



**Vincent  
Medical**

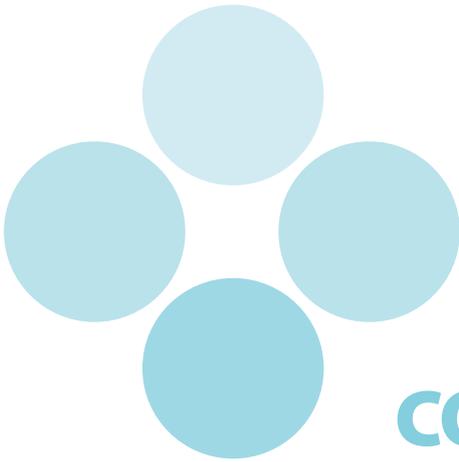
**VINCENT MEDICAL HOLDINGS LIMITED**

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

Stock code: 1612

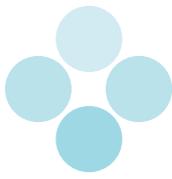
## Interim Report 2020





# CONTENTS

<b>2</b>	Corporate Information
<b>3</b>	Financial Highlights
<b>4</b>	Our COVID-19 Journey
<b>8</b>	Management Discussion and Analysis
<b>16</b>	Other Information
<b>25</b>	Independent Review Report
<b>26</b>	Condensed Consolidated Statement of Profit or Loss
<b>27</b>	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
<b>28</b>	Condensed Consolidated Statement of Financial Position
<b>29</b>	Condensed Consolidated Statement of Changes in Equity
<b>30</b>	Condensed Consolidated Statement of Cash Flows
<b>31</b>	Notes to the Condensed Consolidated Financial Statements



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-executive Director

Mr. GUO Pengcheng

### Independent Non-executive Directors

Mr. MOK Kwok Cheung Rupert  
Mr. AU Yu Chiu Steven  
Prof. YUNG Kai Leung

## BOARD COMMITTEE

### Audit Committee

Mr. AU Yu Chiu Steven (*Chairman*)  
Mr. MOK Kwok Cheung Rupert  
Prof. YUNG Kai Leung

### Nomination Committee

Mr. CHOI Man Shing (*Chairman*)  
Mr. MOK Kwok Cheung Rupert  
Prof. YUNG Kai Leung

### Remuneration Committee

Mr. MOK Kwok Cheung Rupert (*Chairman*)  
Mr. CHOI Man Shing  
Prof. YUNG Kai Leung

### Risk Management Committee

Mr. KOH Ming Fai (*Chairman*)  
Mr. KWOK Kam Ming  
Ms. HU Fang  
Mr. ZHANG Changqing  
Mr. LAI Hoi Ming

### Environmental, Social and Governance Committee

Mr. FU Kwok Fu (*Chairman*)  
Mr. LAI Hoi Ming  
Ms. TSUI Lai Ki Vicki

## COMPANY SECRETARY

Ms. TSUI Lai Ki Vicki

## AUTHORISED REPRESENTATIVES

Mr. CHOI Man Shing  
Mr. TO Ki Cheung

## REGISTERED OFFICE

Cricket Square, Hutchins Drive,  
P. O. Box 2681, Grand Cayman,  
KY1-1111, Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat B2, 7th Floor, Phase 2,  
Hang Fung Industrial Building,  
2G Hok Yuen Street,  
Hung Hom, Kowloon, Hong Kong

## AUDITOR

RSM Hong Kong  
29th Floor, Lee Garden Two,  
28 Yun Ping Road,  
Causeway Bay, Hong Kong

## PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive,  
P. O. Box 2681, Grand Cayman,  
KY1-1111, Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 54, Hopewell Centre,  
183 Queen's Road East,  
Hong Kong

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
Hang Seng Bank Limited  
Bank of China (Hong Kong) Limited

## INVESTOR RELATIONS CONTACTS

IR Department – Vincent Medical Holdings Limited  
Telephone : (852) 2365 5688  
Fax : (852) 2765 8428  
Email : [investors@vincentmedical.com](mailto:investors@vincentmedical.com)

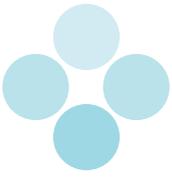
## STOCK CODE

1612

## COMPANY WEBSITE

[www.vincentmedical.com](http://www.vincentmedical.com)

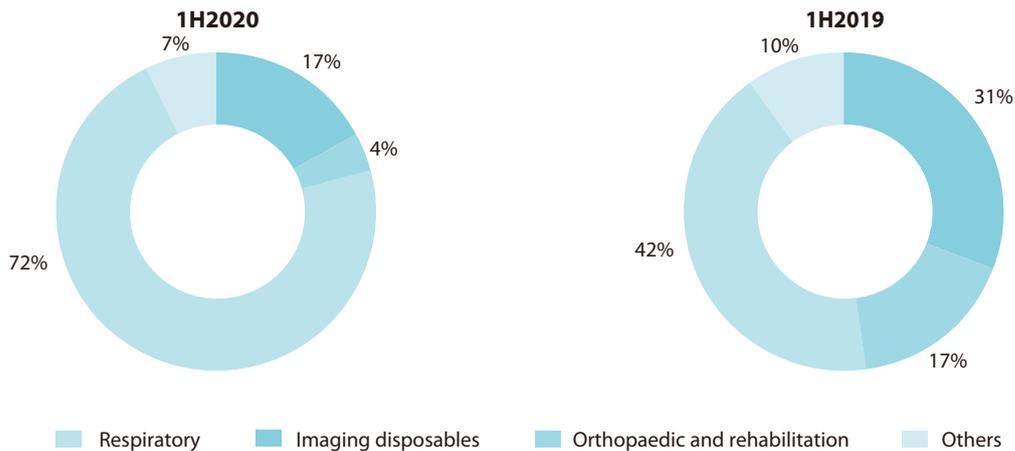




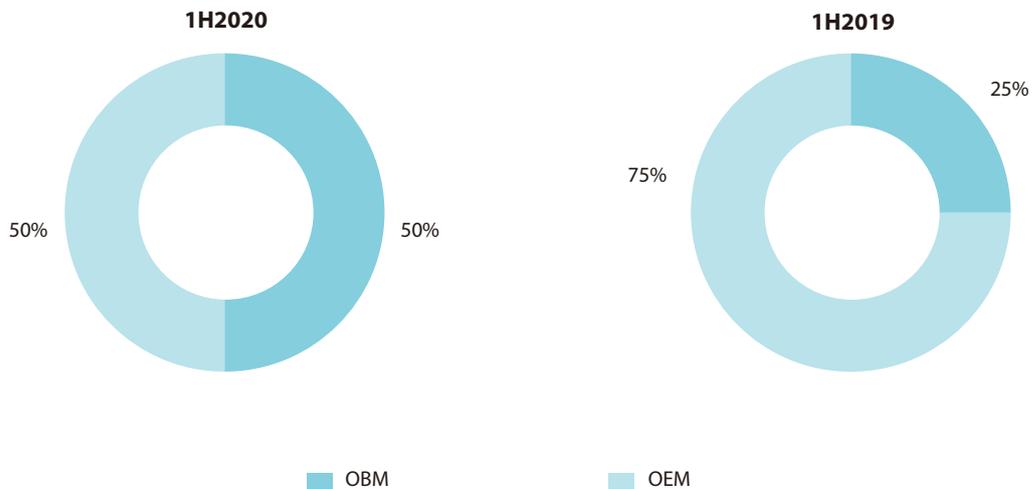
For the six months ended 30 June (unaudited)			
	2020 HK\$'000	2019 HK\$'000	Change
Revenue	<b>502,346</b>	246,524	+103.8%
Gross profit	<b>225,304</b>	83,698	+169.2%
Profit for the Period	<b>109,476</b>	15,510	+605.8%
Profit attributable to owners of the Company	<b>91,842</b>	13,667	+572.0%
Earnings per share			
Basic (HK cents)	<b>14.40</b>	2.14	+572.9%
Dividend per share (HK cents)	<b>nil</b>	nil	n/a

## REVENUE ANALYSIS

### By Product Category



### By Business Segment



# Our COVID-19 Journey

**Accelerating  
global product  
registration**

**2,500 sq.m.  
cleanroom  
expansion**

**Contributing to  
worldwide  
government  
stockpile**

**Early  
resumption  
of production  
after Chinese  
New Year**





**Protecting  
health and  
safety of  
staff**



**3x  
Production  
ramp-up**

## inspired VHB20

Heated Humidifier

## inspired IIC™

inspired Infinity (dual-limb) heated Circuit with vapour expelling Vent-X™ technology

## BSF103,104,201,202

Breathing System Filters



## Battling COVID-19

Our workhorse inspired VHB20 Heated Humidifier, is one of the very few devices in the field that is able to deliver “True Relative Humidity” at >98%.

When connected to a ventilator, it adds moisture to the gas supply to facilitate mucociliary transport and clearance, as well as extra comfort to a patient receiving respiratory assist.

Our inspired IIC™ effectively heats the breathing tube and maintaining the temperature in order to keeps water vapor from condensing, which can occur when warm interior and cold exterior temperatures come to touch. Effective heating

will help maintain moisture in gas from in the inspiratory limb to reach the patient. In combination of our high filtration inspired Vent-X™ vapor expellant technology, we are able to reduce and control condensation in the expiratory limb, preventing condensate from flowing back into a ventilator.

Our range of bacteria filters are also used in this humidification system between the expiratory limb of the breathing circuit and the ventilator, to catch any bacteria or virus traveling in water droplets that may be present in the contamination as well as infection against the next patient or caregivers in close proximity with the equipment.

# inspired O2FLO™

## Heated Humidified Respiratory Unit

Designed for High Flow Nasal  
Oxygenation Therapy

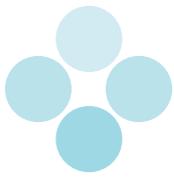


As High Flow Nasal Oxygenation (HFNO) flourishes in all international clinical guidelines as a preferred treatment protocol for Novel Coronavirus, 6,000 units of our inspired O2FLO™ has been distributed around the world in over 30 countries to help treat patients with mild to moderate symptoms in hospitals as well as homecare environments.

Heated and humidified gas when supplied in high flow by a powerful turbine, combined with external oxygen supply, washes out the de-oxygenated deadspace in the upper airway of a patient. By maintaining a continuous positive airway pressure in the respiratory tract, work of breathing is reduced. Oxygen enriched gas, inspired at ease, improves and encourages effective alveoli recruitment.

This relieves hypoxemia - the most common and one of the first COVID symptoms. More importantly, when administered at stages early enough, HFNO can save a patient from mechanical ventilation, which is often traumatic both physically and mentally.

For more information about our latest products, please visit [www.inspired-medical.com](http://www.inspired-medical.com).



# MANAGEMENT DISCUSSION AND ANALYSIS

## INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Vincent Medical Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2020 (“**1H2020**” or the “**Period**”), together with the comparative figures for the six months ended 30 June 2019 (“**1H2019**”). This report has been reviewed by RSM Hong Kong, the external auditor of the Company, and the Company’s audit committee (the “**Audit Committee**”).

1H2020 was transformational for Vincent Medical, as the Group’s revenue and profitability soared to record high. Total 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. Overall gross profit margin significant increased by 10.9 percentage points to 44.9% (1H2019: 34.0%), leading to an exponential growth of 5.7 times in profit attributable to owners of the Company to HK\$91.8 million (1H2019: HK\$13.7 million). Basic earnings per share of the Company (the “**Share(s)**”) surged 5.7 times to HK14.40 cents (1H2019: HK2.14 cents). The Board did not recommend the payment of an interim dividend to the shareholders of the Company (the “**Shareholders**”) for 1H2020 (1H2019: Nil).

## REVIEW OF OPERATIONS

As one of the key global suppliers of respiratory devices and disposables, the COVID-19 pandemic has greatly increased product demand, providing a window for Vincent Medical to contribute and the catalyst for the fast growth in 1H2020.

Towards the end of January 2020, the Group started to see an increasing demand for its respiratory devices from the People’s Republic of China (the “**PRC**”), and has then initiated its crisis management procedure.

Despite the temporary supply shortage in the PRC, the Group strived to ramp up its manufacturing capabilities immediately after Chinese New Year. With the production and supply chain gradually returned to normal, the Group was able to triple its production capacity by June 2020 thanks to the swift response from our devoted staff, along with the support from the local government.

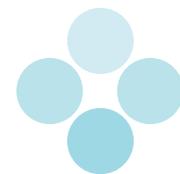
While the Group strived to safeguard the supply of critical devices and consumables to its worldwide partners, safety of staff is always the number one priority. The Group implemented proactive measures to protect the health and safety of our workers including visitor and travel restrictions, social distancing at production facilities, remote work for office-based colleagues, temperature monitoring and supply of personal protective equipment (PPE) to staff and their families.

The significant increase in profitability in 1H2020 was a testament to the Group’s long-term strategy of respiratory-focused research and development (“**R&D**”) to optimise product portfolio, its efficient and agile manufacturing capabilities, as well as the solid foundation of its operation.

### OBM Segment

During the Period, the OBM segment has become the major revenue contributor to the Group, accounting for slightly over 50.0% (1H2019: 24.6%) of the Group’s total revenue. The significant revenue jump of 313.8% to HK\$251.2 million (1H2019: HK\$60.7 million) was primarily driven by the increasing global demand for respiratory devices and ventilation disposables (breathing circuits and filters) to treat COVID-19 patients, as well as the growth in disposables sales benefited from the increasing number of installed base of the inspired™ VHB series humidifiers (the “**VHB Humidifier**”) and the inspired™ O2FLO high flow respiratory humidifier (the “**O2FLO**”), a standalone nasal high-flow therapy device with dedicated disposables in the existing and new markets.

Segment gross profit margin surged by 16.9 percentage points to 56.3% (1H2019: 39.4%), attributable to the strong growth in sales of the higher-margin O2FLO and the VHB Humidifier.



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

	For the six months ended 30 June (unaudited)				Change
	2020		2019		
	HK\$'000	% of segment revenue	HK\$'000	% of segment revenue	
Respiratory products					
– Electronic devices	<b>127,098</b>	<b>50.6%</b>	10,035	16.5%	+1,166.5%
– Disposables	<b>120,573</b>	<b>48.0%</b>	44,808	73.8%	+169.1%
	<b>247,671</b>	<b>98.6%</b>	54,843	90.3%	+351.6%
Orthopaedic and rehabilitation products	<b>3,547</b>	<b>1.4%</b>	5,868	9.7%	-39.6%
Total	<b>251,218</b>	<b>100.0%</b>	60,711	100.0%	+313.8%

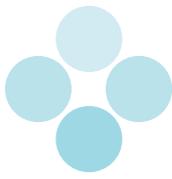
Demand for the Group's respiratory devices and disposables across the globe has accelerated in a way that was unprecedented, with sales gaining further momentum in the second quarter of 2020 due to the virus outbreak in Europe, the United States (the "US") and the rest of the world. While there was a huge demand for invasive mechanical ventilator, the active humidification system, a key component of hospital-use mechanical ventilators, was also in huge demand. For patients who are critically ill and require the support of ventilators, the VHB Humidifier is the servo feedback system which is a critical part of the life supporting system for them. Supported by the related disposables including humidification chambers, breathing circuits and filters, the VHB Humidifier provides warm and humidified air to intubated patients, and is a standard of care in mechanical ventilation. During the Period, the Group delivered a total of 95,572 units (1H2019: 3,840 units) of VHB Humidifiers to support ventilator makers, with sales from the VHB Humidifier and the related disposables recorded a significant growth of 587.9% to HK\$119.7 million (1H2019: HK\$17.4 million).

Meanwhile, the O2FLO has gained traction in the treatment of patients with COVID-19. A series of published evidence, guidance documents issued by the government and health administration and clinical case studies have indicated that high-flow nasal cannula may reduce the need for invasive ventilation and escalation of therapy compared with conventional oxygen therapy in patients with acute hypoxemic respiratory failure and has now become one of the key treatments used in helping patients with milder COVID-19 symptoms.

Since the official launch of the O2FLO in November 2019, the Group has accumulated an installed base of over 6,000 units in over 30 countries, including the PRC, Japan, Saudi Arabia, India, United Kingdom, Germany, Turkey and South Africa. This unit also requires the use of dedicated single-use disposables such as humidification chambers, nasal cannula, breathing circuits and filters, in order to deliver the optimal airflow to patients. During the Period, the Group delivered 4,306 units (1H2019: 200 units) of the O2FLO and the sales of O2FLO's dedicated disposables and accessories reached HK\$25.6 million (1H2019: HK\$0.2 million).

In addition to the VHB Humidifier and the O2FLO, the Hypnus™ positive airway pressure device 7 series and 8 series were one of the first non-invasive ventilators being used in the treatment of COVID-19 patients in the PRC. During the Period, 5,607 units (1H2019: 2,346 units) of the Hypnus™ devices were sold.

As for the sales of orthopaedic and rehabilitation products, it was negatively impacted by COVID-19 as planned non-urgent surgical procedures and the relevant marketing activities were postponed.



# MANAGEMENT DISCUSSION AND ANALYSIS

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

	For the six months ended 30 June (unaudited)				Change
	2020		2019		
	HK\$'000	% of segment revenue	HK\$'000	% of segment revenue	
The PRC	141,020	56.1%	32,031	52.8%	+340.3%
Europe	36,978	14.7%	9,705	16.0%	+281.0%
Saudi Arabia	30,554	12.2%	271	0.4%	+11,174.5%
North America	8,021	3.2%	5,020	8.3%	+59.8%
India	6,908	2.8%	817	1.3%	+745.5%
Others (including Israel, Latin America and etc.)	27,737	11.0%	12,867	21.2%	+115.6%
<b>Total</b>	<b>251,218</b>	<b>100.0%</b>	<b>60,711</b>	<b>100.0%</b>	<b>+313.8%</b>

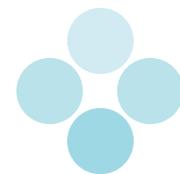
The PRC market continues to be the major market for the OBM segment, with sales grew by 340.3% to HK\$141.0 million (1H2019: HK\$32.0 million). With our persistent efforts to expand and penetrate key markets, the installed base of inspired™ brand devices recorded a significant growth, resulting in an increasing regional market share at a fast pace. Nonetheless, the Group has further strengthened its cooperation with its business partners and distributors in overseas markets, and gained a sustainable revenue of HK\$110.2 million (1H2019: HK\$28.7 million) from the international market for the first time. With the grant of Emergency Use Authorization (the "EUA") from the Food and Drug Administration of the US (the "FDA") on the O2FLO and certain disposables, the Group is in negotiation with its partners in North America for the launch of those products.

## OEM Segment

For the Group's OEM segment, demand for certain respiratory products has also increased significantly, including the Ventec One-Circuit™ for the VOCSN ventilator, the Ventway Sparrow® ventilator and other respiratory disposable products for its long-term OEM customers. The Group has in turn, boosted its production capacity and to help address the higher demand of such OEM products.

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

	For the six months ended 30 June (unaudited)				Change
	2020		2019		
	HK\$'000	% of segment revenue	HK\$'000	% of segment revenue	
Respiratory products	115,751	46.1%	49,126	26.4%	+135.6%
Imaging disposable products	83,602	33.3%	76,752	41.3%	+8.9%
Orthopaedic and rehabilitation products	17,493	7.0%	36,174	19.5%	-51.6%
Other products (including moulds, surgical disposables, patient warming blankets and infusion regulators)	34,282	13.6%	23,761	12.8%	+44.3%
<b>Total</b>	<b>251,128</b>	<b>100.0%</b>	<b>185,813</b>	<b>100.0%</b>	<b>+35.2%</b>



Higher revenue contribution from respiratory products were mainly attributable to the additional orders for the Ventec One-Circuit™ and other respiratory disposables from the Group's major OEM customers. Imaging disposable products also recorded a 8.9% growth in revenue as the supply of certain raw materials resumed in the second quarter of 2020. In aggregate, the growth in these two product categories 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 procedures under COVID-19. The OEM segment gross profit margin increased to 33.4% (1H2019: 32.2%), primarily attributable to product mix enhancement and greater economics of scale in production.

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

	For the six months ended 30 June (unaudited)				Change
	2020		2019		
	HK\$'000	% of segment revenue	HK\$'000	% of segment revenue	
North America	199,690	79.5%	150,602	81.1%	+32.6%
Israel	18,564	7.4%	1,775	0.9%	+945.9%
Europe	17,625	7.0%	10,246	5.5%	+72.0%
Japan	8,404	3.4%	8,008	4.3%	+4.9%
Others (including Hong Kong, Australia and etc.)	6,845	2.7%	15,182	8.2%	-54.9%
<b>Total</b>	<b>251,128</b>	<b>100.0%</b>	<b>185,813</b>	<b>100.0%</b>	<b>+35.2%</b>

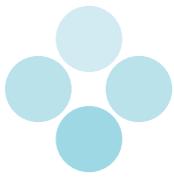
During the Period, the Group's OEM sales to North America increased by 32.6% to HK\$199.7 million, mainly attributable to the additional orders for ventilator related disposables from customers. Sales to Israel increased by 945.9% attributable primarily to the manufacturing of the Ventway Sparrow® ventilator and the related disposables.

### Investments and collaboration

On 29 June 2020, the FDA cleared the Somnera™ positive airway pressure delivery system of Fresca Medical, Inc. ("**Fresca**"). This is the second FDA approval, a "510(k) clearance", following the granting of our de novo application in mid of 2018. The clearance covers the commercial version of Fresca's system, including the auto-adjusting pressure algorithm, cloud features, "go to sleep" ramp, elegant touchscreen-controlled airbox, and the molded/manufactured versions of all of the system components. The Fresca team is now focusing on ramping up the manufacturing capability and supporting its market launch.

During the Period, the Ventway Sparrow® ventilator of Inovytec Medical Solutions Ltd. ("**Inovytec**") received strong market demand as this compact, ultra-handly and user-friendly ventilator is suitable for chronic or life support-ventilation of COVID-19 patients. Ventway Sparrow® ventilator received the EUA in March 2020. As a key manufacturer for Inovytec, the Group has expanded its production line for Ventway Sparrow® ventilator and its dedicated disposables.

With an accumulated active user base of over one million individual households and over 1,500 corporate users, 廣州柏頤信息科技有限公司 (translated as "Guangzhou 100ecare Technology Co. Ltd.", "**100ecare**") was selected as one of the top 10 "2020 Elderly Care Service Enterprise" in the PRC. In May 2020, 100ecare launched its new "Home Security Alarm" service to connect elderly care service centers with the elderlies at home, by utilizing its smart elderly healthcare platform to consolidate the service needs of elderlies and alert the relevant service support centers in real time.



# MANAGEMENT DISCUSSION AND ANALYSIS

## OUTLOOK

The pandemic will continue in the second half of 2020 and has already changed the global healthcare system. While we are not certain when COVID-19 will be under control, what is certain is that global demand for COVID-19 related medical devices will continue to increase and Vincent Medical continues in supplying these respiratory devices. With over 20 years in respiratory and humidification, a key supplier to the major global respiratory companies and an increasing distribution network into 70 countries, the Group expects continuous growth for the second half of 2020. Vincent Medical will continue to drive market expansion while building an even stronger intellectual property and patent portfolio. The acceleration of demand has seen a faster installed base of the inspired™ brand products and in particular with the VHB Humidifier and O2FLO. The greater use and acceptance of inspired™ products globally will increase over time and allow the Group to penetrate further with future product portfolio expansion.

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 put the spotlight on the use of high flow oxygen therapy in the treatment of respiratory failure, yet the full potential of high flow oxygen therapy has yet to be realised as the therapy can be used in numerous respiratory treatments beyond COVID-19. We will see accelerated adoption and expansion of the use throughout the hospital and there are signs that such treatments have potential for home use in the future. We will certainly see more and more clinical papers and discussions on high flow oxygen therapy in the near future. To further capture such growing market, the Group will continue to invest in product innovation and aims to be a significant player with strategic collaboration with global medical technology companies and distributors.

On cost and efficiency, the Group will continue to improve its production and operation efficiency in order to support sustainable business growth and further improvement in profitability. It will also strive to streamline its corporate structure and exercise caution over the management of working capital.

The Group would not be able to achieve the above without the support of its stakeholders. As such, the Group would like to recognise its suppliers, customers, business partners, government agencies – and especially, its employees – for their enormous contributions during this challenging time. Everyone at Vincent Medical have worked tirelessly and selflessly in fighting COVID-19 everyday. As one of the key respiratory suppliers, the Group will continue to do everything to support the healthcare system in fighting against the pandemic.

## FINANCIAL REVIEW

### REVENUE

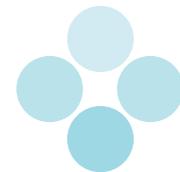
Total revenue increased by 103.8% to HK\$502.3 million (1H2019: HK\$246.5 million), largely driven by the surging demand for respiratory products, the launch of new products under the OBM segment and new orders under the OEM segment.

### GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit margin significantly improved to 44.9% (1H2019: 34.0%), largely reflecting the enhancement of product mix with much stronger sales from electronic devices and greater economies of scale in production as revenue continued to increase with a relatively stable cost of revenue. Gross profit recorded a strong growth of 169.2% to HK\$225.3 million (1H2019: HK\$83.7 million).

### SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by 42.3% to HK\$22.2 million (1H2019: HK\$15.6 million) with its percentage of revenue decreased to 4.4% (1H2019: 6.3%), primarily attributable to the increase in sales volume yet under an effective control of selling and distribution expenses.



## ADMINISTRATIVE EXPENSES

Administrative expenses increased by 53.4% to HK\$73.5 million (1H2019: HK\$47.9 million), primarily attributable to increased R&D expenses and higher administrative personnel related expenses due to increased number of staff and general increase in average salary. Administrative expenses for the Period accounted for 14.6% of revenue (1H2019: 19.4%).

## INCOME TAX EXPENSE

Income tax expense increased by 473.5% to HK\$19.5 million (1H2019: HK\$3.4 million), implying an effective tax rate for the Group of 15.1% for the Period (1H2019: 18.0%).

## PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company increased by 570.1% to HK\$91.8 million (1H2019: HK\$13.7 million), attributable primarily to the strong growth in revenue, greater economies of scale in production and effective control of expenses during the Period.

## PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group expanded its production capacity through the purchase of additional machineries, tooling and equipment and the fitting of an additional floor of production area. Capital expenditure on property, plant and equipment for the Period were HK\$21.6 million (1H2019: HK\$16.5 million). As at 30 June 2020, property, plant and equipment was HK\$80.6 million (31 December 2019: HK\$68.7 million).

## INVENTORIES

Inventories as at 30 June 2020 was HK\$224.6 million (31 December 2019: HK\$118.5 million). The increase was attributable to the additional safety stock in raw materials in response to the surging market demand.

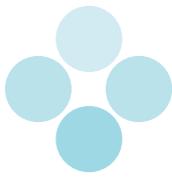
## TRADE RECEIVABLES

Trade receivables as at 30 June 2020 was HK\$191.5 million (31 December 2019: HK\$112.7 million), in line with the higher sales during the Period.

## HUMAN RESOURCES

As at 30 June 2020, the total number of full-time employees of the Group was 2,151 (31 December 2019: 1,149). The remuneration of employees was determined according to their experience, qualifications, result of operations of the Group and market condition. We offered senior management performance-based bonus and share options to reward and retain a high calibre management team. We also adopted commission and incentive plans to motivate and reward our sales and marketing team.

During the Period, staff costs including Directors' emoluments (excluding capitalised salaries and wages of R&D staff) amounted to HK\$108.1 million (1H2019: HK\$74.3 million), representing 21.5% (1H2019: 30.1%) of the Group's revenue. The increase was mainly due to the increase in the number of employees, salary adjustment and rise in overtime wages.



# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND FINANCIAL RESOURCES AND BORROWINGS

Bank and cash balances as at 30 June 2020 was HK\$109.9 million (31 December 2019: HK\$70.0 million). This was a result of the net cash inflow from operating activities of HK\$71.7 million, net cash outflow from investing activities of HK\$29.3 million, net cash inflow from financing activities of HK\$1.0 million and the negative effect of foreign exchange rate changes of HK\$3.5 million. Most of the bank and cash balances were denominated in HKD, US dollars (“USD”) and Renminbi (“RMB”).

Net cash outflow from investing activities during the Period were mainly due to the purchase of property, plant and equipment of HK\$21.6 million and additions to other intangible assets of HK\$7.9 million, while net cash inflow from financing activities mainly arose from net cash inflow of HK\$16.8 million from borrowings, net off by dividend paid to owners of the Company and principal elements of lease payment.

As at 30 June 2020, total borrowings amounted to HK\$47.0 million (31 December 2019: HK\$30.6 million). The increase was primarily due to new bank loans of HK\$18.2 million raised during the Period. 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 0.11 (31 December 2019: 0.09). As at 30 June 2020, the Group had unutilised bank facilities of HK\$20.0 million.

## CAPITAL STRUCTURE

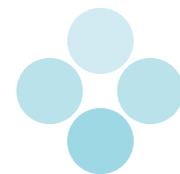
As at 30 June 2020, the issued share capital of the Company was approximately HK\$6.4 million, comprising 637,650,000 Shares of nominal value of HK\$0.01 per Share.

## SIGNIFICANT INVESTMENTS

As at 30 June 2020, the Company considered that the significant investments were as follows:

### Equity investments at fair value through other comprehensive income

Name of company	Principal business	Approximate percentage of shareholding	Total investment	Fair value of the equity investment		Assets ratio defined under the Listing Rules	
				30 June 2020 (unaudited)	31 December 2019 (audited)	30 June 2020 (unaudited)	31 December 2019 (audited)
Inovytec	An Israeli medical device company specialises in the development, production and marketing of devices for out-of-hospital critical care, respiratory, cardiac, central nervous system and trauma emergencies.	13.68%	US\$3.0 million (equivalent to HK\$23.4 million)	<b>US\$1.9 million (equivalent to HK\$15.1 million)</b>	US\$1.9 million (equivalent to HK\$15.1 million)	<b>1.8%</b>	2.6%
Fresca	A US California-based sleep solution and connected health company that is developing a system for the treatment of obstructive sleep apnea.	17.5%	US\$3.0 million (equivalent to HK\$23.4 million)	<b>US\$0.8 million (equivalent to HK\$5.9 million)</b>	US\$1.1 million (equivalent to HK\$8.6 million)	<b>0.7%</b>	1.5%



## Investment in a joint venture

Name of company	Principal business	Approximate percentage of shareholding	Total investment	Carrying amount of investment		Assets ratio defined under the Listing Rules	
				30 June 2020 (unaudited)	31 December 2019 (audited)	30 June 2020 (unaudited)	31 December 2019 (audited)
100ecare	A PRC-based company specialises in design, development and sale of a series of wearable smart devices, and operate a cloud-based safety and healthcare platform targeting the elderly population in the PRC.	10%	RMB8.0 million (equivalent to HK\$9.2 million)	<b>RMB8.4 million (equivalent to HK\$9.2 million)</b>	RMB8.4 million (equivalent to HK\$9.4 million)	<b>1.1%</b>	1.6%

For additional information regarding the performance during the Period and prospects of the above significant investments, please refer to the paragraph headed “Investments and Collaboration” above.

## MATERIAL ACQUISITIONS AND DISPOSALS

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

## EVENTS AFTER THE REPORTING PERIOD

On 25 August 2020 (after trading hours), the Company entered into a memorandum of understanding with Bayer Medical Care, Inc. whereby the parties agreed to enter into an agreement in respect of the possible acquisition by the Company or its subsidiary of the 1,718,861 shares in Vincent Medical Manufacturing Co., Limited (永勝醫療製品有限公司), representing approximately 19.90% of its issued shares, and 3.98% equity interest in 東莞永勝醫療製品有限公司 (translated as “Vincent Medical (Dongguan) Mfg. Co. Ltd.”). For details, please refer to the Company’s announcement dated 25 August 2020.

On 25 August 2020, an environmental, social and governance committee of the Company (the “**ESG Committee**”) has been established with its written terms of reference. The purpose of the ESG Committee is to advise and assist the Board in managing matters relating to the environmental, social and governance of the Group, such as governance, policies, initiatives, performance and reporting. Mr. Fu Kwok Fu, an executive Director, has been appointed as the chairman of the ESG Committee. Mr. Lai Hoi Ming, the Group’s chief financial officer and Ms. Tsui Lai Ki Vicki, the Group’s company secretary have been appointed as members of the ESG Committee, all with effect from 25 August 2020.

Saved as disclosed above, there were no other significant events after the reporting period and up to the date of this report.

## CHARGES ON THE GROUP’S ASSETS

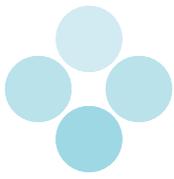
As at 30 June 2020, none of the assets of the Group were pledged.

## 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 business. 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.

## CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have other contingent liabilities.



## OTHER INFORMATION

### INTERIM DIVIDEND

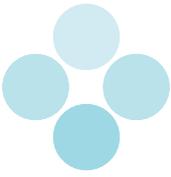
The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2020 (1H2019: Nil).

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2020, to the best knowledge of the Directors and chief executives of the Company, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be disclosed pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

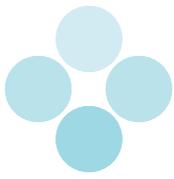
#### Interests in Shares and underlying Shares

Name of Director	Capacity/Type of interest	Number of Shares (L) <i>(Note 1)</i>	Approximate percentage of shareholding <i>(Note 6)</i>
Mr. Choi Man Shing	Beneficial owner/interest of controlled corporations	385,191,890 <i>(Note 2)</i>	60.41%
Mr. To Ki Cheung	Beneficial owner	20,174,110 <i>(Note 3)</i>	3.16%
Mr. Koh Ming Fai	Beneficial owner/interest of spouse	7,144,000 <i>(Note 4)</i>	1.12%
Mr. Fu Kwok Fu	Beneficial owner	6,970,000 <i>(Note 5)</i>	1.09%
Prof. Yung Kai Leung	Beneficial owner	1,200,000	0.19%



Notes:

1. The letter "L" denotes the person's long position in the Shares or the underlying Shares.
2. These interests represented:
  - (a) 3,002,000 Shares held by Mr. Choi Man Shing ("**Mr. Choi**"), the chairman and an executive Director of the Company;
  - (b) 381,939,890 Shares held by VINCENT RAYA INTERNATIONAL LIMITED ("**VRI**"). Mr. Choi holds 57.89% of the issued share capital of VRI. By virtue of the SFO, Mr. Choi is deemed to be interested in all the Shares in which VRI is interested; and
  - (c) 250,000 Shares held by VINCENT RAYA CO., LIMITED (永勝宏基集團有限公司) ("**VRHK**"). VRI holds the entire issued share capital of VRHK and therefore by virtue of the SFO, Mr. Choi is deemed to be interested in all the Shares in which VRHK is interested.
3. These interests represented:
  - (a) 17,647,778 Shares held by Mr. To Ki Cheung, the Chief Executive Officer and executive Director of the Company;
  - (b) 526,332 options granted to Mr. To Ki Cheung, which are subject to certain vesting conditions pursuant to the pre-IPO share option scheme of the Company, details of which are set out in the section headed "Share Option Schemes" below; and
  - (c) 2,000,000 options granted to Mr. To Ki Cheung, which are subject to certain vesting conditions pursuant to the share option scheme of the Company, details of which are set out in the section headed "Share Option Schemes" below.
4. These interests represented:
  - (a) 4,941,166 Shares held by Mr. Koh Ming Fai, an executive Director;
  - (b) 174,000 Shares held by the spouse of Mr. Koh Ming Fai. By virtue of the SFO, Mr. Koh is deemed to be interested in all the Shares in which his spouse is interested;
  - (c) 528,834 options granted to Mr. Koh Ming Fai, which are subject to certain vesting conditions pursuant to the pre-IPO share option scheme of the Company, details of which are set out in the section headed "Share Option Schemes" below; and
  - (d) 1,500,000 options granted to Mr. Koh Ming Fai, which are subject to certain vesting conditions pursuant to the share option scheme of the Company, details of which are set out in the section headed "Share Option Schemes" below.
5. These interests represented:
  - (a) 4,941,166 Shares held by Mr. Fu Kwok Fu, an executive Director;
  - (b) 528,834 options granted to Mr. Fu Kwok Fu, which are subject to certain vesting conditions pursuant to the pre-IPO share option scheme of the Company, details of which are set out in the section headed "Share Option Schemes" below; and
  - (c) 1,500,000 options granted to Mr. Fu Kwok Fu, which are subject to certain vesting conditions pursuant to the share option scheme of the Company, details of which are set out in the section headed "Share Option Schemes" below.
6. Approximate percentage calculated based on the 637,650,000 Shares in issue as at 30 June 2020.



## OTHER INFORMATION

Save as disclosed above and to the best knowledge of the Directors, as at 30 June 2020, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

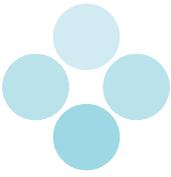
As at 30 June 2020, so far as the Directors are aware, the following persons (other than the Directors or chief executives of the Company), were directly or indirectly, interested in 5% or more of the Shares or short positions in the Shares and the underlying Shares of the Company, which were required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

#### Interests in Shares and underlying Shares

Name of Shareholder	Capacity/Type of interest	Number of Shares (L) <i>(Note 1)</i>	Approximate percentage of shareholding <i>(Note 5)</i>
Ms. Liu Pui Ching	Interest of spouse/interest of controlled corporations	385,191,890 <i>(Note 2)</i>	60.41%
VRI	Beneficial owner/interest of a controlled corporation	382,189,890 <i>(Note 3)</i>	59.94%
China Orient Asset Management Corporation	Interest of controlled corporations	33,000,000 <i>(Note 4)</i>	5.18%
Dong Yin Development (Holdings) Limited	Interest of a controlled corporation	33,000,000 <i>(Note 4)</i>	5.18%
Bright Way Enterprise Inc.	Beneficial owner	33,000,000 <i>(Note 4)</i>	5.18%

#### Notes:

1. The letter "L" denotes the person/entity's long position in the Shares or the underlying Shares.
2. These interests represented:
  - (a) 3,002,000 Shares held by Mr. Choi. Mr. Choi is the spouse of Ms. Liu Pui Ching ("**Ms. Liu**"). By virtue of the SFO, Ms. Liu is deemed to be interested in all the Shares in which Mr. Choi is interested;
  - (b) 381,939,890 Shares held by VRI. Ms. Liu holds 42.11% of the issued share capital of VRI. By virtue of the SFO, Ms. Liu is deemed to be interested in all the Shares in which VRI is interested; and
  - (c) 250,000 Shares held by VRHK. VRI holds the entire issued share capital of VRHK and therefore by virtue of the SFO, Ms. Liu is deemed to be interested in all the Shares in which VRHK is interested.



3. These interests represented:
  - (a) 381,939,890 Shares held by VRI; and
  - (b) 250,000 Shares held by VRHK. VRI holds the entire issued share capital of VRHK and therefore by the virtue of the SFO, VRI is deemed to be interested in all the Shares held by VRHK.
4. China Orient Asset Management Corporation holds 100% interest of Dong Yin Development (Holdings) Limited, which in turns holds 100% interest of Bright Way Enterprise Inc. Therefore, each of China Orient Asset Management Corporation and Dong Yin Development (Holdings) Limited is deemed to be interested in the same 33,000,000 Shares held by Bright Way Enterprise Inc.. Subsequent to the reporting period, Bright Way Enterprise Inc. has disposed 6,400,000 Shares, of which its shareholding was decreased from 5.18% to 4.17% based on the issued share capital as at 30 June 2020. By virtue of the SFO, China Orient Asset Management Corporation, Dong Yin Development (Holdings) Limited and Bright Way Enterprise Inc. ceased to be the substantial shareholders of the Company after the relevant event.
5. Approximate percentage calculated based on the 637,650,000 Shares in issue as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, the Directors were not aware of any other corporation or individual (other than the Directors or chief executives of the Company) who had an interest or a short position in the Shares or underlying Shares of the Company as recorded in the register of required to be kept pursuant to Section 336 of the SFO.

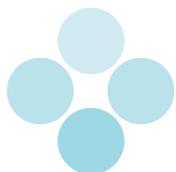
## SHARE OPTION SCHEMES

### Pre-IPO Share Option Scheme adopted on 17 June 2016

A pre-IPO share option scheme (the “**Pre-IPO Share Option Scheme**”) was adopted by the Company on 17 June 2016. The purpose of the Pre-IPO Share Option Scheme is to recognise and acknowledge the contributions made by certain executives, Directors, employees and/or consultants of the Group to the growth of the Group by granting options to them as rewards and further incentives. The Pre-IPO Share Option Scheme will expire in 16 June 2026 and the remaining life of the Pre-IPO Share Option Scheme as at the date of this report is around 6 years.

Pursuant to the Pre-IPO Share Option Scheme, on 17 June 2016, the Company conditionally granted the options to subscribe for an aggregate of 19,684,000 Shares to a total of 91 grantees at exercise price of HK\$0.80 per Share which is an amount equal to 80% of the final price (i.e. HK\$1.00) for each offer share of the Hong Kong public offering and the international placing in connection with the Company’s listing of the Shares on the main board of the Stock Exchange on 13 July 2016. Save for the options which have been granted on 17 June 2016, no further options will be granted under the Pre-IPO Share Option Scheme.

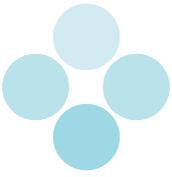
For the six months ended 30 June 2020, none of the share options under the Pre-IPO Share Option Scheme were exercised and a total of 460,000 share options were lapsed as a result of voluntary resignation of the relevant option holders. As at 30 June 2020, the maximum number of Shares which might be issued upon exercise of all outstanding options granted under the Pre-IPO Share Option Scheme was 15,604,000 Shares, representing approximately 2.4% of the Company’s issued share capital as at 30 June 2020.



## OTHER INFORMATION

Details of the outstanding share options under the Pre-IPO Share Option Scheme during the Period are as follows:

Grantee	Date of grant	Vesting schedule	Exercise period	Number of Shares underlying the share options granted			
				Outstanding as at 1 January 2020	Exercised during the Period	Lapsed during the Period	Outstanding as at 30 June 2020
<b>Directors</b>							
Mr. To Ki Cheung	17 June 2016	25% of options will vest on each of 13 July 2017, 2018, 2019 and 2020 respectively	25% of options will be exercisable from each of 13 July 2017, 2018, 2019 and 2020 respectively to 16 June 2026	526,332	-	-	526,332
Mr. Koh Ming Fai	17 June 2016	25% of options will vest on each of 13 July 2017, 2018, 2019 and 2020 respectively	25% of options will be exercisable from each of 13 July 2017, 2018, 2019 and 2020 respectively to 16 June 2026	528,834	-	-	528,834
Mr. Fu Kwok Fu	17 June 2016	25% of options will vest on each of 13 July 2017, 2018, 2019 and 2020 respectively	25% of options will be exercisable from each of 13 July 2017, 2018, 2019 and 2020 respectively to 16 June 2026	528,834	-	-	528,834
<b>In aggregate</b>				<b>1,584,000</b>	-	-	<b>1,584,000</b>
<b>Consultant</b>							
<b>In aggregate</b>	17 June 2016	25% of options will vest on each of 13 July 2017, 2018, 2019 and 2020 respectively	25% of options will be exercisable from each of 13 July 2017, 2018, 2019 and 2020 respectively to 16 June 2026	<b>528,000</b>	-	-	<b>528,000</b>
<b>Senior management and other employees</b>							
<b>In aggregate</b>	17 June 2016	25% of options will vest on each of 13 July 2017, 2018, 2019 and 2020 respectively	25% of options will be exercisable from each of 13 July 2017, 2018, 2019 and 2020 respectively to 16 June 2026	<b>13,952,000</b>	-	<b>(460,000)</b>	<b>13,492,000</b>
<b>Total</b>				<b>16,064,000</b>	-	<b>(460,000)</b>	<b>15,604,000</b>



#### Share option scheme adopted on 24 June 2016

A share option scheme (the “**Share Option Scheme**”) was adopted by the Company on 24 June 2016. The purpose of the Share Option Scheme is to recognise and acknowledge the contributions of eligible participants of the Share Option Scheme including any executive, Director, employee, advisor, consultant, professional, agent, contractor, customer, provider of goods and/or services or business or joint-venture partner to the Group (the “**Eligible Participant(s)**”) by granting options to them as incentives or rewards. HK\$1.00 is payable by an Eligible Participant upon acceptance of an offer of option. The Share Option Scheme will expire on 23 June 2026 and the remaining life of the Share Option Scheme as at the date of this report is around 6 years.

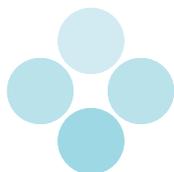
The exercise price per Share shall be determined by the Board and notified to the grantee at the time of offer of the options. The exercise price should at least be the highest of:

- (i) the nominal value of the Shares;
- (ii) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of offer, which must be a day on which the Stock Exchange is open for the business of dealing in securities (the “**Business Day**”); and
- (iii) the average closing prices of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five Business Days immediately preceding the date of offer,

or (where applicable) such price as from time to time adjusted pursuant to the Share Option Scheme.

As at the date of this report, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 63,800,000 Shares, being 10% of the total number of Shares in issue at the time dealings in the Shares first commenced on the Stock Exchange. The total number of Shares issued and to be issued upon the exercise of the options granted or to be granted under the Share Option Scheme and any other schemes of the Company (including exercised, cancelled and outstanding options) to each Eligible Participant in any 12 consecutive months up to and including the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

For the six months ended 30 June 2020, no share option was granted under the Share Option Scheme and none of the share options under the Share Option Scheme were exercised and lapsed. As at 30 June 2020, the maximum number of Shares which might be issued upon exercise of all outstanding options granted under the Share Option Scheme was 15,400,000 Shares, representing approximately 2.4% of the Company’s issued share capital as at 30 June 2020.



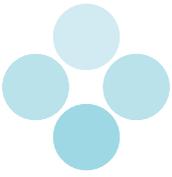
## OTHER INFORMATION

Details of the outstanding share options under the Share Option Scheme during the Period as follows:

Grantee	Date of grant	Vesting schedule	Exercise period	Number of Shares underlying the share options granted			
				Outstanding as at 1 January 2020	Exercised during the Period	Lapsed during the Period	Outstanding as at 30 June 2020
<b>Directors</b>							
Mr. To Ki Cheung	28 May 2018	25% of options will vest on each of 28 May 2019, 2020, 2021 and 2022 respectively	25% of options will be exercisable from each of 28 May 2019, 2020, 2021 and 2022 respectively to 23 June 2026	2,000,000	-	-	2,000,000
Mr. Koh Ming Fai	28 May 2018	25% of options will vest on each of 28 May 2019, 2020, 2021 and 2022 respectively	25% of options will be exercisable from each of 28 May 2019, 2020, 2021 and 2022 respectively to 23 June 2026	1,500,000	-	-	1,500,000
Mr. Fu Kwok Fu	28 May 2018	25% of options will vest on each of 28 May 2019, 2020, 2021 and 2022 respectively	25% of options will be exercisable from each of 28 May 2019, 2020, 2021 and 2022 respectively to 23 June 2026	1,500,000	-	-	1,500,000
<b>In aggregate</b>				<b>5,000,000</b>	-	-	<b>5,000,000</b>
<b>Consultant</b>							
<b>In aggregate</b>	25 March 2019	25% of options will vest on each of 25 March 2020, 2021, 2022 and 2023 respectively	25% of options will be exercisable from each of 25 March 2020, 2021, 2022 and 2023 respectively to 23 June 2026	<b>300,000</b>	-	-	- (Note)
<b>Senior management and other employees</b>							
	28 May 2018	25% of options will vest on each of 28 May 2019, 2020, 2021 and 2022 respectively	25% of options will be exercisable from each of 28 May 2019, 2020, 2021 and 2022 respectively to 23 June 2026	7,300,000	-	-	7,300,000
	25 March 2019	25% of options will vest on each of 25 March 2020, 2021, 2022 and 2023 respectively	25% of options will be exercisable from each of 25 March 2020, 2021, 2022 and 2023 respectively to 23 June 2026	2,800,000	-	-	3,100,000 (Note)
<b>In aggregate</b>				<b>10,100,000</b>	-	-	<b>10,400,000</b>
<b>Total</b>				<b>15,400,000</b>	-	-	<b>15,400,000</b>

Note:

The consultant joined the Group as a senior project engineer during the Period. Therefore, the outstanding balance of 300,000 share options under the category of "Consultant" as at 30 June 2020 were included in the category of "Senior management and other employees".



Further details of the share options are set out in Note 17 to the condensed consolidated financial statements of this report.

### CHANGE OF DIRECTORS' INFORMATION

Subsequent to publication of the 2019 annual report, the change of Directors' information, which are required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules, is set out below:

Name of Director	Details of change
Fu Kwok Fu	Appointed as the chairman of the ESG Committee with effect from 25 August 2020

The biographies of Directors are available in "About Us" section of the Company's website.

### CORPORATE GOVERNANCE PRACTICES

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. 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 provisions set out in the CG Code throughout the Period and up to the date of this report.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

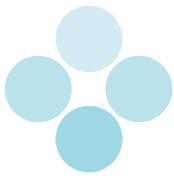
The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding their securities transactions throughout the Period and up to the date of this report.

### AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference which deal clearly with its authority and duties. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Au Yu Chiu Steven, Mr. Mok Kwok Cheung Rupert and Prof. Yung Kai Leung.

The Group's unaudited consolidated interim results for the six months ended 30 June 2020 have been reviewed by the Audit Committee.

RSM Hong Kong, the Company's auditor, has reviewed the unaudited consolidated interim results of the Group for the six months ended 30 June 2020 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's independent review report is set out on page 25 of this report.



## OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2020.

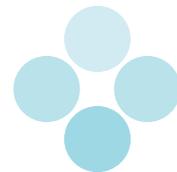
### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Board, the Company had maintained a sufficient public float of not less than 25% of its total issued Shares as required under the Listing Rules throughout the Period and up to the date of this report.

### PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2020 containing all the relevant information required by the Listing Rules and the relevant laws and regulations has been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.vincentmedical.com>).

By Order of the Board  
**Vincent Medical Holdings Limited**  
**Choi Man Shing**  
*Chairman and Executive Director*  
Hong Kong, 25 August 2020

**TO THE BOARD OF DIRECTORS OF VINCENT MEDICAL HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

**Introduction**

We have reviewed the interim financial information set out on pages 26 to 44 which comprises the condensed consolidated statement of financial position of the Company and its subsidiaries as at 30 June 2020 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Scope of Review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

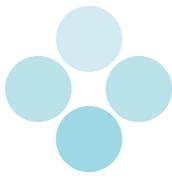
Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**RSM Hong Kong**

*Certified Public Accountants*

Hong Kong

25 August 2020



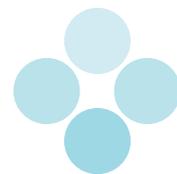
# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

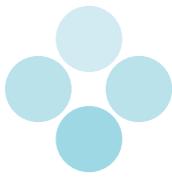
	Note	Six months ended 30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Revenue</b>	5	<b>502,346</b>	246,524
Cost of sales		<b>(277,042)</b>	(162,826)
<b>Gross profit</b>		<b>225,304</b>	83,698
Other income, other gains and losses		<b>2,040</b>	1,348
Selling and distribution expenses		<b>(22,203)</b>	(15,617)
Administrative expenses		<b>(73,549)</b>	(47,942)
<b>Profit from operations</b>		<b>131,592</b>	21,487
Finance costs		<b>(1,551)</b>	(1,451)
Share of losses of associates		<b>(428)</b>	(455)
Share of losses of joint ventures		<b>(624)</b>	(677)
<b>Profit before tax</b>		<b>128,989</b>	18,904
Income tax expense	6	<b>(19,513)</b>	(3,394)
<b>Profit for the period</b>	7	<b>109,476</b>	15,510
<b>Attributable to:</b>			
Owners of the Company		<b>91,842</b>	13,667
Non-controlling interests		<b>17,634</b>	1,843
		<b>109,476</b>	15,510
<b>Earnings per share</b>	9		
Basic		<b>HK14.40 cents</b>	HK2.14 cents
Diluted		<b>n/a</b>	n/a

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020



	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Profit for the period</b>	<b>109,476</b>	15,510
<b>Other comprehensive income:</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value changes of equity investments at fair value through other comprehensive income ("FVTOCI")	(2,678)	2,684
<i>Items that will be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(4,607)	(1,017)
Share of other comprehensive income of associates and joint ventures	–	39
	<b>(4,607)</b>	(978)
<b>Other comprehensive income for the period, net of tax</b>	<b>(7,285)</b>	1,706
<b>Total comprehensive income for the period</b>	<b>102,191</b>	17,216
<b>Attributable to:</b>		
Owners of the Company	<b>85,349</b>	15,281
Non-controlling interests	<b>16,842</b>	1,935
	<b>102,191</b>	17,216



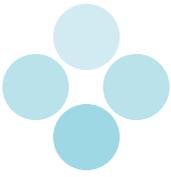
# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

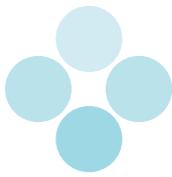
	Note	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	80,600	68,732
Right-of-use assets	11	20,305	21,408
Goodwill		–	–
Other intangible assets		34,743	31,123
Investments in associates		4,775	5,204
Investments in joint ventures		16,130	17,027
Equity investments at FVTOCI		40,521	43,199
Deferred tax assets		1,856	1,892
<b>Total non-current assets</b>		<b>198,930</b>	<b>188,585</b>
<b>Current assets</b>			
Inventories		224,598	118,544
Trade receivables	12	191,485	112,707
Contract assets		9,397	12,991
Prepayments, deposits and other receivables	13	115,154	67,541
Bank and cash balances		109,897	69,951
<b>Total current assets</b>		<b>650,531</b>	<b>381,734</b>
<b>TOTAL ASSETS</b>		<b>849,461</b>	<b>570,319</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	16	6,377	6,377
Reserves		424,841	346,074
Equity attributable to owners of the Company		431,218	352,451
Non-controlling interests		76,435	61,696
<b>Total equity</b>		<b>507,653</b>	<b>414,147</b>
<b>Non-current liabilities</b>			
Lease liabilities		7,767	11,528
Deferred tax liabilities		5,424	5,830
<b>Total non-current liabilities</b>		<b>13,191</b>	<b>17,358</b>
<b>Current liabilities</b>			
Trade payables	14	145,274	43,277
Other payables and accruals	15	97,684	41,899
Lease liabilities		13,498	10,675
Borrowings		46,965	30,598
Current tax liabilities		25,196	12,365
<b>Total current liabilities</b>		<b>328,617</b>	<b>138,814</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>849,461</b>	<b>570,319</b>
<b>Net current assets</b>		<b>321,914</b>	<b>242,920</b>
<b>Total assets less current liabilities</b>		<b>520,844</b>	<b>431,505</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020



	Attributable to owners of the Company									
	Share capital	Share premium account	Share-based payment reserve	Merger reserve	Foreign currency translation reserve	FVTOCI reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019 (audited)	6,377	151,957	8,514	12,094	(6,741)	(6,323)	208,573	374,451	59,742	434,193
Total comprehensive income for the period	-	-	-	-	(1,070)	2,684	13,667	15,281	1,935	17,216
Share-based payments	-	-	1,347	-	-	-	-	1,347	-	1,347
Dividend paid	-	(10,202)	-	-	-	-	-	(10,202)	-	(10,202)
Changes in equity for the period	-	(10,202)	1,347	-	(1,070)	2,684	13,667	6,426	1,935	8,361
At 30 June 2019 (unaudited)	6,377	141,755	9,861	12,094	(7,811)	(3,639)	222,240	380,877	61,677	442,554
At 1 January 2020 (audited)	6,377	141,755	10,620	12,094	(11,065)	(27,428)	220,098	352,451	61,696	414,147
Total comprehensive income for the period	-	-	-	-	(3,815)	(2,678)	91,842	85,349	16,842	102,191
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	138	138
Share-based payments	-	-	650	-	-	-	-	650	-	650
Dividend paid	-	(7,014)	-	-	-	-	-	(7,014)	-	(7,014)
Purchases of non-controlling interests	-	-	-	-	-	-	(218)	(218)	(2,241)	(2,459)
Changes in equity for the period	-	(7,014)	650	-	(3,815)	(2,678)	91,624	78,767	14,739	93,506
At 30 June 2020 (unaudited)	6,377	134,741	11,270	12,094	(14,880)	(30,106)	311,722	431,218	76,435	507,653



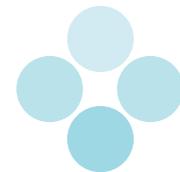
# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>71,717</b>	24,299
Purchases of property, plant and equipment	(21,585)	(16,459)
Additions to other intangible assets	(7,852)	(2,350)
Other investing cash flows (net)	159	69
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(29,278)</b>	(18,740)
Borrowings raised	18,216	–
Repayment of borrowings	(1,406)	(907)
Principal elements of lease payment	(6,473)	(5,638)
Capital contribution from non-controlling shareholders	138	–
Purchases of non-controlling interests	(2,459)	–
Dividend paid to owners of the Company	(7,014)	(10,202)
<b>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</b>	<b>1,002</b>	(16,747)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>43,441</b>	(11,188)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>69,951</b>	81,141
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>(3,495)</b>	(622)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY</b>	<b>109,897</b>	69,331
Bank and cash balances	109,897	69,331

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020



## 1. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2019 annual financial statements. The accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2019 except as stated below.

### Provision for warranty cost

Provision for warranty cost is recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The Group recognises the estimated liability to repair or replace products still under warranty at the end of reporting period. This provision is calculated based on historical experience of the level of repairs and replacements.

## 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

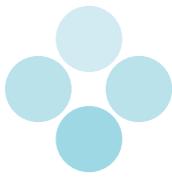
The accounting policies applied in these condensed consolidated financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2019. A number of new or amended standards are effective from 1 January 2020 but they do not have a material effect on the Group’s consolidated financial statements.

## 3. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group’s financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs:	quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2 inputs:	inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 inputs:	unobservable inputs for the asset or liability.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

## 3. FAIR VALUE MEASUREMENTS (CONTINUED)

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

The following table shows the carrying amounts and fair value of financial assets, including their levels in the fair value hierarchy. It does not include fair value information for financial assets not measured at fair value of the carrying amount is a reasonable approximation of fair value. Further, for the current year the fair value disclosure of lease liabilities is also not required.

### (a) Disclosures of level in fair value hierarchy at 30 June 2020:

Description	Fair value measurements as at 30 June 2020 (unaudited)			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000

#### Recurring fair value measurements:

Financial assets at FVTOCI

– Unlisted equity securities

–	–	40,521	40,521
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Description	Fair value measurements as at 31 December 2019 (audited)			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000

#### Recurring fair value measurements:

Financial assets at FVTOCI

– Unlisted equity securities

–	–	43,199	43,199
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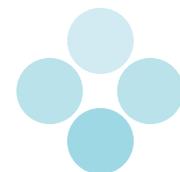
### (b) Reconciliation of financial assets measured at fair value based on Level 3:

	Financial assets at FVTOCI	
	30 June 2020	31 December 2019
	HK\$'000 (unaudited)	HK\$'000 (audited)
At beginning of period/year	43,199	64,304
Total gains or losses recognised in other comprehensive income	(2,678)	(21,105)
At end of period/year	40,521	43,199

The total gains or losses recognised in other comprehensive income are presented in fair value changes of equity investments at FVTOCI in the condensed consolidated statement of profit or loss and other comprehensive income.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020



## 3. FAIR VALUE MEASUREMENTS (CONTINUED)

### (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2020:

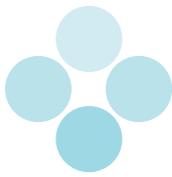
The Group's chief financial officer is responsible for the fair value measurements of financial assets and financial liabilities required for financial reporting purposes, including Level 3 fair value measurements. The chief financial officer reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the Board of Directors at least twice a year.

For Level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

#### Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of input	Fair value	
					30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Unlisted equity securities classified as financial assets at FVTOCI	Discounted cash flows	Weighted average cost of capital	30% - 50% (31 December 2019: 34% - 50%)	Decrease	40,521	43,199
		Discount for lack of marketability	20% - 25% (31 December 2019: 20% - 25%)	Decrease		
		Long-term growth rate	2% (31 December 2019: 2%)	Increase		
Unlisted equity securities classified as financial assets at FVTOCI	Cost approach	n/a	n/a	n/a	-	-

There were no changes in the valuation techniques used.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

## 4. SEGMENT INFORMATION

Information about reportable segment profit or loss:

	OBM	OEM	Total
	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)

### Six months ended 30 June 2020

Revenue from external customers  
Segment profit

<b>251,218</b>	<b>251,128</b>	<b>502,346</b>
<b>77,036</b>	<b>57,689</b>	<b>134,725</b>

Six months ended 30 June 2019

Revenue from external customers  
Segment (loss)/profit

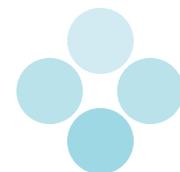
60,711	185,813	246,524
(5,061)	28,567	23,506

Reconciliation of reportable segment profit or loss:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Total profit or loss of reportable segments	<b>134,725</b>	23,506
Interest income	<b>48</b>	69
Interest expenses	<b>(1,551)</b>	(1,451)
Share-based payments	<b>(650)</b>	(1,347)
Share of losses of associates	<b>(428)</b>	(455)
Share of losses of joint ventures	<b>(624)</b>	(677)
Unallocated corporate income	<b>2,312</b>	523
Unallocated corporate expenses	<b>(4,843)</b>	(1,264)
Consolidated profit before tax	<b>128,989</b>	18,904

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020



## 4. SEGMENT INFORMATION (CONTINUED)

Revenue from major customers:

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
OEM segment		
Customer A	<b>91,034</b>	78,694
Customer B (Note)	n/a	37,630
Customer C	<b>54,877</b>	–

Note:

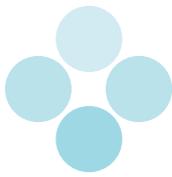
Revenue from Customer B represented less than 10% of the Group's revenue for the six months ended 30 June 2020.

## 5. REVENUE

The Group's operations and main revenue streams are those described in the last annual financial statements. 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.

	Six months ended 30 June (unaudited)					
	OBM		OEM		Total	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>By product category</b>						
Respiratory products	<b>247,671</b>	54,843	<b>115,751</b>	49,126	<b>363,422</b>	103,969
Imaging disposable products	–	–	<b>83,602</b>	76,752	<b>83,602</b>	76,752
Orthopaedic and rehabilitation products	<b>3,547</b>	5,868	<b>17,493</b>	36,174	<b>21,040</b>	42,042
Other products	–	–	<b>34,282</b>	23,761	<b>34,282</b>	23,761
	<b>251,218</b>	60,711	<b>251,128</b>	185,813	<b>502,346</b>	246,524



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

## 5. REVENUE (CONTINUED)

	Six months ended 30 June (unaudited)					
	OBM		OEM		Total	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>By geographical market</b>						
United States	6,532	2,952	199,690	150,602	206,222	153,554
The People's Republic of China (the "PRC")	141,020	32,031	–	–	141,020	32,031
Saudi Arabia	30,554	271	–	–	30,554	271
Israel	4,850	1,371	18,564	1,775	23,414	3,146
The Netherlands	746	–	11,761	7,516	12,507	7,516
Japan	3,265	2,658	8,404	8,008	11,669	10,666
Australia	1,291	749	5,813	12,056	7,104	12,805
Others	62,960	20,679	6,896	5,856	69,856	26,535
	<b>251,218</b>	<b>60,711</b>	<b>251,128</b>	<b>185,813</b>	<b>502,346</b>	<b>246,524</b>
<b>By timing of revenue recognition</b>						
Products transferred at a point in time	251,218	60,711	167,526	109,061	418,744	169,772
Products transferred over time	–	–	83,602	76,752	83,602	76,752
	<b>251,218</b>	<b>60,711</b>	<b>251,128</b>	<b>185,813</b>	<b>502,346</b>	<b>246,524</b>

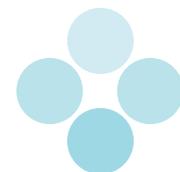
The following table provides information about receivables and contract assets from contracts with customers:

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Receivables, which included in "trade receivables"	191,485	112,707
Contract assets	9,397	12,991

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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020



## 6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Current tax		
– Hong Kong Profits Tax	<b>8,671</b>	2,071
– PRC Corporate Income Tax	<b>11,174</b>	973
Deferred tax	<b>(332)</b>	350
	<b>19,513</b>	3,394

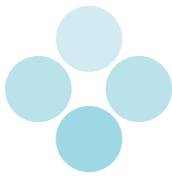
Under the two-tiered profits tax regime, profits tax rate for the first HK\$2.0 million of assessable profits of the qualifying corporation established in Hong Kong will be lowered to 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. For the other Hong Kong established subsidiaries, Hong Kong Profits Tax has been provided at a rate of 16.5% (six months ended 30 June 2019: 16.5%) on the estimated assessable profits.

PRC Corporate Income Tax has been provided at tax rates ranging from 15% to 25% for the six months ended 30 June 2020 (six months ended 30 June 2019: 10% to 25%).

## 7. PROFIT FOR THE PERIOD

The Group's profit for the period is arrived at after charging:

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Allowance for inventories (included in cost of inventories sold)	<b>6,399</b>	–
Amortisation	<b>3,119</b>	1,122
Cost of inventories sold	<b>277,042</b>	162,826
Depreciation of property, plant and equipment	<b>7,569</b>	7,371
Depreciation of right-of-use assets	<b>6,689</b>	5,157
Directors' emoluments	<b>3,159</b>	3,061
Equity-settled share-based payments	<b>650</b>	1,347
Exchange loss, net (included in other gains and losses)	<b>914</b>	1,668
Impairment of trade receivables (included in other gains and losses)	<b>144</b>	–
Research and development expenditure	<b>15,754</b>	11,696
Staff costs including directors' emoluments	<b>108,105</b>	74,319
Write off of inventories (included in cost of inventories sold)	–	982
Write off of property, plant and equipment (included in other gains and losses)	<b>768</b>	27



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

## 8. DIVIDEND

The Board of Directors of the Company has resolved not to declare any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

The final dividend of HK1.10 cents amounting to approximately HK\$7,014,000 for the year ended 31 December 2019 has been approved and paid on 18 June 2020.

## 9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following:

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Earnings</b>		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	<b>91,842</b>	13,667

	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>637,650</b>	637,650
Effect of dilutive potential ordinary shares arising from share options issued by the Company (Note)	<b>n/a</b>	n/a
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<b>n/a</b>	n/a

Note:

No diluted earnings per share are presented as the Company did not have any dilutive ordinary shares during the six months ended 30 June 2020 and 2019.

## 10. PROPERTY, PLANT AND EQUIPMENT

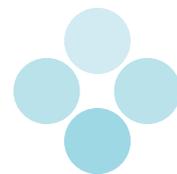
During the six months ended 30 June 2020, the Group acquired property, plant and equipment of approximately HK\$21,585,000 (six months ended 30 June 2019: HK\$16,459,000).

## 11. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2020, the Group entered into new lease agreements for offices and factory premises for 2 years. The Group makes fixed payments during the contract period. On lease commencement, the Group recognised approximately HK\$5,715,000 of right-of-use assets and lease liabilities.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020



## 12. TRADE RECEIVABLES

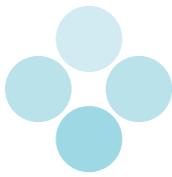
The general credit terms of the Group granted to its customers range from 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
0 to 30 days	<b>65,980</b>	26,905
31 to 60 days	<b>61,741</b>	24,548
61 to 90 days	<b>37,462</b>	28,712
Over 90 days	<b>26,302</b>	32,542
	<b>191,485</b>	112,707

## 13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Deposit for an investment	<b>7,837</b>	7,837
Deposits for license and distribution rights	<b>11,626</b>	13,427
Deposits for purchases of property, plant and equipment	<b>19,500</b>	10,939
Deposits for purchases of goods	<b>46,062</b>	15,239
Prepaid expenses	<b>6,163</b>	6,120
Rental and other deposits	<b>3,172</b>	2,091
Value-added tax and other receivables	<b>20,794</b>	11,888
	<b>115,154</b>	67,541



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

## 14. TRADE PAYABLES

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

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
0 to 30 days	<b>100,796</b>	24,508
31 to 60 days	<b>25,007</b>	7,795
Over 60 days	<b>19,471</b>	10,974
	<b>145,274</b>	43,277

## 15. OTHER PAYABLES AND ACCRUALS

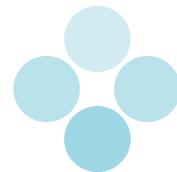
	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Accrued staff costs	<b>41,651</b>	19,446
Other accrued expenses	<b>7,668</b>	6,324
Other payables	<b>13,227</b>	8,690
Provision for warranty cost	<b>4,600</b>	–
Contract liabilities	<b>30,538</b>	7,439
	<b>97,684</b>	41,899

## 16. SHARE CAPITAL

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
<b>Authorised:</b>		
10,000,000,000 ordinary shares of HK\$0.01 each	<b>100,000</b>	100,000
<b>Issued and fully paid:</b>		
637,650,000 (at 31 December 2019: 637,650,000) ordinary shares at HK\$0.01 each	<b>6,377</b>	6,377

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020



## 17. SHARE OPTIONS

### Pre-IPO share option scheme adopted on 17 June 2016

A pre-IPO share option scheme (the “**Pre-IPO Share Option Scheme**”) was approved and adopted on 17 June 2016. The purpose of the Pre-IPO Share Option Scheme is to recognise and acknowledge the contributions made by certain executives, directors, employees and/or consultants of the Group to the growth of the Group by granting options to them as rewards and further incentives. The Pre-IPO Share Option Scheme will expire on 16 June 2026.

Each option granted under the Pre-IPO Share Option Scheme is subject to the following vesting schedule:

Tranche	Vesting Date	Percentage of an option vested
First	First anniversary of 13 July 2016 (the “ <b>Listing Date</b> ”)	25%
Second	Second anniversary of the Listing Date	25%
Third	Third anniversary of the Listing Date	25%
Fourth	Fourth anniversary of the Listing Date	25%

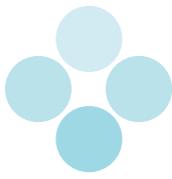
Each vested tranche of an option is exercisable during a period from and including the vesting date of the relevant tranche to and including the business day immediately preceding the tenth anniversary of the date of grant of the option.

The subscription price per share shall be HK\$0.80. On 17 June 2016, 19,684,000 options were granted. No further options will be offered or granted under the Pre-IPO Share Option Scheme.

Details of each tranche of options are as follows:

Tranche	Date of grant	Vesting period	Exercise period	Exercise price HK\$
First	17 June 2016	17 June 2016 to 13 July 2017	13 July 2017 to 16 June 2026	0.80
Second	17 June 2016	17 June 2016 to 13 July 2018	13 July 2018 to 16 June 2026	0.80
Third	17 June 2016	17 June 2016 to 13 July 2019	13 July 2019 to 16 June 2026	0.80
Fourth	17 June 2016	17 June 2016 to 13 July 2020	13 July 2020 to 16 June 2026	0.80

If the options remain unexercised after a period of ten years from the date of grant, the options will be expired. Options are lapsed if the directors, employees and/or consultants leave the Group.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

## 17. SHARE OPTIONS (CONTINUED)

### Pre-IPO share option scheme adopted on 17 June 2016 (continued)

Details of the movement of share options during the period are as follows:

	Number of share options	Weighted average exercise price HK\$
Outstanding at the beginning of the period	16,064,000	0.80
Lapsed during the period	(460,000)	0.80
Outstanding at the end of the period	15,604,000	0.80
Exercisable at the end of the period	11,703,000	0.80

### Share option scheme adopted on 24 June 2016

A share option scheme (the “**Share Option Scheme**”) was approved and adopted on 24 June 2016. Pursuant to the Share Option Scheme, the Board of Directors may, as its discretion, grant share options to any executive, director, employee, advisor, consultant, professional, agent, contractor, customer, provider of goods and/or services or partner of the Group. The Share Option Scheme will expire on 23 June 2026.

The subscription price per share shall be determined by the Board of Directors and notified to the grantee at the time of offer of the option.

On 28 May 2018, the Group granted 14,300,000 share options with exercise price of HK\$0.80 per share to certain directors and employees. 25% of the options will vest on each of 28 May 2019, 2020, 2021 and 2022 respectively and will be exercisable from each of 28 May 2019, 2020, 2021 and 2022 respectively to 23 June 2026.

On 25 March 2019, the Group further granted 4,600,000 share options with exercise price of HK\$0.80 per share to certain employees and consultant. 25% of the options will vest on each of 25 March 2020, 2021, 2022 and 2023 respectively and will be exercisable from each of 25 March 2020, 2021, 2022 and 2023 respectively to 23 June 2026.

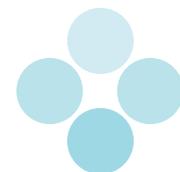
If the options remain unexercised after 23 June 2026, the options will be expired. Options are lapsed if the directors and/or employees leave the Group.

Details of the movement of share options during the period are as follows:

	Number of share options	Weighted average exercise price HK\$
Outstanding at the beginning and end of the period	15,400,000	0.80
Exercisable at the end of the period	6,925,000	0.80

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020



## 18. RELATED PARTY TRANSACTIONS

The Group had the following transactions and balances with its related parties during the period:

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Sales of goods to an associate	1,333	–
Purchases of goods from a joint venture	558	–
Purchases of goods from a related company	1,194	134
Catering service fee paid to a related company	595	520
Rental expenses paid to related companies	5,201	5,144
Metal supplies and processing service fee to a related company	4,486	2,633
Electronic assembly service fee to a related company	5,755	–

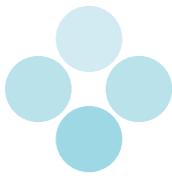
	30 June	31 December
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (audited)
Trade receivables from an associate	1,857	495
Prepayments and deposits paid to an associate	49	2,081
Other payables to an associate	1,743	–
Other payables to a related company	7,073	2,913
Other receivables from a related company	84	84

Note:

Mr. Choi Man Shing, an executive director of the Company has beneficial interest in these related companies.

## 19. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2020 (at 31 December 2019: Nil).



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

## 20. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of reporting period but not yet incurred are as follows:

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Property, plant and equipment	14,882	7,018
Intangible assets	–	6,107
	<b>14,882</b>	13,125

## 21. EVENTS AFTER THE REPORTING PERIOD

On 25 August 2020 (after trading hours), the Company entered into a memorandum of understanding with Bayer Medical Care, Inc. whereby the parties agreed to enter into an agreement in respect of the possible acquisition by the Company or its subsidiary of the 1,718,861 shares in Vincent Medical Manufacturing Co., Limited (永勝醫療製品有限公司), representing approximately 19.90% of its issued shares, and 3.98% equity interest in 東莞永勝醫療製品有限公司 (translated as "Vincent Medical (Dongguan) Mfg. Co. Ltd."). For details, please refer to the Company's announcement dated 25 August 2020.

Saved as disclosed above, there were no other significant events after the reporting period and up to the date of this report.

## 22. APPROVAL OF FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the Board of Directors on 25 August 2020.