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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)

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021**

#### **HIGHLIGHTS**

- ✧ Given the outstanding performance in 2020 which formed a high comparison base, revenue declined by 26.2% during the six months ended 30 June 2021, which is in line with the Group's expectation on the impact of COVID-19 pandemic.
- ✧ When compared to pre-pandemic figures in 2019, total revenue during the Period increased by 50.4%, with the respiratory products segment grew by 97.3%.
- ✧ Strong recovery for the orthopaedic and rehabilitation products segment (up 78.7%), and steady growth from the imaging disposable products segment (up 19.9%).
- ✧ Continued to drive market share and long-term growth through new collaborations with global med-tech conglomerates.
- ✧ Growing installed base of O2FLO, as the device further penetrated into new markets including the PRC, Thailand, India and various Latin American countries.
- ✧ Profit attributable to owners of the Company decreased by 54.4% to HK\$41.9 million (up by 2.1 times when compared with the corresponding period in 2019). The decrease was due to lower margins brought by change in product mix, lower production volume, appreciation of RMB and spike in raw materials cost during the Period.
- ✧ The Board has resolved to declare an interim dividend of HK2.0 cents per share for the Period (for the six months end 30 June 2020: HK Nil cent) to be payable on or around Thursday, 30 September 2021.
- ✧ The Board intends to exercise its power under the general mandate to buy back shares of the Company in the open market at appropriate times.

## INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Vincent Medical Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2021 (“**1H2021**” or the “**Period**”), together with the comparative figures for the previous corresponding period (“**1H2020**”) as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2021</b>	<b>2020</b>
		<b>HK\$’000</b>	<b>HK\$’000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Revenue</b>	4	<b>370,704</b>	502,346
Cost of sales		<u>(245,013)</u>	<u>(277,042)</u>
<b>Gross profit</b>		<b>125,691</b>	225,304
Other income, other gains and losses		<b>4,665</b>	2,040
Selling and distribution expenses		<b>(18,670)</b>	(22,203)
Administrative expenses		<b>(42,014)</b>	(57,795)
Research and development expenses		<u>(20,402)</u>	<u>(15,754)</u>
<b>Profit from operations</b>		<b>49,270</b>	131,592
Finance costs		<b>(1,498)</b>	(1,551)
Share of losses of associates		<b>(1,656)</b>	(428)
Share of losses of joint ventures		<u>(474)</u>	<u>(624)</u>
<b>Profit before tax</b>		<b>45,642</b>	128,989
Income tax expense	5	<u>(5,609)</u>	<u>(19,513)</u>
<b>Profit for the period</b>	6	<u><b>40,033</b></u>	<u>109,476</u>
<b>Attributable to:</b>			
Owners of the Company		<b>41,859</b>	91,842
Non-controlling interests		<u>(1,826)</u>	<u>17,634</u>
		<u><b>40,033</b></u>	<u>109,476</u>
<b>Earnings per share</b>	8		
Basic		<u><b>HK6.42 cents</b></u>	<u>HK14.40 cents</u>
Diluted		<u><b>HK6.32 cents</b></u>	<u>n/a</u>

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2021*

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Profit for the period</b>	<u><b>40,033</b></u>	<u>109,476</u>
<b>Other comprehensive income:</b>		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value changes of equity investments at fair value through other comprehensive income (“FVTOCI”)	<u><b>3,613</b></u>	<u>(2,678)</u>
<i>Item that will be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u><b>3,483</b></u>	<u>(4,607)</u>
<b>Other comprehensive income for the period, net of tax</b>	<u><b>7,096</b></u>	<u>(7,285)</u>
<b>Total comprehensive income for the period</b>	<u><u><b>47,129</b></u></u>	<u><u>102,191</u></u>
<b>Attributable to:</b>		
Owners of the Company	<u><b>48,982</b></u>	85,349
Non-controlling interests	<u><b>(1,853)</b></u>	<u>16,842</u>
	<u><u><b>47,129</b></u></u>	<u><u>102,191</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

		30 June 2021	31 December 2020
	<i>Note</i>	<i>HK\$'000</i> <b>(unaudited)</b>	<i>HK\$'000</i> (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		111,148	111,088
Right-of-use assets		10,687	14,717
Other intangible assets		25,376	28,365
Investments in associates		15,395	9,296
Investments in joint ventures		10,790	11,181
Equity investments at FVTOCI		49,395	45,782
Deferred tax assets		2,037	2,014
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>224,828</b>	222,443
<b>Current assets</b>			
Inventories		285,731	278,683
Trade receivables	9	180,997	161,542
Contract assets		13,212	20,169
Prepayments, deposits and other receivables		72,745	94,962
Bank and cash balances		103,317	169,068
		<hr/>	<hr/>
<b>Total current assets</b>		<b>656,002</b>	724,424
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<b>880,830</b>	946,867
<b>EQUITY AND LIABILITIES</b>			
Share capital	11	6,557	6,506
Reserves		586,144	605,051
		<hr/>	<hr/>
Equity attributable to owners of the Company		592,701	611,557
Non-controlling interests		(8,026)	(6,378)
		<hr/>	<hr/>
<b>Total equity</b>		<b>584,675</b>	605,179
		<hr/>	<hr/>

		<b>30 June 2021</b>	31 December 2020
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>Non-current liabilities</b>			
Lease liabilities		<b>2,139</b>	1,190
Deferred tax liabilities		<b>9,526</b>	9,553
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>11,665</b>	10,743
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade payables	10	<b>60,193</b>	88,566
Other payables and accruals		<b>120,837</b>	136,061
Lease liabilities		<b>9,161</b>	14,430
Borrowings		<b>67,762</b>	69,071
Current tax liabilities		<b>26,537</b>	22,817
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>284,490</b>	330,945
		<hr/>	<hr/>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>880,830</b>	946,867
		<hr/> <hr/>	<hr/> <hr/>
<b>Net current assets</b>		<b>371,512</b>	393,479
		<hr/> <hr/>	<hr/> <hr/>
<b>Total assets less current liabilities</b>		<b>596,340</b>	615,922
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2021

### 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 (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

These condensed consolidated financial statements should be read in conjunction with the 2020 annual financial statements. The accounting policies (including the critical 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 2020.

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

In the 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 2021. 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 2020. A number of new or amended standards are effective from 1 January 2021 but they do not have a material effect on the Group’s consolidated financial statements. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated financial statements.

### 3. SEGMENT INFORMATION

#### Information about reportable segment profit or loss:

	<b>OBM</b> <i>HK\$'000</i> (unaudited)	<b>OEM</b> <i>HK\$'000</i> (unaudited)	<b>Total</b> <i>HK\$'000</i> (unaudited)
<b>Six months ended 30 June 2021</b>			
Revenue from external customers	160,131	210,573	370,704
Segment profit	<u>21,856</u>	<u>31,048</u>	<u>52,904</u>
<b>Six months ended 30 June 2020</b>			
Revenue from external customers	251,218	251,128	502,346
Segment profit	<u>77,036</u>	<u>57,689</u>	<u>134,725</u>

#### Reconciliation of reportable segment profit or loss:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)
Total profit or loss of reportable segments	52,904	134,725
Interest income	160	48
Interest expenses	(1,498)	(1,551)
Share-based payments	(179)	(650)
Share of losses of associates	(1,656)	(428)
Share of losses of joint ventures	(474)	(624)
Unallocated corporate income	2,593	2,312
Unallocated corporate expenses	<u>(6,208)</u>	<u>(4,843)</u>
Consolidated profit before tax	<u>45,642</u>	<u>128,989</u>

**Revenue from major customers:**

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
OEM segment		
Customer A	<b>107,294</b>	91,034
Customer B ( <i>Note 1</i> )	<b>n/a</b>	54,877
Customer C ( <i>Note 2</i> )	<b>42,911</b>	n/a
	<b><u>150,205</u></b>	<b><u>145,911</u></b>

*Notes:*

- Revenue from Customer B represented less than 10% of the Group's revenue for the six months ended 30 June 2021.
- Revenue from Customer C represented less than 10% of the Group's revenue for the six months ended 30 June 2020.

**4. 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.

	<b>Six months ended 30 June (unaudited)</b>					
	<b>OBM</b>		<b>OEM</b>		<b>Total</b>	
	<b>2021</b>	2020	<b>2021</b>	2020	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>By product category</b>						
Respiratory products	<b>154,895</b>	247,671	<b>50,196</b>	115,751	<b>205,091</b>	363,422
Imaging disposable products	–	–	<b>100,248</b>	83,602	<b>100,248</b>	83,602
Orthopaedic and rehabilitation products	<b>5,236</b>	3,547	<b>32,353</b>	17,493	<b>37,589</b>	21,040
Other products	–	–	<b>27,776</b>	34,282	<b>27,776</b>	34,282
	<b><u>160,131</u></b>	<u>251,218</u>	<b><u>210,573</u></b>	<u>251,128</u>	<b><u>370,704</u></b>	<u>502,346</u>



	Six months ended 30 June (unaudited)					
	OBM		OEM		Total	
	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>By geographical market</b>						
The United States (the "US")	<b>3,684</b>	6,532	<b>173,236</b>	199,690	<b>176,920</b>	206,222
The People's Republic of China (the "PRC")	<b>61,469</b>	141,020	-	-	<b>61,469</b>	141,020
Japan	<b>7,779</b>	3,265	<b>9,822</b>	8,404	<b>17,601</b>	11,669
The Netherlands	<b>627</b>	746	<b>15,052</b>	11,761	<b>15,679</b>	12,507
India	<b>13,752</b>	6,908	-	-	<b>13,752</b>	6,908
Thailand	<b>12,396</b>	-	-	-	<b>12,396</b>	-
Turkey	<b>10,767</b>	11,207	-	-	<b>10,767</b>	11,207
Israel	<b>853</b>	4,850	<b>1,103</b>	18,564	<b>1,956</b>	23,414
Saudi Arabia	-	30,554	-	-	-	30,554
Others	<b>48,804</b>	46,136	<b>11,360</b>	12,709	<b>60,164</b>	58,845
	<b>160,131</b>	251,218	<b>210,573</b>	251,128	<b>370,704</b>	502,346
<b>By timing of revenue recognition</b>						
Products transferred at a point in time	<b>160,131</b>	251,218	<b>110,325</b>	167,526	<b>270,456</b>	418,744
Products transferred over time	-	-	<b>100,248</b>	83,602	<b>100,248</b>	83,602
	<b>160,131</b>	251,218	<b>210,573</b>	251,128	<b>370,704</b>	502,346

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Receivables, which included in "trade receivables"	<b>180,997</b>	161,542
Contract assets	<b>13,212</b>	20,169

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.

## 5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax		
– Hong Kong Profits Tax	4,397	8,671
– PRC Corporate Income Tax	1,332	11,174
Deferred tax	(120)	(332)
	<u>5,609</u>	<u>19,513</u>

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 2020: 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 2021 (six months ended 30 June 2020: 15% to 25%).

## 6. PROFIT FOR THE PERIOD

The Group's profit for the Period is arrived at after (crediting)/charging:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Allowance for inventories (included in cost of inventories sold)	–	6,399
Amortisation	3,079	3,119
Cost of inventories sold	245,013	277,042
Depreciation of property, plant and equipment	10,231	7,569
Depreciation of right-of-use assets	7,179	6,689
Directors' emoluments	3,337	3,159
Equity-settled share-based payments	179	650
Exchange (gain)/loss, net (included in other gains and losses)	(77)	914
Impairment of trade receivables (included in other gains and losses)	–	144
Staff costs including directors' emoluments	106,640	108,105
Write off of property, plant and equipment (included in other gains and losses)	190	768
	<u>190</u>	<u>768</u>

## 7. DIVIDEND

The Board has resolved to declare an interim dividend of HK2.0 cents per share for the Period (six months ended 30 June 2020: HK Nil cent).

The final dividend of HK11.00 cents amounting to approximately HK\$72,119,000 for the year ended 31 December 2020 has been approved and paid on 18 June 2021.

## 8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Earnings</b>		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	<u>41,859</u>	<u>91,842</u>
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	652,263	637,650
Effect of dilutive potential ordinary shares arising from share options issued by the Company ( <i>Note</i> )	<u>9,620</u>	<u>n/a</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>661,883</u>	<u>n/a</u>

*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.

## 9. 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:

	<b>30 June 2021 HK\$'000 (unaudited)</b>	31 December 2020 HK\$'000 (audited)
0 to 30 days	51,122	64,959
31 to 60 days	35,183	46,363
61 to 90 days	45,412	20,828
Over 90 days	49,280	29,392
	<u>180,997</u>	<u>161,542</u>

## 10. TRADE PAYABLES

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

	<b>30 June 2021 HK\$'000 (unaudited)</b>	31 December 2020 HK\$'000 (audited)
0 to 30 days	37,351	46,786
31 to 60 days	4,810	22,977
Over 60 days	18,032	18,803
	<u>60,193</u>	<u>88,566</u>

## 11. SHARE CAPITAL

	<b>30 June 2021 HK\$'000 (unaudited)</b>	31 December 2020 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>		
655,725,332 (At 31 December 2020: 650,598,000) ordinary shares at HK\$0.01 each	<b>6,557</b>	6,506

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

	Number of shares	Nominal value of shares issued HK\$'000
At 1 January 2020 (audited)	637,650,000	6,377
Shares issued under share option schemes	12,948,000	129
At 31 December 2020 and 1 January 2021 (audited)	650,598,000	6,506
Shares issued under share option schemes ( <i>Note</i> )	5,127,332	51
At 30 June 2021 (unaudited)	<b>655,725,332</b>	<b>6,557</b>

*Note:*

From April to June 2021, 5,127,332 shares were issued under share option schemes at a subscription price of HK\$0.80 per share for a total cash consideration of approximately HK\$4,102,000.

## MANAGEMENT DISCUSSION AND ANALYSIS

The COVID-19 pandemic has undoubtedly brought tremendous business opportunities to the Group. However, after a year of exceptional growth, the Group believes it is now entering a phase of normalisation. Nonetheless, there is still a lot of uncertainty regarding the further development of the demand for products in connection with the COVID-19 pandemic, as there are countries where the infrastructure to deal with the changes in the pandemic remains challenging, but at the same time there are countries stocking up on medical supplies to prepare for the more contagious variants.

During the Period, by leveraging its established position in some of the fastest-growing segments within the respiratory care industry, the Group was able to enjoy notable progress on both market penetration and product registration, showcasing its excellence and resilience despite under the challenges such as lingering COVID-19 impact, tightening raw material supply and rising raw material costs.

Over the last few years, Vincent Medical has a focused agenda – to innovate and develop core technologies in the space of respiratory care; to create new products with the support of core technologies; and eventually, to promote the products in the global markets. With core technologies supporting key devices such as inspired™ O2FLO high flow respiratory humidifier (the “**O2FLO**”) and VHB series humidifiers (the “**VHB Humidifier**”) already in place, the Group has continued its strategic plan for market penetration during the Period.

Product registration is one of the key requirements before medical devices or disposables can be sold in the regional markets. Over the last six months, the Group has made progress in seeking the clearance from the Food and Drug Administration of the US (“**FDA**”) for its O2FLO and VHB Humidifier, and is now working towards obtaining the 510(k) clearance for the VHB Humidifier in 2021 and to introduce the O2FLO in the US in 2022. In addition, the Group has also made considerable progress in product registrations for selective countries in Latin America and Asia.

In addition to product registration, it is also important to have an expansive distribution channel in order to quickly tap into the regional markets. Hence, riding on the Group’s core competency in O2FLO and humidification system, the Group was actively looking to collaborate with global med-tech conglomerates for the distribution of its self-owned products. In June 2021, the Group reached an important milestone, by collaborating with Philips (China) Investment Co., Ltd. (“**Philips**”) regarding the resale of high flow heated respiratory humidifiers and related consumables in Mainland China. Given Philips’ established presence in both hospital and home-use medical device markets, the Group is looking forward to working together with Philips in capturing a larger market share.

Vincent Medical also strived to promote and deliver its respiratory devices and disposables to other countries in Asia and entering into Latin America. In the recent wave of pandemic in India, the Group was honored to partner with various agencies and non-governmental organisations in facilitating the sourcing of medical aids and respiratory devices to be sent to India. Such experience has not only helped those in need, but is also beneficial to the Group, as it was able to boost its brand recognition while gaining valuable market insight for future market development.

On another note, the Group made strides in other business segments, such as its imaging disposable products. Supported by the introduction of new products for the segment, there was an accelerating revenue growth of 19.9% to HK\$100.2 million.

### Respiratory products segment

	Six months ended 30 June (unaudited)		Change
	2021 HK'000	2020 HK'000	
O2FLO	<b>30,786</b>	49,024	-37.2%
O2FLO disposables	<b>26,308</b>	24,239	+8.5%
VHB Humidifier	<b>11,828</b>	64,248	-81.6%
VHB Humidifier disposables	<b>31,846</b>	55,391	-42.5%
Other respiratory products	<b>54,127</b>	54,769	-1.2%
OEM respiratory products	<b>50,196</b>	115,751	-56.6%
Total	<b>205,091</b>	363,422	-43.6%

Benefited from the expanding reach of worldwide vaccination programs, there was a declining number of COVID-19 hospitalisations during the Period. Moreover, governments in developed countries have sand bagged with stock of ventilator supplies in 2020, this has in turn, led to a decrease in demand for the Group's respiratory products for both ventilator-related capital equipment and disposables. Compounded by the high comparative figures of last year, sales from the respiratory products segment declined organically by 43.6% as a result of the changing COVID-19 dynamic. Segment gross margin decreased from 50.9% to 39.3% primarily due to change in product mix and lower production volume.

Specifically, revenue generated from the sales of O2FLO decreased to HK\$30.8 million. Yet, sales of the dedicated disposables and accessories saw a mild growth of 8.5% to HK\$26.3 million, attributable to the growing installed base as well as the resilient demand for such dedicated disposables.

Albeit the market uncertainties brought by COVID-19, the Group continued to expand the installed base of O2FLO in selected markets, including Thailand, India and Latin American countries like Ecuador and Brazil. Notably, O2FLO has gained a dominant position in the Indian market with a growing installed base.

Sales of VHB Humidifier decreased to HK\$11.8 million as demand for the intensive care unit ventilators related devices and disposables has normalised during the Period. Some hospitals are now prioritising the use of excess ventilators and active humidifiers that were purchased in 2020 before making any additional orders. The sudden surge in demand in the second quarter of 2020 because of COVID-19 also proves to be a rather steep comparable figure. Nonetheless, the Group continued to make progress as it sought deeper and more comprehensive partnerships with various ventilator makers during the Period.

### **Other respiratory products**

Demand for other respiratory products continued to normalise during the Period, which led a decline in revenue of 1.2% to HK\$54.1 million, primarily due to lower sales of positive airway pressure device partially offset by higher sales of respiratory disposables.

### **OEM respiratory products**

During the Period, the sales of OEM respiratory products decreased by 56.6% to HK\$50.2 million, primarily due to the absence of one-time COVID-19 related orders of ventilator disposables in 1H2020.

### **Imaging disposable products segment**

The Group manufactures and sells its imaging disposable products on an OEM basis to a world-leading diagnostic imaging solutions provider. During the Period, revenue from the imaging disposable products segment continue to record a steady growth of 19.9% to HK\$100.2 million (1H2020: HK\$83.6 million). The Group is seeing growing order intake across all product categories, including fluid delivery systems and disposables such as syringes and tubing sets for use in computerised tomography scans, magnetic resonance imaging and cardiovascular scans. Segment gross margin decreased from 31.7% to 27.9% primarily due to an increase in raw material costs that were yet to pass on to customers during the Period.



## Orthopaedic and rehabilitation products segment

	Six months ended 30 June		Change
	(unaudited)		
	2021	2020	
	HK'000	HK'000	
OBM orthopaedic and rehabilitation products	5,236	3,547	+47.6%
OEM orthopaedic and rehabilitation products	32,353	17,493	+84.9%
Total	37,589	21,040	+78.7%

During the Period, the Group saw a recovery from its orthopaedic and rehabilitation products segment, as a result of the relatively low comparable base in 1H2020. Last year, most patients either postponed or cancelled the non-essential surgeries due to the COVID-19 restrictions in which hospitals were on limited services. The resumption of such surgeries during the Period, together with the strong backlog of orthopaedic surgeries and treatments at hospitals, have laid a solid foundation for growth during the Period. Segment gross margin also improved from 28.6% to 30.9% due to the increase in production efficiency.

### Other products

Other products include infusion regulators, moulds, surgical disposables, patient warming blankets and plastic disposable products. Revenue from other products decreased by 19.0% from HK\$34.3 million to HK\$27.8 million, mainly attributable to the lower revenue from molding service during the Period.

### Investments and collaboration

Following the FDA 510(k) clearance of Inovytec Medical Solutions Ltd. (“**Inovytec**”)’s Ventway Sparrow ventilators in February 2021, Inovytec continued to expand its geographical coverage for its line of ventilators, and has entered into distribution arrangements with its partners in the US and the United Arab Emirates during the Period. The Group is optimistic about the business prospects of Inovytec and trust the market share of its products will continue to increase.

Fresca Medical, Inc. (“**Fresca**”) was able to generate maiden revenue from the sale of Somnera™ System for the treatment of sleep apnea in the US. During the Period, the Group’s product development team and Fresca’s team of engineers also collaborated in making incremental design improvements to the existing device. The Group expects the sales of the systems to remain at a low level for the rest of 2021.

## **OUTLOOK**

Looking ahead to the second half of 2021, the more infectious COVID-19 variants are certainly impacting countries with low vaccination coverage. The Group will remain focused on supporting patients by delivering its respiratory products that are in high demand during the pandemic.

As the awareness of the benefits and applications of high flow oxygen therapy continue to grow, the Group remains optimistic that in the longer term, its O2FLO portfolio will enjoy steady demand growth, whether in the existing or new markets. Supported by such expanding installed base, Vincent Medical is looking to drive revenue contribution from its disposable products, which is recurring by nature, laying a solid foundation for future financial performance.

While the Group will strive to materialise its various collaborations with partners to provide integrated respiratory intensive care unit solutions to patients, the Group will continue to strengthen its core competencies by further expanding its respiratory products portfolio, broadening its market reach and paying extra effort on innovation and collaborations with key partners. The Group is well-positioned to capture opportunities in the post COVID era, where the governments and hospitals become more focused on health economics, and are actively seeking more independence from single-source supplier for medical supplies.

## **FINANCIAL REVIEW**

### **REVENUE**

Total revenue for the Period amounted to HK\$370.7 million (1H2020: HK\$502.3 million), representing a decrease of 26.2% year-on-year. The decline is mainly attributable to the high comparative figures of last year as a result of COVID-19 impact.

Nonetheless, the Group's orthopaedic and rehabilitation products segment has largely recovered to pre-pandemic level, and the imaging disposable products segment also exhibited steady growth.

In terms of geographical market, the Group's revenue contribution became increasingly diversified, with the US and the PRC, the two largest markets for medical devices globally, each accounted for 47.7% (1H2020: 41.1%) and 16.6% (1H2020: 28.1%) of the Group's total revenue, respectively. The Group has also successfully expanded its market reach in Asia, with notable performances coming from India and the Philippines, and maiden revenue from Thailand.

## **GROSS PROFIT AND GROSS PROFIT MARGIN**

Gross profit decreased by 44.2% to HK\$125.7 million (1H2020: HK\$225.3 million) primarily due to the decrease in revenue and gross profit margin. Gross profit margin declined to 33.9% (1H2020: 44.9%), mainly due to unfavourable product mix, with lower sales contributions from higher margin devices, together with the appreciation of Renminbi (“RMB”) during the Period, these two factors contributed to a 4.0 percentage points and a 3.7 percentage points of gross margin drop, respectively. Furthermore, operating deleverage due to lower production volume and the significant spike in raw materials prices such as medical grade resins and adhesives during the Period also put pressure on the Group’s overall gross profit margin.

## **OTHER INCOME, OTHER GAINS AND LOSSES**

Other income increased by 23.1% to HK\$4.8 million (1H2020: HK\$3.9 million) mainly comprises government subsidies.

## **SELLING AND DISTRIBUTION EXPENSES**

Selling and distribution expenses decreased by 15.8% to HK\$18.7 million (1H2020: HK\$22.2 million), reflecting lower revenue. As a percentage of the Group’s revenue, it slightly increased to 5.0% (1H2020: 4.4%).

## **ADMINISTRATIVE EXPENSES**

Administrative expenses decreased by 27.3% to HK\$42.0 million (1H2020: HK\$57.8 million) and accounted for 11.3% of the Group’s revenue (1H2020: 11.5%), this was primarily due to lower personnel-related expenses.

## **RESEARCH AND DEVELOPMENT EXPENSES**

During the Period, the Group continued to invest to strengthen its research and development capabilities. Research and development expenses for the Period amounted to HK\$20.4 million (1H2020: HK\$15.8 million), corresponding to 5.5% (1H2020: 3.1%) of the Group’s revenue.

## **INCOME TAX EXPENSE**

For 1H2021, the Group’s income tax expense was HK\$5.6 million (1H2020: HK\$19.5 million) which was mainly attributable to lower income before tax.

## **PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY**

As a result of the foregoing, profit attributable to owners of the Company declined by 54.4% to HK\$41.9 million (1H2020: HK\$91.8 million).

## **PROPERTY, PLANT AND EQUIPMENT**

The Group incurred capital expenditure of HK\$9.2 million (1H2020: HK\$21.6 million) during the Period, which mainly included the purchase of additional machineries, tooling and equipment. As at 30 June 2021, property, plant and equipment was HK\$111.1 million (31 December 2020: HK\$111.1 million).

## **RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

As at 30 June 2021, right-of-use assets and lease liabilities amounted to HK\$10.7 million (31 December 2020: HK\$14.7 million) and HK\$11.3 million (31 December 2020: HK\$15.6 million), respectively. The decrease was primarily attributable to the depreciation of right-of-use assets and lease payments.

## **TRADE RECEIVABLES**

Trade receivables as at 30 June 2021 was HK\$181.0 million (31 December 2020: HK\$161.5 million). The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing credit exposure.

## **HUMAN RESOURCES**

As at 30 June 2021, the total number of full-time employees of the Group was 1,390 (31 December 2020: 1,853). The remuneration of employees was determined according to their experience, qualifications, results of operations of the Group and market condition. The Group offered its senior management performance-based bonus and share options to reward and retain a high calibre management team. The Group also adopted commission and incentive plans to motivate and reward its sales and marketing team.

During the Period, staff costs including Directors emoluments amounted to HK\$106.6 million (1H2020: HK\$108.1 million), representing 28.8% (1H2020: 21.5%) of the Group's revenue. The decrease was mainly due to decrease in staff bonus and sales commission partially offset by the increased contributions to the social security schemes in the PRC.

## LIQUIDITY AND FINANCIAL RESOURCES AND BORROWINGS

Bank and cash balances as at 30 June 2021 was HK\$103.3 million (31 December 2020: HK\$169.1 million). This was a cumulative result of the net cash inflow from operating activities of HK\$25.4 million, net cash outflow from investing activities of HK\$16.8 million, net cash outflow from financing activities of HK\$77.0 million, and the positive effect of foreign exchange rate changes of HK\$2.6 million during the Period. Most of the bank and cash balances were denominated in Hong Kong dollars, US dollars (“USD”) and RMB.

The net cash outflow from investing activities was mainly due to the purchase of property, plant and equipment of HK\$9.2 million, along with the additions of investment in an associate of HK\$7.8 million. The net cash outflow from financing activities was mainly arose from a net cash outflow of HK\$72.1 million dividend paid to owners of the Company.

As at 30 June 2021, total borrowings amounted to HK\$67.8 million (31 December 2020: HK\$69.1 million). 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 2020: 0.11). As at 30 June 2021, the Group had unutilised bank facilities of HK\$34.0 million.

## CAPITAL STRUCTURE

As at 30 June 2021, the issued share capital of the Company was approximately HK\$6.6 million (31 December 2020: approximately HK\$6.5 million), comprising 655,725,332 shares of the Company (the “Shares”) (31 December 2020: 650,598,000 Shares) of nominal value of HK\$0.01 per Share. The increase was attributable to the Shares issued under the pre-IPO share option scheme adopted on 17 June 2016 and the share option scheme adopted on 24 June 2016 by the Company.

The Board considers that the current trading price of the Shares does not reflect its intrinsic value, and therefore it intends to exercise its power under the general mandate, which was granted by the shareholders of the Company (the “Shareholders”) at the annual general meeting held on 18 May 2021 (the “AGM”), to buy back up to 65,328,332 Shares, being 10% of the total issued Shares as at the date of the AGM, in the open market at appropriate times. The Group intends to finance the proposed Share buy-back with its existing available cash.

## SIGNIFICANT INVESTMENTS

As at 30 June 2021, the Company considered that the significant investments were as follows:

### Equity investment at FVTOCI

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 2021 (unaudited)	31 December 2020 (audited)	30 June 2021 (unaudited)	31 December 2020 (audited)
Inovytec	An Israeli company that develops medical devices with a focus on routine and emergency respiratory and cardiac failures.	13.68%	US\$3.0 million (equivalent to HK\$23.4 million)	<b>US\$3.8 million</b> (equivalent to <b>HK\$29.3 million</b> )	US\$3.3 million (equivalent to HK\$25.3 million)	<b>3.3%</b>	2.7%

### Investment in an associate

Name of company	Principal business	Approximate percentage of shareholding	Total investment	Carrying amount of the investment		Assets ratio defined under the Listing Rules	
				30 June 2021 (unaudited)	31 December 2020 (audited)	30 June 2021 (unaudited)	31 December 2020 (audited)
Fresca	A US based sleep solution and connected health company that is developing a system for the treatment of obstructive sleep apnea.	22.04%	US\$5.0 million (equivalent to HK\$39.3 million)	<b>US\$1.7 million</b> (equivalent to <b>HK\$13.0 million</b> )	US\$0.85 million (equivalent to HK\$6.6 million)	<b>1.5%</b>	0.7%

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 other material acquisitions or disposals of subsidiaries and associated companies.

## **EVENTS AFTER THE REPORTING PERIOD**

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

## **CHARGES ON THE GROUP'S ASSETS**

As at 30 June 2021, 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 Group's 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 2021, the Group did not have other contingent liabilities.

## **OTHER INFORMATION**

### **INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend of HK2.0 cents (1H2020: HK Nil cent) per Share for the Period to the Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 13 September 2021, being the record date for determination of entitlement to the interim dividend. The interim dividend will be paid on or around Thursday, 30 September 2021.

The register of members of the Company will be closed from Thursday, 9 September 2021 to Monday, 13 September 2021, both days inclusive, during which period no transfer of the Shares will be registered. In order to qualify for the interim dividend as stated, all transfers forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 8 September 2021.

## **ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) RESPONSIBILITY**

The Group is committed to the long-term sustainability of its businesses and the communities in which it conducts business, and attaches great importance on reducing energy consumption. The Group is also continually improving its business practices and employee training in such best practices. It has adopted a proactive approach to ESG responsibility and has established a working group chaired by an executive Director and comprising representatives from key departments of the Company to spearhead the ESG initiatives and activities of the Group and to enhance the Group’s ESG efforts.

## **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.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **AUDIT COMMITTEE**

The Company established the audit committee of the Company (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 2021 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 2021 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. The auditor's independent review report will be included in the Company's interim report for the six months ended 30 June 2021 to the Shareholders.

## **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 2021.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

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

The interim report of the Company for the six months ended 30 June 2021 containing all the relevant information required by the Listing Rules and the relevant laws and regulations will be dispatched to the Shareholders and available on above websites in due course.

## **APPRECIATION**

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

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

Hong Kong, 24 August 2021

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