



VINCENT MEDICAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock code: 1612



Stronger Together



INTERIM REPORT 2022

A large, light blue circular graphic is positioned in the upper left quadrant of the page. It consists of two overlapping circles of different shades of blue, creating a layered effect. The larger, lighter blue circle is partially obscured by a smaller, darker blue circle that overlaps it from the top-left. The overall shape is roughly a quarter-circle or a large arc that curves towards the bottom right.

CONTENTS

2	Corporate Information
3	Financial Highlights
4	Vincent Medical Celebrating its 25th Anniversary
6	Management Discussion and Analysis
12	Other Information
25	Independent Review Report
26	Condensed Consolidated Statement of Profit or Loss
27	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
28	Condensed Consolidated Statement of Financial Position
29	Condensed Consolidated Statement of Changes in Equity
30	Condensed Consolidated Statement of Cash Flows
31	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 COMMITTEES

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 (ceased on 23 March 2022)
Ms. HU Fang
Mr. ZHANG Changqing
Mr. LAI Hoi Ming
Mr. WANG Chaobin (appointed on 23 March 2022)

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

Units 1604-07A, 16/F., Two Harbourfront,
22 Tak Fung Street,
Hung Hom, Kowloon,
Hong Kong

AUDITOR

RSM Hong Kong
Certified Public Accountants
Registered Public Interest Entity Auditor
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
17/F, Far East Finance Centre,
16 Harcourt Road,
Hong Kong

PRINCIPAL BANKERS

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

INVESTOR RELATIONS CONTACTS

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STOCK CODE

1612

COMPANY WEBSITE

www.vincentmedical.com

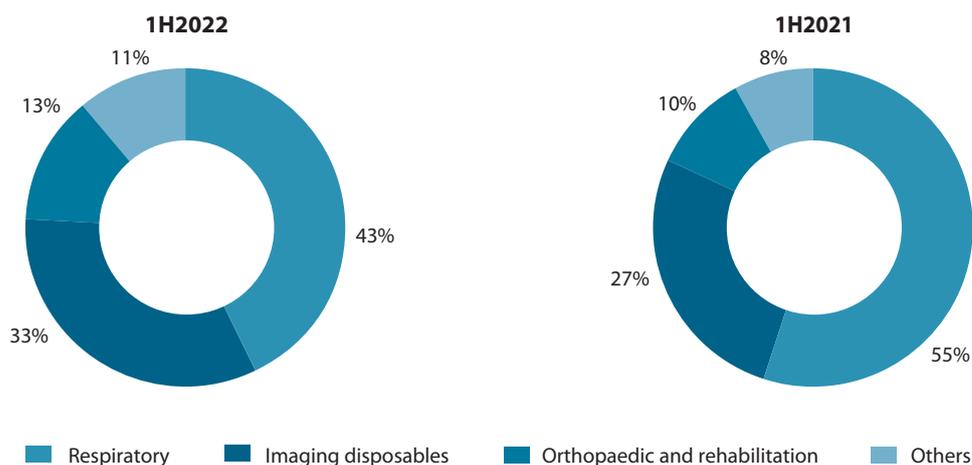




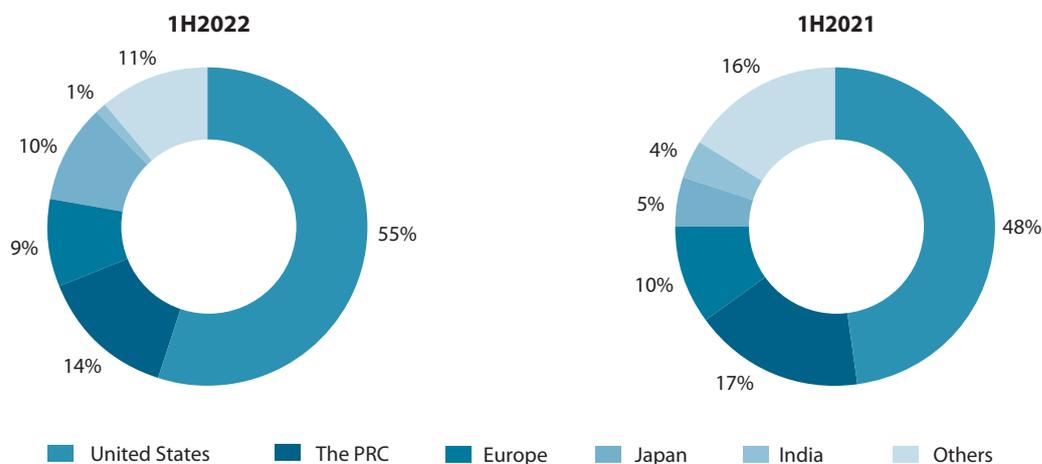
For the six months ended 30 June (unaudited)		
	2022 HK\$'000	2021 HK\$'000
Revenue	280,731	370,704
Gross profit	36,787	125,691
(Loss)/Profit attributable to owners of the Company	(44,363)	41,859
Basic (loss)/earnings per share (HK cents)	(6.78)	6.42
Dividend per share (HK cents)	2.5	2.0

REVENUE ANALYSIS

By Product Category



By Geography



Vincent Medical

Celebrating its 25th Anniversary!



May 23, 2022 marked 25 years of helping lives!

A kick-off ceremony was broadcasted live on May 23, 2022 to mark the launch of the 25th anniversary celebrations and to celebrate this milestone with the Group's associates in Hong Kong, Mainland China, Japan, the US and Europe.

Hong Kong

At the ceremony, Mr. Choi Man Shing, Chairman of Vincent Medical, expressed heartfelt gratitude for the support from customers, business partners and colleagues, which has led Vincent Medical to achieve a phenomenal success over the past 25 years. Mr. Choi also announced the launch of a group-wide slogan, "Stronger Together", encompassing the Group's belief that collective efforts across all stakeholders will lead to a bright future.



Tangxia

Looking back over the past 25 years of development, Mr. Otto To, CEO of Vincent Medical, said, "It was hard to believe that we started the Company with a handful of people, and grew so much to arrive at where we are today. I am most proud of how we have continued to stay true to our core value of 'Patient First', and contribute to the society through quality healthcare, especially during the 2003 SARS outbreak and the recent COVID-19 pandemic."

Song Shan Lake

Mr. Raymond Choi, Deputy CEO of the Group, also commented, "Our mature mechanism guarantees sustainable competences and competitiveness. Still, we are going to formulate the inspiration that will drive Vincent Medical to the next level of multidimensional growths and endeavor to be recognized as a dominant player in respiratory care and beyond. Let us continue to pursue products and services that will contribute positively to the society and another 25 years of growth!"



Japan

Our colleagues in Japan, together with our partners in Europe and North America, had all joined us on our live broadcast of the event. Ms. Tomeno Taoyi expressed, "I'm so very honored to take part and witness the celebration of VM's 25th Anniversary Ceremony. I am very impressed to see how much Vincent Medical has grown in 25 years! Perhaps in time we could celebrate the next 25th anniversary in Japan!"



Our commitment to providing innovative technologies, quality products while delivering clinical benefits allowed us to establish sustainable relationships with our strategic partners. 25 years later, we have grown into a public company with footprints in over 50 countries globally.

Thanks to our loyal customers and suppliers for their continuous support. We will undoubtedly continue to grow!

#StrongerTogether!



MANAGEMENT DISCUSSION AND ANALYSIS

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 2022 (“1H2022” or the “Period”), together with the comparative figures for the six months ended 30 June 2021 (“1H2021”). This report has been reviewed by RSM Hong Kong, the external auditor of the Company, and the Company’s audit committee (the “Audit Committee”).

The COVID-19 pandemic continued to bring both business opportunities and uncertainties to the Group. During the Period, the rising geopolitical risk and the resurgence of COVID-19 have posted challenges to our production. Macro uncertainties have led to unpredictable raw material supply, whereas the subsequent lockdowns in the People’s Republic of China (the “PRC”) have led to lowered sales of respiratory and anaesthesia products in the mainland and temporary delay in product registrations and thus market penetration.

Nonetheless, while the rapid developments of COVID-19 continued to test the Group’s resilience, Vincent Medical continued with its value proposition of putting “Patients First” by developing and providing its device and disposables to those in need. Our collaborations with global med-tech groups continued to gain steady progress. During the Period, our primary focus was on product localisation, i.e. revising all aspects of the devices so that it meets the cultural, regulatory and usage standards of the major markets under the collaboration, as well as complying with the standards and requirements of our partners. We are confident that these collaborations will generate sustainable product demand, allowing the Group to capture greater market share through co-developed solutions with our partners.

The Group also made progress in the product registration for its devices and disposables in various Latin American countries with maiden sales to Nicaragua and Mexico recorded during the Period.

RESPIRATORY PRODUCTS SEGMENT

	Six months ended 30 June (unaudited)		
	2022 HK’000	2021 HK’000	Change
O2FLO	3,250	30,786	-89.4%
O2FLO disposables	2,878	26,308	-89.1%
VHB Humidifier	8,539	11,828	-27.8%
VHB Humidifier disposables	27,884	31,846	-12.4%
Other respiratory products	45,404	54,127	-16.1%
OEM respiratory products	34,088	50,196	-32.1%
Total	122,043	205,091	-40.5%



As the current COVID strains show less mortality, coupled with a higher global vaccination rate, there was a significant reduction in the number of patients that require critical care. In addition, hospital critical care spending also shown a downward-trend. As a result, the revenue of the Group's respiratory products segment decreased by 40.5% to HK\$122.0 million (1H2021: HK\$205.1 million). Segment gross margin also decreased from 39.3% to 33.0% (excluding the effect of allowance for inventories).

In particular, sales of inspired™ O2FLO high flow respiratory humidifier (the "O2FLO") and VHB series humidifiers (the "VHB Humidifier") has dropped by 89.4% and 27.8% to HK\$3.3 million and HK\$8.5 million, respectively. Sales of the respective dedicated disposables also dropped from HK\$26.3 million and HK\$31.8 million to HK\$2.9 million and HK\$27.9 million, respectively.

Taking into account of market uncertainties and in accordance with the Group's accounting policies, the Group reported an inventory allowance of HK\$43.2 million during the Period on a prudent basis. Despite its rather significant impact on profit, the provision is non-cash in nature and the Group expects the raw materials will be used as demand for respiratory care devices prevail.

Other respiratory products

Other respiratory products include respiratory filters, respiratory and anaesthesia circuits and other disposables. As the demand for such products continued to normalise, its revenue has declined by 16.1% to HK\$45.4 million (1H2021: HK\$54.1 million).

OEM respiratory products

For the Period, sales of OEM respiratory products decreased by 32.1% to HK\$34.1 million (1H2021: HK\$50.2 million). This was the result of normalised demand, following the decrease in ad-hoc COVID orders.

IMAGING DISPOSABLE PRODUCTS SEGMENT

The Group continued to manufacture and sell imaging disposable products on an OEM basis to one of the world's leading solutions providers of diagnostic imaging. During the Period, revenue of the imaging disposable products segment was HK\$92.6 million, representing a decrease of 7.6% (1H2021: HK\$100.2 million). The decrease was primarily due to supply chain disruption and shipment delay during the Period. Yet, segment gross margin strengthened from 27.9% to 31.3%.

ORTHOPAEDIC AND REHABILITATION PRODUCTS SEGMENT

	Six months ended 30 June (unaudited)		Change
	2022 HK'000	2021 HK'000	
OBM orthopaedic and rehabilitation products	5,129	5,236	-2.0%
OEM orthopaedic and rehabilitation products	30,039	32,353	-7.2%
Total	35,168	37,589	-6.4%

During the Period, with the suspension of non-emergency medical services in some countries, sales of orthopaedic and rehabilitation products segment dropped from HK\$37.6 million to HK\$35.2 million, representing a decrease of 6.4%. Due to the decline in production volume and hence production efficiency, gross profit margin for the segment dropped from 30.9% to 24.0% (excluding the effect of allowance for inventories).



MANAGEMENT DISCUSSION AND ANALYSIS

OTHER PRODUCTS

Other products include infusion regulators, moulds, surgical disposables, patient warming blankets and plastic disposable products. Revenue from other products increased by 11.5% from HK\$27.8 million to HK\$31.0 million.

INVESTMENTS AND COLLABORATION

Inovytec Medical Solutions Limited (“**Inovytec**”) continued to expand the market reach for its critical medical solutions. Its family of transport and emergency ventilators were launched in the United States (the “**US**”) during the Period. Following the decline in COVID-19 demand, the Group expects the total addressable market of portable ventilators will grow by approximately 60% in the next five years, and therefore remains optimistic over Inovytec’s long-term business prospects.

Fresca Medical Inc. (“**Fresca**”) has been facing severe challenges to the survival of the business since 2020 with operational and financial performance fall short of plans. Despite various measures undertaken toward recovery, it is determined that there is no longer any benefits in continuing the business. Hence, the board of Fresca resolved to dissolve and liquidate the company, and the dissolution procedure was completed in April 2022. Since the Group has already recognised a full impairment loss on Fresca in the previous financial year, the dissolution of Fresca does not have any financial impact to the Group during the Period.

OUTLOOK

Albeit the short-term challenges, the Group remains confident in the sustainability and long-term development of its business. Even though the demand for respiratory products was weakened during the Period, we continue to see greater awareness and adoption of high-flow oxygen therapy. With our inspired™ O2FLO (for home use) being included in Japan’s national health insurance reimbursement scheme since May 2022, our growing installed base would not only demonstrate our competitiveness and market recognition, its gaining brand profile would also attract new user adoption, laying a solid foundation for future disposables sales.

We will continue to deeply collaborate with industry-leading players, so that we can develop a comprehensive solution that can provide more values to patients. Leveraging their extensive distribution network and product know-how, the collaborations would allow us to breakthrough entry barriers in overseas markets and strategically prepare ourselves to capture opportunities at the present and in a post-COVID world.

All in all, the Group believes that the long-term market demand for its products remain solid, and the operating environment is expected to improve after the transition year of 2022.

FINANCIAL REVIEW

REVENUE

Total revenue for the Period amounted to HK\$280.7 million (1H2021: HK\$370.7 million), representing a decrease of 24.3%. The decrease was primarily due to the 40.5% drop in revenue from the respiratory products segment, as demand for respiratory products has returned to pre-pandemic levels.

In terms of geographical market, the US and the PRC each accounted for 55.4% (1H2021: 47.7%) and 13.8% (1H2021: 16.6%) of the Group’s total revenue, respectively. Sales to Japan increased by 52.8% from HK\$17.6 million to HK\$26.9 million and accounted for 9.6% of 1H2022 revenue (1H2021: 4.7%), attributable to the higher penetration of inspired™ devices in hospital chains.



GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit decreased by 70.7% to HK\$36.8 million (1H2021: HK\$125.7 million). If excluding the allowance of inventories of HK\$43.2 million, gross profit for the Period amounted to HK\$80.0 million. The decrease was mainly attributable to the decrease in sales and production volume of the Group's respiratory products. Gross profit margin declined from 33.9% to 13.1% (28.5%, if excluding allowance for inventories), primarily due to the change in product mix and the Group's fixed production overhead and direct cost. The COVID-19 prevention and control measures in the PRC and other countries, together with the shortage of global logistic capacity as well as the drastic increase in logistic costs, have also put further pressure to the Group's gross profit margin. These factors have more than offset the positive impact from product price increase and cost efficiency improvement on the production side.

OTHER INCOME

Other income mainly comprises government subsidies and rental support for tenants at Song Shan Lake Technology Park. During the Period, other income decreased from HK\$4.8 million to HK\$4.3 million.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by 19.8% to HK\$15.0 million (1H2021: HK\$18.7 million). As a percentage of revenue, such expenses slightly increased to 5.3% (1H2021: 5.0%).

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 20.0% to HK\$50.4 million (1H2021: HK\$42.0 million), accounting for 17.9% of total revenue (1H2021: 11.3%). The increase was primarily due to the additional management and administrative costs incurred for new expansion projects in the OEM business segment.

RESEARCH AND DEVELOPMENT EXPENSES

During the Period, the Group continued to invest in its research and development capabilities. Research and development costs for the Period amounted to HK\$16.5 million (1H2021: HK\$20.4 million), corresponding to 5.9% (1H2021: 5.5%) of the Group's revenue.

INCOME TAX EXPENSE

During the Period, the Group recorded income tax expense of HK\$0.7 million (1H2021: HK\$5.6 million), which was attributable to the lower income and the recognition of deferred tax.

LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

As a result of the foregoing, the Group recorded a loss attributable to owners of the Company of HK\$44.4 million (1H2021: profit attributable to owners of the Company of HK\$41.9 million).

PROPERTY, PLANT AND EQUIPMENT

The Group incurred capital expenditure of HK\$4.6 million (1H2021: HK\$9.2 million) during the Period, which mainly included the purchase of additional machineries, tooling and equipment. As at 30 June 2022, property, plant and equipment was HK\$110.4 million (31 December 2021: HK\$115.6 million).



MANAGEMENT DISCUSSION AND ANALYSIS

RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

As at 30 June 2022, right-of-use assets and lease liabilities amounted to HK\$29.3 million (31 December 2021: HK\$7.5 million) and HK\$29.9 million (31 December 2021: HK\$7.7 million), respectively. The increase was primarily attributable to the renewal of tenancy agreement of the Group's facilities in Dongguan, the PRC.

INVENTORIES

Inventories as at 30 June 2022 was HK\$195.7 million (31 December 2021: HK\$243.2 million). The decrease was mainly attributable to the substantial increase in allowance for slow-moving and/or obsolete inventories.

In 2020 and early 2021, the Group experienced a substantial surge in demand of the Group's respiratory products due to the COVID-19 outbreak. As a result, the Group had increased the inventory level for some highly-tailored raw materials to cater for the then growing demand. During the Period, the performance of the Group's respiratory products segment fell short of the Group's earlier forecasts and the relevant inventories had been moving much slower than expected. Taking into account the market uncertainties, the residual value of the inventories and the expected performance of the Group's respiratory products segment, an allowance for slow-moving and/or obsolete inventories of HK\$43.2 million was made during the Period.

TRADE RECEIVABLES

Trade receivables as at 30 June 2022 was HK\$139.9 million (31 December 2021: HK\$167.2 million). The Group is comfortable with the quality of the receivables, and will continue to exercise due care in managing its credit exposure.

LIQUIDITY AND FINANCIAL RESOURCES AND BORROWINGS

Bank and cash balances as at 30 June 2022 was HK\$164.0 million (31 December 2021: HK\$173.2 million). This was a result of the net cash inflow from operating activities of HK\$26.4 million, net cash outflow from investing activities of HK\$4.5 million, net cash outflow from financing activities of HK\$29.5 million, and the negative effect of foreign exchange rate changes of HK\$1.6 million. Most of the bank and cash balances were denominated in HK dollars, US dollars ("USD") and Renminbi ("RMB").

As at 30 June 2022, total borrowings amounted to HK\$51.4 million (31 December 2021: HK\$55.3 million). The net gearing ratio, which was calculated based on the amount of total borrowings divided by the total equity attributable to owners of the Company, was 0.10 (31 December 2021: 0.09). As at 30 June 2022, the Group had unutilised bank facilities of HK\$53.5 million.

HUMAN RESOURCES

As at 30 June 2022, the Group's total number of full-time employees was 1,248 (31 December 2021: 1,281). The remuneration of employees was determined according to the job nature, relevant experience and 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 amounted to HK\$96.8 million (1H2021: HK\$106.6 million), representing 34.5% (1H2021: 28.8%) of the Group's revenue.



CAPITAL STRUCTURE

As at 30 June 2022, the issued share capital of the Company was approximately HK\$6.5 million (31 December 2021: approximately HK\$6.6 million), comprising 653,336,332 shares of the Company (the “**Shares**”) (31 December 2021: 655,008,332 Shares) of nominal value of HK\$0.01 per Share. The difference was attributable to (i) the Shares issued under the pre-IPO share option scheme adopted on 17 June 2016 by the Company; and (ii) the Shares repurchased on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and were cancelled before the end of the reporting period.

SIGNIFICANT INVESTMENT

As at 30 June 2022, the Company considered that the following equity investment at fair value through other comprehensive income is significant in nature:

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 2022 (unaudited)	31 December 2021 (audited)	30 June 2022 (unaudited)	31 December 2021 (audited)
Inovytect	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)	US\$3.0 million (equivalent to HK\$23.8 million)	US\$3.1 million (equivalent to HK\$23.8 million)	3.1%	2.8%

For additional information regarding the performance during the Period and prospects of the above significant investment, 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 significant events after the reporting period up to the date of this report.

CHARGES ON THE GROUP’S ASSETS

As at 30 June 2022, 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 and Japanese Yen given the export-oriented nature of the Group’s business. Thus, any appreciation of RMB against USD and Japanese Yen 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 2022, the Group did not have other contingent liabilities.



OTHER INFORMATION

SPECIAL DIVIDEND

In light of the solid financial position of the Group and in celebration of the Company's 25th anniversary, the Board has resolved to declare a special dividend (the "**Special Dividend**") of HK2.5 cents per Share to the shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company on Tuesday, 13 September 2022, being the record date for ascertaining the Shareholders' entitlement to the Special Dividend. The Special Dividend will be paid to the Shareholders on or around Friday, 30 September 2022.

The register of members of the Company will be closed from Thursday, 8 September 2022 to Tuesday, 13 September 2022, both days inclusive, during which period no transfer of the Shares will be registered. In order to establish entitlements to the Special Dividend, the Shareholders must lodge all transfer forms accompanied by the relevant share certificates with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harbour Road, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 7 September 2022.

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

As at 30 June 2022, 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 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	390,189,890 <i>(Note 2)</i>	59.72%
Mr. To Ki Cheung	Beneficial owner	20,224,110 <i>(Note 3)</i>	3.10%
Mr. Koh Ming Fai	Beneficial owner/Interest of spouse	7,645,166 <i>(Note 4)</i>	1.17%
Mr. Fu Kwok Fu	Beneficial owner/Interest of spouse	7,707,166 <i>(Note 5)</i>	1.18%



Notes:

- (1) The letter "L" denotes the person's long position in the Shares or the underlying Shares.
- (2) These interests represented:
 - (a) 8,000,000 Shares held by Mr. Choi Man Shing ("**Mr. Choi**"), the Chairman and 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) 19,224,110 Shares held by Mr. To Ki Cheung, the Chief Executive Officer and Executive Director of the Company; and
 - (b) 1,000,000 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" in this report.
- (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" in this report; and
 - (d) 2,001,166 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" in this report.
- (5) These interests represented:
 - (a) 5,691,166 Shares held by Mr. Fu Kwok Fu, an Executive Director;
 - (b) 236,000 Shares held by the spouse of Mr. Fu Kwok Fu. By virtue of the SFO, Mr. Fu is deemed to be interested in all the Shares in which his spouse is interested;
 - (c) 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" in this report; and
 - (d) 1,251,166 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" in this report.
- (6) Approximate percentage calculated based on the 653,336,332 Shares in issue as at 30 June 2022.





OTHER INFORMATION

Save as disclosed above and to the best knowledge of the Directors, as at 30 June 2022, 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 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.

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

As at 30 June 2022, 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 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

Name of Shareholder	Capacity/Type of interest	Number of Shares (L) (Note 1)	Approximate percentage of shareholding (Note 4)
Ms. Liu Pui Ching	Interest of spouse/Interest of controlled corporations	390,189,890 (Note 2)	59.72%
VRI	Beneficial owner/Interest of a controlled corporation	382,189,890 (Note 3)	58.50%

Notes:

- (1) The letter "L" denotes the person/entity's long position in the Shares.
- (2) These interests represented:
 - (a) 8,000,000 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) Approximate percentage calculated based on the 653,336,332 Shares in issue as at 30 June 2022.



Save as disclosed above, as at 30 June 2022, 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 interests required to be kept pursuant to Section 336 of the SFO.

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme adopted on 17 June 2016

The 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 4 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 2022, a total of 264,000 share options were exercised under the Pre-IPO Share Option Scheme and none of share options were cancelled or lapsed. As at 30 June 2022, the maximum number of Shares which might be issued upon exercise of all outstanding options granted under the Pre-IPO Share Option Scheme was 2,646,668 Shares, representing approximately 0.41% of the Company’s issued share capital as at 30 June 2022.





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 30 June 2022
				Outstanding as at 1 January 2022	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	
Directors								
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
In aggregate				1,057,668	-	-	-	1,057,668
Senior management and other employees								
In aggregate	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	1,853,000	(264,000)	-	-	1,589,000
Total				2,910,668	(264,000)	-	-	2,646,668



Share option scheme adopted on 24 June 2016

The 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 “**Share Option Eligible Participant(s)**”) by granting options to them as incentives or rewards. 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 4 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 Pre-IPO Share Option Scheme and 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 Share Option 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.

During the Period, the Company conditionally granted the options to subscribe for an aggregate of 13,392,332 Shares (the “**Share Options**”) on 13 June 2022 (the “**Date of Grant**”) pursuant to the Share Option Scheme to a total of 107 grantees, including Directors, senior management and other employees of the Group, at exercise price of HK\$0.80 per Share which was determined by the Board and at least be the highest of (i) the closing price of HK\$0.69 per Share as stated in the Stock Exchange’s daily quotations sheet on the Date of Grant; (ii) the average closing price of HK\$0.70 per Share as stated in the Stock Exchange’s daily quotations sheets for the five trading days immediately preceding the Date of Grant; and (iii) the nominal value of the Share of HK\$0.01 each.





OTHER INFORMATION

Among the Shares Options granted above, a total of 2,002,332 Share Options were granted to Mr. Koh Ming Fai and Mr. Fu Kwok Fu (both are executive Directors), and Mr. Choi Cheung Tai Raymond (Deputy Chief Executive Officer of the Group) who is the son of Mr. Choi Man Shing (Chairman and executive Director of the Company) and thus an associate of Mr. Choi Man Shing. The remaining 11,390,000 Share Options granted to 6 senior management and 98 other employees of the Group under the Share Option Scheme, which ranged from 50,000 to 500,000 Share Options. For details, please refer to the Company's announcement dated 13 June 2022.

Save for the above grant of options, the Company has granted share options under the Share Option Scheme on 28 May 2018, 25 March 2019 and 25 August 2021, respectively, and a consideration of HK\$1.00 is payable by the grantee upon acceptance of an offer of option. The latest date of acceptance and the closing prices of the Shares immediately before the respective dates on which the share options were granted are set out below:

Date of grant	Latest date of acceptance	Closing price of the Shares immediately before the date on which the share options were granted <i>HK\$</i>
28 May 2018	8 June 2018	0.65
25 March 2019	4 April 2019	0.74
25 August 2021	8 September 2021	1.09
13 June 2022	27 June 2022	0.70

For the six months ended 30 June 2022, a total of 420,000 share options were lapsed as a result of voluntary resignation of the relevant option holders and none of share options were exercised or cancelled under the Share Option Scheme. As at 30 June 2022, the maximum number of Shares which might be issued upon exercise of all outstanding options granted under the Share Option Scheme was 34,060,332 Shares, representing approximately 5.21% of the Company's issued share capital as at 30 June 2022. Also, the total number of Shares available for issue under the Share Option Scheme is 34,096,000 Shares, representing approximately 5.22% of the Company's total issued share capital as at 30 June 2022.



Details of the outstanding share options under the 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 30 June 2022
				Outstanding as at 1 January 2022	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	
Directors									
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	1,000,000	-	-	-	-	1,000,000
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
	13 June 2022	25% of options will vest on each of 13 June 2023, 2024, 2025 and 2026, respectively	25% of options will be exercisable from each of 13 June 2023, 2024, 2025 and 2026, respectively to 23 June 2026	-	501,166	-	-	-	501,166
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	750,000	-	-	-	-	750,000
	13 June 2022	25% of options will vest on each of 13 June 2023, 2024, 2025 and 2026, respectively	25% of options will be exercisable from each of 13 June 2023, 2024, 2025 and 2026, respectively to 23 June 2026	-	501,166	-	-	-	501,166
In aggregate				3,250,000	1,002,332	-	-	-	4,252,332



OTHER INFORMATION

Grantee	Date of grant	Vesting schedule	Exercise period	Number of Shares underlying the share options granted					Outstanding as at 30 June 2022
				Outstanding as at 1 January 2022	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	
Senior management and other employees	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	4,350,000	-	-	-	(100,000)	4,250,000
	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	1,700,000	-	-	-	-	1,700,000
	25 August 2021	25% of options will vest on each of 25 August 2022, 2023, 2024 and 2025, respectively	25% of options will be exercisable from each of 25 August 2022, 2023, 2024 and 2025, respectively to 23 June 2026	11,788,000	-	-	-	(320,000)	11,468,000
	13 June 2022	25% of options will vest on each of 13 June 2023, 2024, 2025 and 2026, respectively	25% of options will be exercisable from each of 13 June 2023, 2024, 2025 and 2026, respectively to 23 June 2026	-	12,390,000	-	-	-	12,390,000
In aggregate				17,838,000	12,390,000	-	-	(420,000)	29,808,000
Total				21,088,000	13,392,332	-	-	(420,000)	34,060,332



SHARE AWARD SCHEME

The share award scheme (the "**Share Award Scheme**") was adopted by the Company on 2 December 2021 (the "**Adoption Date**"). The purposes of the Share Award Scheme are to through the Shares awarded or provisionally awarded (the "**Award(s)**" or "**Award Share(s)**") (a) to recognise and reward the contribution of certain eligible participants to the growth and development of the Group and to give incentives thereto in order to retain them for the continual operation and development of the Group; and (b) to attract suitable personnel for further development of the Group. The Share Award Scheme will expire on 1 December 2031 and the remaining life of the Share Award Scheme as at the date of this report is around 9 years.

The eligible participants of the Share Award Scheme (the "**Share Award Eligible Participants**") are included (a) any employee (whether full time or part time, including any executive Director but excluding any non-executive Director) of the Company, any subsidiary or any related entity; (b) any non-executive Directors (including independent non-executive Directors) of the Company, any subsidiary or any related entity; (c) any adviser (professional or otherwise), consultant to or expert in any area of business or business development of any member of the Group or any related entity; and (d) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group, and, for the purposes of the Share Award Scheme, the Award may be made to any company wholly owned by one or more of the above participants and any trust where the settlor is one of the above participants, but excluding the excluded participants.

As at the date of this report, the total number of Shares which may be issued upon exercise of all Awards to be granted under the Share Award Scheme shall not in aggregate exceed 32,820,516 Shares, being 5% of the issued share capital of the Company as at the Adoption Date. The maximum number of Shares which may be subject to an Award or Awards made to a single selected Share Award Eligible Participant shall not in aggregate exceed 6,564,103 Shares, being 1% of the issued share capital of the Company as at the Adoption Date.

During the period from the Adoption Date and up to the date of this report, no Award was granted under the Share Award Scheme. Subject to the terms and conditions of the Share Award Scheme and the requirements of the Listing Rules, the Board or a duly authorised committee or other person(s) from time to time delegated by the Board with the power and authority to administer the Share Award Scheme (the "**Committee**") may, from time to time at its absolute discretion, select any Share Award Eligible Participants to participate in the Share Award Scheme as a selected participant, make an offer to the selected participants and grant Award Shares to such selected participants, and such Award Shares can be satisfied by (i) new Shares to be subscribed by the trustee under the Company's available general mandate or under a specific mandate approved or to be approved by the Shareholders; or (ii) Shares purchased by the trustee in the open market as directed by the Board or the Committee.

A detailed summary of the terms of the Share Award Scheme are set out in the Company's announcement dated 2 December 2021.

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





OTHER INFORMATION

CHANGE OF DIRECTORS' INFORMATION

Subsequent to publication of the 2021 annual report, there is no 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.

The biographies of Directors are available in "About Us" section of the Company's website (<http://www.vincentmedical.com>).

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 (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 all the applicable code provision as 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 2022 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 2022 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.

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

During the six months ended 30 June 2022, the Company repurchased a total of 1,746,000 Shares on the Stock Exchange at an aggregate consideration of HK\$1,555,820 (before expenses). All the above repurchased Shares were subsequently cancelled during the Period. Details of the Shares repurchased during the Period are as follows:

Month	Number of Shares purchased	Price paid per Share		Aggregate consideration (before expenses) HK\$
		Highest	Lowest	
		HK\$	HK\$	
January 2022	972,000	1.03	0.94	964,400
April 2022	304,000	0.79	0.76	236,220
May 2022	470,000	0.76	0.75	355,200
	<u>1,746,000</u>			<u>1,555,820</u>

The above Share repurchases were made with a view to enhancing the earnings per Share of the Company.

Saved for the above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.



OTHER INFORMATION

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 for the six months ended 30 June 2022.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2022 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, 23 August 2022



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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 46 which comprises the condensed consolidated statement of financial position of the Company and its subsidiaries as at 30 June 2022 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

23 August 2022



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Note	Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	5	280,731	370,704
Cost of sales		(243,944)	(245,013)
Gross profit		36,787	125,691
Other income, other gains and losses		3,244	4,665
Selling and distribution expenses		(14,965)	(18,670)
Administrative expenses		(50,388)	(42,014)
Research and development expenses		(16,538)	(20,402)
(Loss)/Profit from operations		(41,860)	49,270
Finance costs		(1,414)	(1,498)
Share of losses of associates		(374)	(1,656)
Share of profits/(losses) of joint ventures		52	(474)
(Loss)/Profit before tax		(43,596)	45,642
Income tax expense	6	(658)	(5,609)
(Loss)/Profit for the period	7	(44,254)	40,033
Attributable to:			
Owners of the Company		(44,363)	41,859
Non-controlling interests		109	(1,826)
		(44,254)	40,033
(Loss)/Earnings per share	9		
Basic		(HK6.78 cents)	HK6.42 cents
Diluted		n/a	HK6.32 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022



	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
(Loss)/Profit for the period	(44,254)	40,033
Other comprehensive income:		
<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")	(918)	3,613
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(17,757)	3,483
Other comprehensive income for the period, net of tax	(18,675)	7,096
Total comprehensive income for the period	(62,929)	47,129
Attributable to:		
Owners of the Company	(62,129)	48,982
Non-controlling interests	(800)	(1,853)
	(62,929)	47,129



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	Note	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	10	110,402	115,616
Right-of-use assets	11	29,342	7,464
Other intangible assets		9,261	11,954
Investments in associates		1,032	1,404
Investments in joint ventures		9,967	10,424
Equity investments at FVTOCI		42,714	43,632
Non-current deposits	13	10,584	14,906
Deferred tax assets		1,234	–
Total non-current assets		214,536	205,400
Current assets			
Inventories		195,682	243,161
Trade receivables	12	139,851	167,229
Contract assets		11,114	16,519
Prepayments, deposits and other receivables	13	31,896	40,679
Bank and cash balances		163,992	173,167
Total current assets		542,535	640,755
TOTAL ASSETS		757,071	846,155
EQUITY AND LIABILITIES			
Share capital	16	6,533	6,550
Reserves		513,296	591,811
Equity attributable to owners of the Company		519,829	598,361
Non-controlling interests		1,272	2,072
Total equity		521,101	600,433
Non-current liabilities			
Lease liabilities		13,325	4,893
Deferred tax liabilities		6,949	8,021
Total non-current liabilities		20,274	12,914
Current liabilities			
Trade payables	14	43,466	65,266
Other payables and accruals	15	84,692	89,529
Lease liabilities		16,553	2,814
Borrowings		51,362	55,251
Current tax liabilities		19,623	19,948
Total current liabilities		215,696	232,808
TOTAL EQUITY AND LIABILITIES		757,071	846,155
Net current assets		326,839	407,947
Total assets less current liabilities		541,375	613,347

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022



	Attributable to owners of the Company									
	Share capital	Share premium account	Share-based payments 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 2021 (audited)	6,506	157,813	5,719	12,094	7,481	(1,402)	423,346	611,557	(6,378)	605,179
Total comprehensive income for the period	-	-	-	-	3,510	3,613	41,859	48,982	(1,853)	47,129
Shares issued under share options scheme	51	5,944	(1,893)	-	-	-	-	4,102	-	4,102
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	205	205
Share-based payments	-	-	179	-	-	-	-	179	-	179
Dividend paid	-	-	-	-	-	-	(72,119)	(72,119)	-	(72,119)
Changes in equity for the period	51	5,944	(1,714)	-	3,510	3,613	(30,260)	(18,856)	(1,648)	(20,504)
At 30 June 2021 (unaudited)	6,557	163,757	4,005	12,094	10,991	2,211	393,086	592,701	(8,026)	584,675

	Attributable to owners of the Company										
	Share capital	Share premium account	Treasure shares	Share-based payments 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	HK\$'000
At 1 January 2022 (audited)	6,550	163,095	(197)	4,692	12,094	16,886	(3,552)	398,793	598,361	2,072	600,433
Total comprehensive income for the period	-	-	-	-	-	(16,848)	(918)	(44,363)	(62,129)	(800)	(62,929)
Shares issued under share options scheme (Note 16)	2	354	-	(145)	-	-	-	-	211	-	211
Repurchase of shares (Note 16)	-	-	(1,562)	-	-	-	-	-	(1,562)	-	(1,562)
Cancellation of shares (Note 16)	(19)	(1,740)	1,759	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	1,301	-	-	-	-	1,301	-	1,301
Dividend paid (Note 8)	-	-	-	-	-	-	-	(16,353)	(16,353)	-	(16,353)
Changes in equity for the period	(17)	(1,386)	197	1,156	-	(16,848)	(918)	(60,716)	(78,532)	(800)	(79,332)
At 30 June 2022 (unaudited)	6,533	161,709	-	5,848	12,094	38	(4,470)	338,077	519,829	1,272	521,101



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	26,396	25,414
Purchases of property, plant and equipment	(4,622)	(9,230)
Additions to investment in an associate	–	(7,755)
Other investing cash flows (net)	144	160
NET CASH USED IN INVESTING ACTIVITIES	(4,478)	(16,825)
Issues of shares	211	4,102
Repurchase of shares	(1,562)	–
Borrowings raised	26,500	21,888
Repayment of borrowings	(29,797)	(23,632)
Principal elements of lease payment	(8,478)	(7,478)
Capital contribution from non-controlling shareholders	–	205
Dividend paid to owners of the Company	(16,353)	(72,119)
NET CASH USED IN FINANCING ACTIVITIES	(29,479)	(77,034)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,561)	(68,445)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	173,167	169,068
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(1,614)	2,694
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY	163,992	103,317
Bank and cash balances	163,992	103,317

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022



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 2021 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 2021.

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

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 2021. In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2022 but they do not have a material effect on the Group’s consolidated financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim 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.

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.





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

3. FAIR VALUE MEASUREMENTS (CONTINUED)

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 if the carrying amount is a reasonable approximation of fair value.

(a) Disclosures of level in fair value hierarchy at 30 June 2022:

Description	Fair value measurements as at 30 June 2022 (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	–	–	42,714	42,714

Description	Fair value measurements as at 31 December 2021 (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	–	–	43,632	43,632

(b) Reconciliation of financial assets measured at fair value based on level 3:

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Financial assets at FVTOCI		
At 1 January	43,632	45,782
Total gains or losses recognised in other comprehensive income	(918)	3,613
At 30 June	42,714	49,395

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 2022



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 2022:

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 at 30 June 2022 HK\$'000 (unaudited)	Fair value at 31 December 2021 HK\$'000 (audited)
Unlisted equity securities classified as financial assets at FVTOCI	Discounted cash flows	Weighted average cost of capital	40%-50% (31 December 2021: 40%-50%)	Decrease	42,714	43,632
		Discount for lack of marketability	20%-25% (31 December 2021: 20%-25%)	Decrease		
		Long-term growth rate	2% (31 December 2021:2%)	Increase		

There were no changes in the valuation techniques used.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 2022

Revenue from external customers
Segment (loss)/profit

Revenue from external customers	93,084	187,647	280,731
Segment (loss)/profit	(51,573)	17,867	(33,706)

Six months ended 30 June 2021

Revenue from external customers
Segment profit

Revenue from external customers	160,131	210,573	370,704
Segment profit	21,856	31,048	52,904

Reconciliation of reportable segment profit or loss:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Total profit or loss of reportable segments	(33,706)	52,904
Interest income	144	160
Interest expenses	(1,414)	(1,498)
Share-based payments	(1,301)	(179)
Share of losses of associates	(374)	(1,656)
Share of profits/(losses) of joint ventures	52	(474)
Unallocated corporate income	1,969	2,593
Unallocated corporate expenses	(8,966)	(6,208)
Consolidated (loss)/profit before tax	(43,596)	45,642

Revenue from major customers:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
OEM segment		
Customer A	98,667	107,294
Customer B	33,010	42,911

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022



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	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
By product category						
Respiratory products	87,955	154,895	34,088	50,196	122,043	205,091
Imaging disposable products	–	–	92,555	100,248	92,555	100,248
Orthopaedic and rehabilitation products	5,129	5,236	30,039	32,353	35,168	37,589
Other products	–	–	30,965	27,776	30,965	27,776
	93,084	160,131	187,647	210,573	280,731	370,704
By geographical market						
The United States	1,974	3,684	153,656	173,236	155,630	176,920
The People's Republic of China (the "PRC")	38,630	61,469	–	–	38,630	61,469
Japan	20,568	7,779	6,330	9,822	26,898	17,601
Costa Rica	–	–	8,542	4,230	8,542	4,230
The Netherlands	–	627	7,735	15,052	7,735	15,679
India	2,771	13,752	–	–	2,771	13,752
Turkey	2,570	10,767	–	–	2,570	10,767
Thailand	111	12,396	–	–	111	12,396
Others	26,460	49,657	11,384	8,233	37,844	57,890
	93,084	160,131	187,647	210,573	280,731	370,704
By timing of revenue recognition						
Products transferred at a point in time	93,084	160,131	95,092	110,325	188,176	270,456
Products transferred over time	–	–	92,555	100,248	92,555	100,248
	93,084	160,131	187,647	210,573	280,731	370,704



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

5. REVENUE (CONTINUED)

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

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Receivables, which included in "trade receivables"	139,851	167,229
Contract assets	11,114	16,519

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.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Current tax – Hong Kong Profits Tax Provision for the period	251	4,397
Current tax – the PRC Provision for the period	66	1,332
Current tax – Others Provision for the period	1,425	–
Under-provision in prior years	959	–
	2,384	–
Deferred tax	(2,043)	(120)
	658	5,609

Under the two-tiered profits tax regime, the first HK\$2.0 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered profits tax rate regime will continue to be taxed at a rate of 16.5% (six months ended 30 June 2021: 16.5%).

PRC Corporate Income Tax has been provided at tax rates ranging from 15% to 25% for the six months ended 30 June 2022 (six months ended 30 June 2021: 15% to 25%).

Tax charge on profits assessable elsewhere have been calculated at the rates prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022



7. (LOSS)/PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Allowance for inventories (included in cost of inventories sold) (Note)	43,187	–
Amortisation	1,758	3,079
Cost of inventories sold	243,944	245,013
Depreciation of property, plant and equipment	10,503	10,231
Depreciation of right-of-use assets	8,799	7,179
Directors' emoluments	3,528	3,337
Equity-settled share-based payments	1,301	179
Exchange loss/(gain), net (included in other gains and losses)	1,615	(77)
Gain on disposal of other intangible assets (included in other gains and losses)	(621)	–
Staff costs including directors' emoluments	96,759	106,640
Write off of property, plant and equipment (included in other gains and losses)	86	190

Note:

During 2020 and early 2021, the Group experienced a substantial surge in demand of the Group's respiratory products due to the COVID-19 outbreak. As a result, the Group had increased the inventory level for some highly-tailored raw materials to cater for the then growing demand. During the period, the performance of the Group's respiratory products segment fell short of the Group's earlier forecasts and thus the relevant inventories had been moving much slower than the Group expected. Taking into account the market uncertainties, the residual value of the inventories and the expected performance of the Group's respiratory products segment, an allowance for slow-moving and/or obsolete inventories of approximately HK\$43,187,000 was made during the period.

8. DIVIDEND

The Board of Directors of the Company has resolved not to declare any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: HK2.0 cents per share).

The Board of Directors of the Company has resolved to declare a special dividend of HK2.5 cents per share.

The final dividend of HK2.5 cents per share amounting to approximately HK\$16,353,000 for the year ended 31 December 2021 has been approved and paid on 24 June 2022.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share is based on the following:

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
(Loss)/Earnings		
(Loss)/Profit attributable to owners of the Company, used in the basic and diluted (loss)/earnings per share calculation	(44,363)	41,859

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	654,153	652,263
Effect of dilutive potential ordinary shares arising from share options issued by the Company (<i>Note</i>)	n/a	9,620
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	n/a	661,883

Note:

The effect of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2022.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property, plant and equipment of approximately HK\$4,622,000 (six months ended 30 June 2021: HK\$9,230,000).

11. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2022, the Group entered into new lease agreements for offices and factory premises for 2 to 3 years. The Group makes fixed payments during the contract period. On lease commencement, the Group recognised approximately HK\$31,545,000 of right-of-use assets and lease liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022



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 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
0 to 30 days	46,284	47,636
31 to 60 days	37,695	41,207
61 to 90 days	30,597	27,732
Over 90 days	25,275	50,654
	139,851	167,229

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Deposits for license and distribution rights	2,524	2,524
Deposits for purchases of property, plant and equipment	6,677	12,382
Deposits for purchases of goods	18,664	21,162
Prepaid expenses	2,080	2,085
Rental and other deposits	3,187	2,983
Value-added tax and other receivables	9,348	14,449
	42,480	55,585
Less: Non-current deposits	(10,584)	(14,906)
	31,896	40,679



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

14. TRADE PAYABLES

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

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
0 to 30 days	25,680	52,162
31 to 60 days	5,946	7,887
Over 60 days	11,840	5,217
	43,466	65,266

15. OTHER PAYABLES AND ACCRUALS

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Accrued staff costs	28,914	38,939
Other accrued expenses	4,403	6,390
Other payables	15,963	12,812
Provision for warranties	2,210	2,285
Contract liabilities	33,202	29,103
	84,692	89,529

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022



16. SHARE CAPITAL

	Number of Shares '000	Share capital HK\$'000	Treasure shares HK\$'000
Ordinary shares			
Authorised			
At 1 January 2021, 31 December 2021 and 30 June 2022	10,000,000	100,000	–
Issued and fully paid			
At 1 January 2021 (audited)	650,598	6,506	–
Shares issued under share option schemes	5,812	58	–
Repurchase of shares	–	–	(1,620)
Cancellation of shares	(1,402)	(14)	1,423
At 31 December 2021 (audited)	655,008	6,550	(197)
Shares issued under a share option scheme (Note (i))	264	2	–
Repurchase of shares (Note (ii))	–	–	(1,562)
Cancellation of shares (Note (ii))	(1,936)	(19)	1,759
At 30 June 2022 (unaudited)	653,336	6,533	–

Notes:

- (i) During the six months ended 30 June 2022, 264,000 shares were issued under a share option scheme at a subscription price of HK\$0.80 per share for a total cash consideration of approximately HK\$211,000, and share-based payments reserve of approximately HK\$145,000 was transferred to share premium account.
- (ii) During the year ended 31 December 2021, the Company repurchased 1,592,000 shares at approximately HK\$1,620,000, of which 1,402,000 shares were cancelled before 31 December 2021. The remaining 190,000 shares at approximately HK\$197,000 were cancelled on 26 January 2022. During the six months ended 30 June 2022, the Company repurchased 1,746,000 shares at approximately HK\$1,562,000 (including expenses), which were cancelled before the end of the reporting period.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

17. SHARE OPTION AND SHARE AWARD SCHEMES

(a) 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 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 “Listing Date”)	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 2022



17. SHARE OPTION AND SHARE AWARD SCHEMES (CONTINUED)

(a) Share option schemes (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	2,910,668	0.80
Exercised during the period	<u>(264,000)</u>	0.80
Outstanding at the end of the period	<u>2,646,668</u>	0.80
Exercisable at the end of the period	<u>2,646,668</u>	0.80

The weighted average share price immediately before the dates of exercise for share options exercised during the period was HK\$0.98 (year ended 31 December 2021: HK\$2.13).

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.

On 25 August 2021, the Group further granted 11,788,000 share options with exercise price of HK\$1.14 per share to certain employees. 25% of the options will vest on each of 25 August 2022, 2023, 2024 and 2025 respectively and will be exercisable from each of 25 August 2022, 2023, 2024 and 2025 respectively to 23 June 2026.

On 13 June 2022, the Group further granted 13,392,332 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 13 June 2023, 2024, 2025 and 2026 respectively and will be exercisable from each of 13 June 2023, 2024, 2025 and 2026 respectively to 23 June 2026.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

17. SHARE OPTION AND SHARE AWARD SCHEMES (CONTINUED)

(a) Share option schemes (continued)

Share option scheme adopted on 24 June 2016 (continued)

The estimated fair value of the options at the date of grant on 13 June 2022 was approximately HK\$3,388,000. The fair value calculated was inherently subjective and uncertain due to the assumptions made and the limitations of the model used.

The fair value was calculated using the binomial option pricing model.

Weighted average exercise price	HK\$0.80
Expected volatility (<i>Note 1</i>)	70.50%
Risk free rate	3.33%
Expected dividend yield (<i>Note 2</i>)	6.38%

Notes:

- Expected volatility was determined by calculating the historical volatility of the Company's share price.
- Expected dividend yield was based on the historical dividend yield of the Company.

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 of the period	21,088,000	0.99
Granted during the period	13,392,332	0.80
Lapsed during the period	<u>(420,000)</u>	1.06
Outstanding at the end of the period	<u>34,060,332</u>	0.91
Exercisable at the end of the period	<u>8,425,000</u>	0.80

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022



17. SHARE OPTION AND SHARE AWARD SCHEMES (CONTINUED)

(b) Share award scheme

A share award scheme (the “Share Award Scheme”) was approved and adopted on 2 December 2021. The purposes of the Share Award Scheme are (i) to recognise and reward the contribution of certain eligible participants (including director, employee, advisor, consultant and any other parties who have contributed or may contribute to the growth and development of the Group) to the growth and development of the Group and to give incentives thereto in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group. The Share Award Scheme will expire on 1 December 2031.

The Group may, from time to time at its absolute discretion, select any eligible participants for participation in the Share Award Scheme and determine the terms and conditions of the awards and the number of shares to be awarded.

During the period, no award was granted under the Share Award Scheme.

18. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Administrative service fee paid to a related company (Note)	126	126
Catering service fee paid to a related company (Note)	869	864
Electronic assembly service fee to a related company (Note)	–	5,544
Metal supplies and processing service fee to a related company (Note)	4,940	5,335
Purchases of goods from an associate	–	126
Purchases of goods from related companies (Note)	3,151	1,511
Rental expenses paid to related companies (Note)	7,062	5,641
Sales of goods to associates	4,648	2,063
	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Trade receivables from an associate	10,719	4,097
Other payables to related companies (Note)	11,461	7,345
Other receivables from a related company (Note)	88	84

Note:

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

19. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2022 (At 31 December 2021: Nil).

20. CAPITAL COMMITMENTS

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

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Property, plant and equipment	8,891	9,210

21. APPROVAL OF FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the Board of Directors on 23 August 2022.