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Vincent Medical Holdings Limited

永勝醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1612)

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
THE ACQUISITION OF THE REMAINING EQUITY INTEREST
IN VMHK AND VMDG**

Financial Adviser to Vincent Medical Holdings Limited

BALLAS
C A P I T A L

BACKGROUND

Reference is made to the announcement of the Company dated 25 August 2020 in relation to the MOU regarding the possible sale of the Sale Shares by Bayer Medical Care to the Company.

Immediately before the Completion, (i) VMHK is indirectly held by the Company and directly held by Bayer Medical Care as to approximately 80.10% and 19.90%, respectively, and (ii) VMDG is held by VMHK and Bayer Medical Care as to 96.02% and 3.98%, respectively. According to the shareholders' agreement entered into between Bayer Medical Care (then known as Medrad, Inc.) and VMHK which took effect on 1 March 2004, Bayer Medical Care (then known as Medrad, Inc.) had surrendered its right to its share of the net assets and future dividend of VMDG. Therefore, VMDG's results have been 100% consolidated into the financial statements of VMHK.

SHARE TRANSFER AGREEMENT

The Board is pleased to announce that on 30 October 2020 (after trading hours), the Company entered into the Share Transfer Agreement with Bayer Medical Care in respect of the Acquisition. Pursuant to the Share Transfer Agreement, the Company (as the purchaser) conditionally agreed to acquire the Sale Shares from Bayer Medical Care (as the seller) at the Consideration of HK\$67,293,604.

Completion has taken place upon the payment of the Consideration as at the date of this announcement. Accordingly, (i) VMHK and VMDG have become indirect wholly-owned subsidiaries of the Company; and (ii) Bayer Medical Care is no longer a connected person of the Company.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 25% and less than 100%, the Acquisition constitutes a major transaction of the Group under Rule 14.06 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Immediately prior to the Completion, Bayer Medical Care holds approximately 19.90% and 3.98% of VMHK and VMDG, respectively, and therefore, it is a connected person of the Company at the subsidiary level, and the Acquisition constitutes a connected transaction of the Company.

As (i) the Acquisition is a transaction between the Group and the connected persons at the subsidiary level; (ii) the Board has approved the Acquisition; and (iii) the independent non-executive Directors have confirmed that the terms of the Share Transfer Agreement and the Acquisition was fair and reasonable and that the Share Transfer Agreement was on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Acquisition is subject to the reporting and announcement, but exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

Furthermore, to the best of the Directors' knowledge, information and belief, (i) as no Shareholder has a material interest in the Acquisition, no Shareholder is required to abstain from voting if the Company shall be required to convene a general meeting for approving the Acquisition; and (ii) the accountants' report of VMHK Group to be contained in the circular of the Acquisition will not contain modified opinion. The Company has obtained a written approval from the Controlling Shareholders, which are, in aggregate, interested in 386,191,890 Shares, representing approximately 59.55% of the issued Shares as at the date of this announcement. Accordingly, the written shareholders' approval has been accepted in lieu of holding a general meeting for the approval of the Acquisition pursuant to Rule 14.44 of the Listing Rules. Therefore, no general meeting of the Company will be convened to approve the Acquisition.

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The principal terms of the Share Transfer Agreement are as follow:

Date

30 October 2020 (after trading hours)

Parties

Purchaser: the Company; and

Vendor: Bayer Medical Care, a connected person of the Company at the subsidiary level immediately before Completion.

Subject Matter

The Company conditionally agreed to purchase and accept, and Bayer Medical Care conditionally agreed to sell, assign and transfer to the Company, the Sale Shares.

Immediately before the Completion, (i) VMHK is indirectly held by the Company and directly held by Bayer Medical Care as to approximately 80.10% and 19.90%, respectively, and (ii) VMDG is held by VMHK and Bayer Medical Care as to 96.02% and 3.98%, respectively.

The 1,718,861 shares in VMHK, representing approximately 19.90% of its issued shares, was subscribed for by Bayer Medical Care (then known as Medrad, Inc.) at the cost of HK\$2,895,450 in March 2004, while the equity interest of 3.98% in VMDG represented the capital contributed by Bayer Medical Care (then known as Medrad, Inc.) at the cost of HK\$597,000 in October 2003 when VMDG was established.

Consideration

The Consideration for the Acquisition paid by the Company to Bayer Medical Care is HK\$67,293,604, payable in cash upon the signing of the Share Transfer Agreement.

The Group financed the Consideration by the internal financial resources and bank borrowings of the Group.

Basis of determination

The Consideration was determined after arm's length negotiations between the Company and Bayer Medical Care with reference to (i) the historical financial performance and business prospects of VMHK and VMDG; and (ii) the factors as set out in the section headed "Reasons for and Benefits of the Acquisition". The Consideration implies a historic price-to-earnings ratio of 10.9 times based on the audited net profit of VMHK for the year ended 31 December 2019.

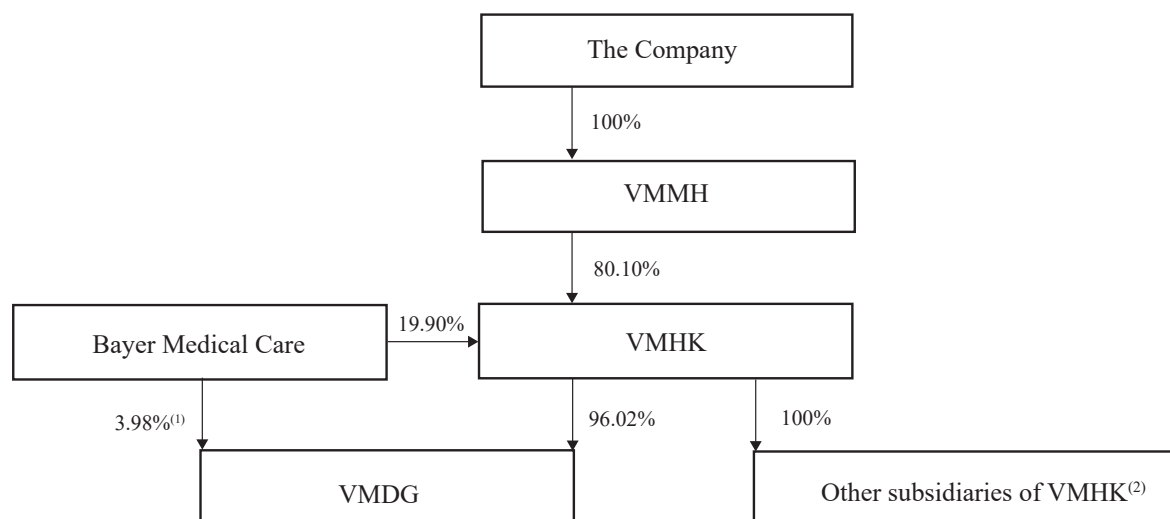
Completion

Completion has taken place upon the payment of the Consideration as at the date of this announcement. Accordingly, (i) VMHK and VMDG have become indirect wholly-owned subsidiaries of the Company; and (ii) Bayer Medical Care is no longer a connected person of the Company.

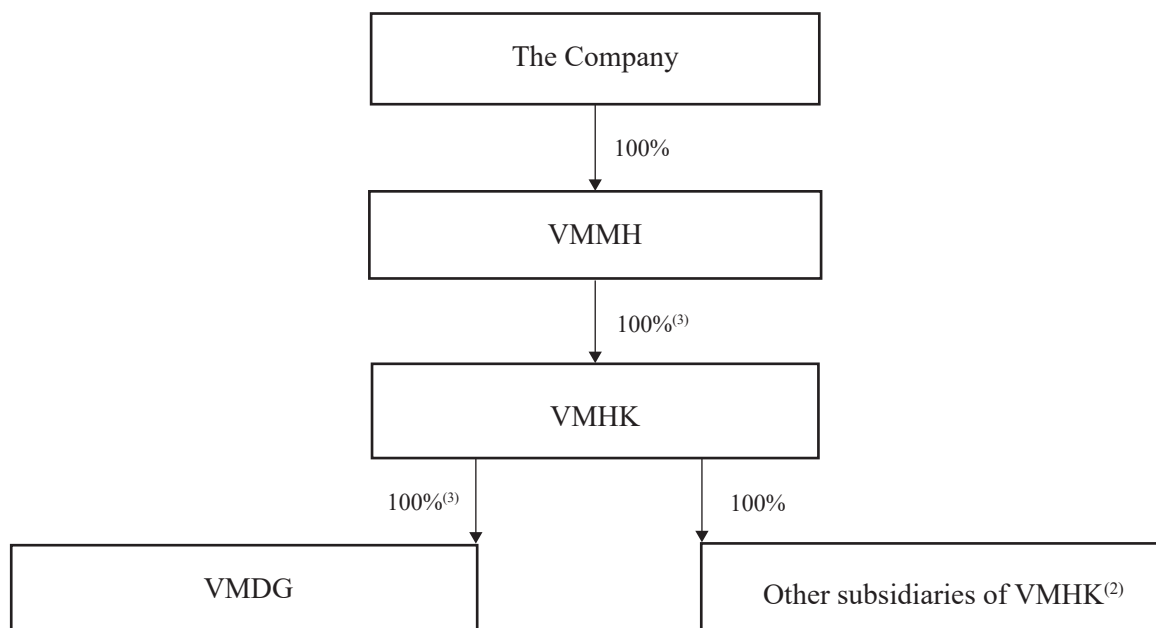
SHAREHOLDING STRUCTURES BEFORE AND AFTER THE ACQUISITION

The following are the shareholding structures of the Target Companies (i) immediately before Completion; and (ii) immediately after Completion:

(i) Immediately before Completion



(ii) Immediately after Completion



Notes:

- 1. According to the shareholders' agreement entered into between Bayer Medical Care (then known as Medrad, Inc.) and VMHK which took effect on 1 March 2004, Bayer Medical Care (then known as Medrad, Inc.) had surrendered its right to its share of the net assets and future dividend of VMDG. Therefore, VMDG's results have been 100% consolidated into the financial statements of VMHK.*
- 2. Other subsidiaries of VMHK are (i) Vincent Medical Care Company Limited, which is principally engaged in the trading of medical devices and investment holding; (ii) Vincent Medical Technology Company Limited, which is an inactive company; and (iii) Vincent Medical R&D Limited, which is an inactive company. All of which are incorporated in Hong Kong.*
- 3. The instrument of transfer and bought and sold notes of the 1,718,861 shares in VMHK, representing approximately 19.90% of its issued shares, and 3.98% equity interest in VMDG were executed by VMMH and VMHK, as the nominees of the Company, respectively. Accordingly, the shares in VMHK and equity interest in VMDG were transferred to VMMH and VMHK, respectively.*

INFORMATION OF THE TARGET COMPANIES

VMHK is a company incorporated in Hong Kong and is principally engaged in the trading of medical devices and investment holding.

VMDG is a company established in the PRC and is principally engaged in the manufacturing of medical devices.

According to the shareholders' agreement entered into between Bayer Medical Care (then known as Medrad, Inc.) and VMHK which took effect on 1 March 2004, Bayer Medical Care (then known as Medrad, Inc.) had surrendered its right to its share of the net assets and future dividend of VMDG. Therefore, VMDG's results have been 100% consolidated into the financial statements of VMHK. The table below sets out certain audited financial information of VMHK for the years ended 31 December 2018 and 2019 prepared in accordance with the Hong Kong Financial Reporting Standards:

	Year ended 31 December 2018 (audited) <i>HK\$'000</i>	Year ended 31 December 2019 (audited) <i>HK\$'000</i>
Revenue	387,687	389,153
Net profit before taxation	43,743	33,415
Net profit after taxation	39,716	31,084

The audited consolidated net asset value of VMHK as at 30 June 2020 is approximately HK\$391.2 million. On 22 October 2020, VMHK declared an interim dividend of approximately HK\$80.4 million, which was payable on or before 30 October 2020 to the shareholders whose names appear on the register of members of VMHK as at 22 October 2020.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaging in the research and development, manufacture and sales of medical devices focusing on respiratory support, imaging contrast media power injector disposables and orthopaedic and rehabilitation products.

Bayer Medical Care develops, manufactures and markets equipment and products used in angiography, computed tomography and magnetic resonance imaging. Bayer Medical Care is a wholly-owned subsidiary of Bayer AG, a German multinational pharmaceutical and life sciences company.

The Acquisition will allow the Group to gain full control of its OEM business segment to diversify its service portfolio and customer base and to enhance efficiency of operations through elimination of resources expended on shareholders' communications. It will also reduce the scale of connected transactions of the Company as the Bayer Group is one of the major customers of the Group. Furthermore, the Consideration is considered reasonable and the Acquisition is considered to be accretive to the value of the Group.

The Board has assessed the impact of the Acquisition on the existing business with the Bayer Group and believes that the Group will continue to maintain a strong and committed long-term business relationship with the Bayer Group going forward. Under the current supply agreement with the Bayer Group, the Group has recently been awarded a new OEM project in the development and production of certain new computed tomography injector consumables for the Bayer Group.

The Directors (including the independent non-executive Directors) consider that the terms of the Share Transfer Agreement and the Acquisition is fair and reasonable and that the Share Transfer Agreement is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 25% and less than 100%, the Acquisition constitutes a major transaction of the Group under Rule 14.06 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Immediately prior to the Completion, Bayer Medical Care held approximately 19.90% and 3.98% of VMHK and VMDG, respectively, and therefore, it is a connected person of the Company at the subsidiary level, and the Acquisition constitutes a connected transaction of the Company.

As (i) the Acquisition is a transaction between the Group and the connected persons at the subsidiary level; (ii) the Board has approved the Acquisition; and (iii) the independent non-executive Directors have confirmed that the terms of the Share Transfer Agreement and the Acquisition was fair and reasonable and that the Share Transfer Agreement was on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Acquisition is subject to the reporting and announcement, but exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

Furthermore, to the best of the Directors' knowledge, information and belief, (i) as no Shareholder has a material interest in the Acquisition, no Shareholder is required to abstain from voting if the Company shall be required to convene a general meeting for approving the Acquisition; and (ii) the accountants' report of VMHK Group to be contained in the circular of the Acquisition will not contain modified opinion. The Company has obtained a written approval from the Controlling Shareholders, which are, in aggregate, interested in 386,191,890 Shares, representing approximately 59.55% of the issued Shares as at the date of this announcement. Accordingly, the written shareholders' approval has been accepted in lieu of holding a general meeting for the approval of the Acquisition pursuant to Rule 14.44 of the Listing Rules. Therefore, no general meeting of the Company will be convened to approve the Acquisition.

GENERAL

Unless otherwise permitted under, and subject to the Listing Rules, a circular containing, among other things, (i) further details of the Acquisition; (ii) the financial and general information of the Group; (iii) the accountants' report of VMHK Group; and (iv) the unaudited pro forma financial information of the Group as enlarged by the Acquisition will be despatched to the Shareholders on or before 20 November 2020.

DEFINITIONS

“Acquisition”	the acquisition of the Sale Shares by the Company from Bayer Medical Care, as contemplated under the Share Transfer Agreement
“Bayer AG”	a company headquartered in Germany and which shares are listed on the stock exchanges in Frankfurt, Berlin, Dusseldorf, Hamburg, Hannover, Stuttgart and Munich in Germany
“Bayer Group”	Bayer AG and its subsidiaries
“Bayer Medical Care”	Bayer Medical Care Inc., a wholly-owned subsidiary of Bayer AG
“Board”	the board of Directors
“Company”	Vincent Medical Holdings Limited (永勝醫療控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Share Transfer Agreement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration for the Acquisition
“Controlling Shareholders”	Mr. Choi, Ms. Liu and VRI, who are interested in 386,191,890 Shares (representing approximately 59.55% of the issued Shares of the Company as at the date of this announcement), and are the controlling shareholders who jointly control their respective interests in the Company within the meaning of the Listing Rules. VRI is held as to 57.89% by Mr. Choi and 42.11% by Ms. Liu and interested in 382,189,890 Shares. In addition to his indirect shareholding interests in the Company held through VRI, Mr. Choi is directly interested in 4,002,000 Shares
“Directors”	the directors of the Company

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the memorandum of understanding dated 25 August 2020 entered into between Bayer Medical Care and the Company regarding the possible sale of the Sale Shares by Bayer Medical Care to the Company
“Mr. Choi”	Mr. Choi Man Shing, the chairman and executive Director of the Company and the spouse of Ms. Liu
“Ms. Liu”	Ms. Liu Pui Ching, the spouse of Mr. Choi
“OEM”	original equipment manufacturing
“PRC”	the People’s Republic of China
“Sale Shares”	1,718,861 shares in VMHK, representing approximately 19.90% of its issued shares, and 3.98% equity interest in VMDG, held by Bayer Medical Care
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Transfer Agreement”	the conditional share transfer agreement dated 30 October 2020 entered into between the Company and Bayer Medical Care in relation to the Acquisition
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	VMHK and VMDG

“VMDG”	東莞永勝醫療製品有限公司 (translated as “Vincent Medical (Dongguan) Mfg. Co. Ltd.”), a limited liability company established in the PRC and an indirect non-wholly owned subsidiary of the Company prior to Completion and an indirect wholly-owned subsidiary of the Company upon Completion
“VMHK”	Vincent Medical Manufacturing Co., Limited (永勝醫療製品有限公司), a limited liability company incorporated in Hong Kong and an indirect non-wholly owned subsidiary of the Company prior to Completion and an indirect wholly-owned subsidiary of the Company upon Completion
“VMHK Group”	VMHK and its subsidiaries
“VMMH”	Vincent Medical Manufacturing Holdings Limited (永勝醫療製品控股有限公司), a limited liability company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company
“VRI”	VINCENT RAYA INTERNATIONAL LIMITED, a company incorporated in the British Virgin Islands and being held as to 57.89% by Mr. Choi and 42.11% by Ms. Liu as at the date of this announcement, and one of the Controlling Shareholders
“%”	per cent

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

Hong Kong, 30 October 2020

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