

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



PROFIT WARNING

This announcement is made by Vincent Medical Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that based on the preliminary assessment of the Group’s unaudited consolidated management accounts for the year ended 31 December 2021 (the “**Year**”), as well as the information currently available to the Company, the profit attributable to owners of the Company for the Year is expected to decrease by not more than 75%, as compared to HK\$216.9 million for the year ended 31 December 2020. Such decrease was mainly caused by:

(i) Decrease in revenue from the respiratory products segment

Due to the rollout of global vaccination campaigns, lower hospitalisation rate for new COVID variants, as well as the rationalisation of medical device supply chain in 2021, demand for respiratory devices returned to a lower level when compared to the panic buying and national stock piling that the Group observed in 2020. Nevertheless, the drop in revenue from the respiratory products segment is partially offset by the recovery of the orthopaedic and rehabilitation products segment, as well as the steady growth in the imaging disposable products segment. It is worth noting that the revenue for the Year was 55.1% higher than that of the corresponding period in 2019, before the COVID-19 pandemic.

Revenue by business segment for the Year is summarised as below:

	For the year ended 31 December		
	2021	2020	2019
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(audited)	(audited)
Respiratory products	428.1	819.0	212.4
Imaging disposable products	213.8	199.5	157.1
Orthopaedic and rehabilitation products	78.8	63.1	82.2
Other products	58.0	73.8	50.5
	<hr/>	<hr/>	<hr/>
Total	778.7	1,155.4	502.2
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

(ii) Decrease in gross profit margin

There was a global shortage of certain principal raw materials and critical components (mainly medical-grade resins, medical adhesives, integrated circuit and printed circuit board) during the Year. This has led to a sharp increase in raw material costs, creating difficulties for the Group to swiftly shift the additional costs to its customers. The appreciation of Renminbi had also put pressure on the Group's gross profit margin as approximately 80% of the Group's products produced in the People's Republic of China was exported in other currencies. In addition, the change in product mix with lower sales from higher-margin medical devices, as well as the decrease in total revenue (as explained above) has led to operating deleverage which resulted in the decrease in gross profit margin.

(iii) Recognition of impairment loss on investment in an associate

Fresca Medical, Inc. ("**Fresca**"), a sleep solution and connected health company in the United States of America (the "**US**") focusing on the treatment system development of obstructive sleep apnea, is an associate of the Company, in which the Company indirectly holds approximately 26.1% equity interest as at the date of this announcement, the Company is also the contract manufacturer for Fresca.

Based on currently available information, there are various factors which are relevant to the recognition of the impairment loss. These include worsening financial performance of Fresca in 2021, the need for substantial design improvements to the existing Somnera™ System, which is Fresca's only medical device that has been launched in the US market since 2020, market competition of the sleep apnea therapeutic device market, and ongoing discussions between Fresca's shareholders regarding its business prospects and future financial performance.

In light of the above, the Company has preliminarily assessed that an impairment loss (including investment in Fresca and related rights, receivables and inventories with Fresca) of approximately HK\$25.7 million (the “**Impairment Loss**”) should be recognised for the Year.

As the Impairment Loss is only accounting related adjustment for the Year and is non-cash in nature, it will not have any material adverse impact on the Group’s daily operations as well as current and future cash flow.

If excluding the Impairment Loss, the Group is expected to record a profit attributable to owners of the Company of not less than HK\$80.0 million for the Year based on the Group’s unaudited consolidated management accounts for the year ended 31 December 2021.

As at the date of this announcement, the Company is still in the process of finalising the annual results of the Group for the Year. The information contained herein is only based on a preliminary assessment by the management of the Company with reference to the unaudited consolidated management accounts of the Group for the Year and the unaudited information currently available to the Board, which have not been confirmed or reviewed by the audit committee of the Company and have not been audited or reviewed by the Company’s auditor. Shareholders and potential investors are advised to read carefully the annual results announcement of the Company for the Year which will be published before the end of March 2022 pursuant to the requirements of the Listing Rules.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 27 January 2022

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.