in patients with acute hypoxemic respiratory failure, and has since become one of the key treatment methods used in patients with mild COVID-19 symptoms. For that reason, the Group expects an increasing market demand for such treatment method.

During the Period, the revenue of OEM segment increased by 35.2% to HK\$ 251.1 million (1H2019: HK\$ 185.8 million). Specifically, revenue of respiratory products surged by 135.6% to HK\$ 115.8 million (1H2019: HK\$ 49.1 million), mainly attributable to the additional orders for Ventec One-Circuit™ and other respiratory disposables from the Group's major OEM customers. The revenue of imaging disposable products also increased by 8.9% to HK\$ 83.6 million (1H2019: HK\$ 76.8 million), as the supply of certain raw materials resumed in the second quarter of 2020. In total, the growth from these two product segments was able to more than offset the decrease in revenue from orthopaedic and rehabilitation products, which was suffering from a decrease in demand due to the postponement of orthopaedic surgeries under COVID-19. Segmental gross profit margin also increased to 33.4% (1H2019: 32.2%), primarily attributable to product mix enhancement.

Prospects

It is expected that the pandemic will continue in the second half of 2020, with it already changing the global healthcare system. While the Group remains uncertain as in when COVID-19 will be under control, what is certain is that global demand for COVID-19 related medical devices has been and will continue to increase. Currently, the Group's distribution network spans over 70 countries, and it expects a continuation of growth in the second half of the year. Notably, driven by strong demand, clients have accelerated their pace in adopting the products of inspired™, especially the VHB Humidifier and O2FLO.

Mr. Choi Man Shing, Chairman of Vincent Medical, stated “the global outbreak of COVID-19 has brought heavy burden to medical institutions worldwide. As a key manufacturer of respiratory devices and disposables, we have strived to supply our clients with the devices and disposables in need at the earliest opportunity, as a way to contribute to the combat of pandemic. We believe COVID-19 has not only enhanced our mutual trust and collaborations with our global partners, but also showcased our technologies and capabilities in respiratory area.”

“Going forward, Vincent Medical will continue to pursue a growth strategy of “device + disposables” through the introduction of new devices, as well as deriving recurring income from dedicated disposables. The pandemic has also accelerated the adoption of high flow oxygen therapy in the treatment of respiratory failure and the diseases beyond COVID-19. I believe it has not yet reached its full potential, and is expecting an accelerated and extended use of high flow oxygen therapy, even for home-care. To capture such growing market, the Group will continue to drive product innovation and strengthen its strategic partnerships with global medical tech companies, in order to establish itself as a major player within the industry.”

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About Vincent Medical Holdings Limited (Stock code: 1612)

Established in 1997, Vincent Medical Holdings Limited is a Hong Kong-headquartered medical device manufacturing group. We develop, manufacture and sell a wide range of medical devices to our customers around the globe, focusing on respiratory care, imaging disposable, and orthopaedic and rehabilitation products. Our products include a range of electronic medical devices such as high-flow oxygen therapy devices, respiratory humidification system, sleep ventilators, rehabilitation devices, as well as the related disposables in respiratory care and anesthesiology. With our major production base in Dongguan, China, along with the R&D, regulatory and manufacturing divisions in Dongguan Songshan Lake Technology Industrial Park, we are dedicated to bringing innovative, high-quality and reliable medical devices to the global market.

This press release is issued by DLK Advisory Limited on behalf of **Vincent Medical Holdings Limited**.

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