Vincent Medical Holdings Limited
永勝醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1612)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

- Turnover for the six months ended 30 June 2017 ("**1H2017**") decreased by 13.7% to HK$205.4 million as compared to that of HK$237.9 million for the six months ended 30 June 2016 ("**1H2016**").

- Gross profit for 1H2017 decreased by 9.0% to HK$70.9 million as compared to that of HK$77.9 million for 1H2016. Gross profit margin for 1H2017 increased to 34.5% as compared to that of 32.7% for 1H2016.

- Profit attributable to owners of the Company for 1H2017 was:

  – HK$12.4 million (1H2016: HK$12.1 million), based on the reported net profit; and
  – HK$14.8 million (1H2016: HK$29.4 million), based on the Underlying Net Profit *(Note)*.

- Basic earnings per share of the Company for 1H2017 was:

  – HK1.94 cents per share, based on the reported net profit; and
  – HK2.32 cents per share, based on the Underlying Net Profit *(Note)*.

Note:

Underlying Net Profit for 1H2017 represents reported net profit attributable to owners of the Company as set out in the Interim Condensed Consolidated Statement of Profit or Loss before deducting the share-based compensation expenses relating to the pre-IPO share options of HK$2.4 million.

Underlying Net Profit for 1H2016 represents reported net profit attributable to owners of the Company adjusted by excluding the one-off Listing-related expenses of HK$17.1 million and the share-based compensation expenses relating to the pre-IPO share options of HK$0.2 million.

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Vincent Medical Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2017, together with the comparative figures for the corresponding period of 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended 30 June	
		2017	2016
	Note	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Turnover	4	**205,401**	237,941
Cost of sales		**(134,526)**	(160,022)
Gross profit		**70,875**	77,919
Other income		**296**	2,912
Distribution costs		**(7,137)**	(7,067)
Administrative expenses		**(45,920)**	(50,437)
Profit from operations		**18,114**	23,327
Finance costs – interests on borrowings		**(78)**	(196)
Share of losses of associates		**(419)**	(41)
Share of profit of a joint venture		**121**	–
Profit before tax		**17,738**	23,090
Income tax expense	5	**(4,555)**	(5,783)
Profit for the period	6	**13,183**	17,307
Attributable to:			
Owners of the Company		**12,365**	12,138
Non-controlling interests		**818**	5,169
		13,183	17,307
Earnings per share	8		
Basic		**HK1.94 cents**	HK2.53 cents
Diluted		**HK1.93 cents**	HK2.53 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period	**13,183**	17,307
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**5,570**	(2,732)
Other comprehensive income for the period, net of tax	**5,570**	(2,732)
Total comprehensive income for the period	**18,753**	14,575
Attributable to:		
Owners of the Company	**16,985**	9,886
Non-controlling interests	**1,768**	4,689
	18,753	14,575

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017

	Note	**30 June 2017** **HK$'000** **(unaudited)**	31 December 2016 HK$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**39,142**	40,131
Goodwill		**9,591**	9,591
Other intangible assets		**14,658**	14,628
Investments in associates		**16,772**	16,460
Investment in a joint venture		**9,342**	–
Available-for-sale financial assets		**28,303**	–
Total non-current assets		**117,808**	80,810
Current assets			
Inventories		**84,246**	87,899
Trade receivables	9	**86,877**	75,223
Prepayments, deposits and other receivables		**35,116**	29,060
Bank and cash balances		**172,521**	222,206
Total current assets		**378,760**	414,388
TOTAL ASSETS		**496,568**	495,198
EQUITY AND LIABILITIES			
Share capital	11	**6,380**	6,380
Reserves		**354,512**	344,692
Equity attributable to owners of the Company		**360,892**	351,072
Non-controlling interests		**51,261**	50,404
Total equity		**412,153**	401,476
Non-current liabilities			
Borrowings		**–**	1,450
Deferred tax liabilities		**2,419**	2,415
Total non-current liabilities		**2,419**	3,865
Current liabilities			
Trade payables	10	**34,317**	32,866
Other payables and accruals		**35,593**	47,039
Borrowings		**2,602**	3,167
Current tax liabilities		**9,484**	6,785
Total current liabilities		**81,996**	89,857
Total liabilities		**84,415**	93,722
TOTAL EQUITY AND LIABILITIES		**496,568**	495,198
Net current assets		**296,764**	324,531
Total assets less current liabilities		**414,572**	405,341

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

1. BASIS OF PREPARATION

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

These condensed consolidated financial statements should be read in conjunction with the 2016 annual financial statements. The accounting policies 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 2016 except as stated below.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group has assessed the type of each of its joint arrangements and determined them to all be joint ventures.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture; and (ii) the Group's entire carrying amount of that joint venture (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss. Interest calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2017. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not have any significant effect on the condensed consolidated financial statements.

3. FAIR VALUE MEASUREMENTS

Except for available-for-sale financial assets stated as cost, 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.

4. REVENUE AND SEGMENT INFORMATION

The Group's turnover represents sales of medical devices to customers. An analysis of the Group's turnover by products for the period is as follows:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Respiratory products	**73,894**	80,305
Imaging disposable products	**79,093**	92,854
Orthopaedic and rehabilitation products	**35,024**	36,974
Others	**17,390**	27,808
	205,401	237,941

Information about reportable segment profit or loss:

	OEM	**OBM**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)
Six months ended 30 June 2017:			
Revenue from external customers	**170,078**	**35,323**	**205,401**
Segment profit/(loss)	**27,651**	**(3,568)**	**24,083**
Six months ended 30 June 2016:			
Revenue from external customers	206,868	31,073	237,941
Segment profit/(loss)	41,276	(1,138)	40,138

Reconciliation of reportable segment profit or loss:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit or loss		
Total profit or loss of reportable segments	**24,083**	40,138
Interest income	**57**	25
Interest expenses	**(78)**	(196)
Listing-related expenses	**–**	(17,090)
Share-based payments	**(2,405)**	(182)
Share of losses of associates	**(419)**	(41)
Share of profit of a joint venture	**121**	–
Write back of trade payables	**–**	2,207
Unallocated corporate income	**239**	680
Unallocated corporate expenses	**(3,860)**	(2,451)
Consolidated profit before tax	**17,738**	23,090

Segment assets and liabilities of the Group are not reported to the directors of the Group regularly. As a result, reportable segment assets and liabilities have not been presented in these condensed consolidated financial statements.

Geographical information:

The Group's revenue from external customers by location of operations is as follows:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
United States of America (the "**USA**")	**147,392**	166,331
The People's Republic of China (the "**PRC**")	**18,801**	17,543
Japan	**7,688**	7,370
Netherlands	**7,504**	24,238
Australia	**6,194**	8,392
Others	**17,822**	14,067
	205,401	237,941

Revenue from major customers:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
OEM segment		
Customer A	**80,949**	96,799
Customer B	**35,197**	54,936

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax		
– Hong Kong Profits Tax	**2,727**	3,551
– PRC Corporate Income Tax	**1,824**	2,352
Deferred tax	**4**	(120)
	4,555	5,783

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profits for the six months ended 30 June 2017 and 2016.

Under the Corporate Income Tax Law of the PRC which became effective from 1 January 2008, the standard corporate income tax rate is 25% except for a PRC subsidiary of the Company which is qualified as a High and New Tech Enterprise and would be entitled to a reduced corporate income tax rate of 15%. The relevant tax rates for the Company's PRC subsidiaries range from 15% to 25%.

6. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Amortisation	**821**	730
Cost of inventories sold	**134,526**	160,022
Depreciation	**5,299**	5,564
Directors' emoluments		
– As director	**510**	–
– For management		
Salaries, bonuses and allowances	**2,220**	1,614
Retirement benefits scheme contributions	**121**	81
Equity-settled share-based payments	**218**	16
	2,559	1,711
Equity-settled share-based payments	**2,405**	182
Exchange loss, net	**2,938**	1,184
Listing-related expenses	**–**	17,090
Operating lease charges – land and buildings	**4,280**	4,768
Research and development expenditure	**8,192**	3,840
Staff costs including directors' emoluments		
Salaries, bonuses and allowances	**44,235**	38,603
Retirement benefits scheme contributions	**2,386**	2,056
Other benefits	**5,116**	4,698
Equity-settled share-based payments	**2,338**	162
	54,075	45,519
Write back of trade payables	**–**	(2,207)

7. DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2017.

A final dividend of HK1.50 cents per share amounting to HK$9,570,000 for the year ended 31 December 2016 has been approved and paid on 20 June 2017.

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**12,365**	12,138
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares used in basic earnings per share calculation	**638,000**	478,991
Effect of dilutive potential ordinary shares arising from share options	**3,373**	–
Weighted average number of ordinary shares used in diluted earnings per share calculation	**641,373**	478,991

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share for the six months ended 30 June 2016 has been adjusted for the effect of the capitalisation issue.

The impact of the outstanding share options on diluted earnings per share for the six months ended 30 June 2016 was insignificant.

9. TRADE RECEIVABLES

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

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

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**36,992**	35,910
31 – 60 days	**28,859**	23,333
61 – 90 days	**9,652**	4,602
Over 90 days	**11,374**	11,378
	86,877	75,223

10. TRADE PAYABLES

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

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**16,357**	18,119
31 – 60 days	**1,898**	4,340
Over 60 days	**16,062**	10,407
	34,317	32,866

11. SHARE CAPITAL

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Authorised:		
10,000,000,000 ordinary shares of HK$0.01 each	**100,000**	100,000
Issued and fully paid:		
638,000,000 ordinary shares of HK$0.01 each	**6,380**	6,380

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

The Group has continued to focus on its core strategies of expanding the product offering and strengthening product research and development ("**R&D**") capabilities, good progress was made as the Group has completed the development of certain products (e.g. the new humidification system, the embedded heater wire circuits and the neonatal bubble CPAP system) and these products are now ready for launch. However, turnover for 1H2017 was affected by decreased contribution from the original equipment manufacturing ("**OEM**") business which was partially offset by the continuous growth of the original brand manufacturing ("**OBM**") business. Despite the decrease in overall turnover, the Group is pleased with the improvement in gross profit margin from 32.7% to 34.5%, which reflects the strong, focused execution across the organisation.

During 1H2017, the Group has considerably increased headcount for production, quality assurance, and sales and marketing teams. Overall administrative expenses have also risen following the listing of the shares of the Company (the "**Share(s)**") on the main board of the Stock Exchange (the "**Listing**") on 13 July 2016 (the "**Listing Date**").

OEM BUSINESS

The OEM business remains the major business segment and accounted for 82.8% of total turnover (1H2016: 86.9%). This segment recorded a decrease in turnover of 17.8% from HK$206.9 million to HK$170.1 million, this was due to the drop in orders from two of the Group's major customers. One of its respiratory products OEM customers has undergone operational restructuring following a series of acquisitions, therefore, orders from this customer were reduced.

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

	For the six months ended 30 June				
	2017		2016		Change
	HK$'000	*%*	*HK$'000*	*%*	
Respiratory products	**44,102**	**25.9**	52,278	25.3	-15.6%
Imaging disposable products	**79,093**	**46.5**	92,854	44.9	-14.8%
Orthopaedic and rehabilitation products	**29,493**	**17.4**	33,928	16.4	-13.1%
Others *(Note)*	**17,390**	**10.2**	27,808	13.4	-37.5%
Total	**170,078**	**100.0**	206,868	100.0	-17.8%

Note: Others mainly include infusion regulators, moulds, surgical tools, instruments and plastic disposable products.

OBM BUSINESS

During 1H2017, sales generated from the OBM business was HK$35.3 million, representing an increase of 13.7% as compared to 1H2016. Such growth was mainly attributable to the enhanced sales and marketing efforts in European, East Asian countries and the PRC.

The growth of the OBM orthopaedic and rehabilitation product segment was attributable mainly to higher sales of its adjustable rehabilitation braces and additional contribution from the new infant CPAP bonnet, nasal prongs and masks products. However, the growth was partially offset by the weak sales performance of the "Hand of Hope" robotic hand training device. Sales of the device were impacted due to the needs for product optimization and the change of distributors in the USA.

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

	For the six months ended 30 June				
	2017		2016		Change
	HK$'000	***%***	*HK$'000*	*%*	
Respiratory products	**29,792**	**84.3**	28,027	90.2	6.3%
Orthopaedic and rehabilitation products	**5,531**	**15.7**	3,046	9.8	81.6%
Total	**35,323**	**100.0**	31,073	100.0	13.7%

Expanding sales network and reaching out to new markets

The Group continued to make solid steps in expanding and strengthening its sales and distribution network in the PRC. Following the establishment of the new sales office in Wuhan last year, the Group further expanded its footprint geographically to better serve its distributors and customers in the PRC market. Towards that end, the Shanghai sales office was officially began operation in August 2017.

During 1H2017, the Group participated in various trade shows and exhibitions in the USA, Dubai, the Czech Republic, South Korea, the PRC and Hong Kong and has successfully reached out to new customers and key opinion leaders alike in the medical and scientific communities.

In March 2017, the Group and Inovytec Medical Solutions Ltd. ("**Inovytec**", a company that the Group invested in January 2017) was invited by the Embassy of Israel in China, to deliver a joint-presentation in the 4th Great Wall International Military Medicine Forum in Beijing. At the presentation, Inovytec shared some Israeli innovative technologies and equipment for tactical combat casualty care with the audience. Inovytec's innovative military and civil emergency products generated an overwhelming response from the military doctors of The Chinese People's Liberation Army and officials from the Israeli Embassy.

Investment and collaboration with business partners to expand OBM product portfolio

To meet its growth ambition of adding new products to the OBM product portfolio, the Group has continued to identify suitable collaboration opportunities for the Group to diversify its product offerings and to better utilise its production, product commercialisation experience and expertise in the PRC and other emerging markets. During 1H2017, the Group has increased expenditure on R&D, as well as consultancy fees for new product commercialisation and investments.

Last August, the Group signed an exclusive manufacturing and distribution agreement with Ventec Life Systems, Inc. for "VOCSN," a revolutionary life-support ventilator. "VOCSN" has received clearance from Food & Drug Administration of the USA in April 2017 and was recently named as the "Best New Therapeutic Technology Solution" at the MedTech Breakthrough 2017 Awards. The Group is now preparing the "VOCSN" for the China Food and Drug Administration registration in the PRC.

In January 2017, the Group entered into a share purchase agreement to acquire a 15% stake in Inovytec at a total cash consideration of US$3.0 million (to be paid in three instalments). Inovytec is an Israeli private company focusing on the development of medical devices for airway managements, oxygen therapy and defibrillation in respiratory and cardiac emergency situations. The Group is also the exclusive manufacturer and distributor for Inovytec's products in the PRC, Hong Kong, Macau and Taiwan markets. Inovytec's first product, the LUBO, a non-invasive upper airway opening device combined with a cervical collar, is now selling in the PRC market through the Group. Inovytec's second device, the SALI, an automated oxy-defibrillator, obtained CE certification in June 2017 and will be deployed in Germany in the last quarter of 2017. The Group is working closely with Inovytec for the preparation of manufacturing the SALI in the Dongguan production facilities.

In April 2017, the Group presented a proposal to acquire Envisen Holding Limited, a medical device developer specialising in oximeters and SpO_2 sensors, in order to expand its business and product portfolio. Disappointingly, this proposal was not approved by the independent shareholders of the Company.

Outlook

The trend of order recovery from some of the Group's important OEM customers in the second quarter has continued in the second half of 2017. While it continues to face some challenges in the remainder of 2017, particularly for the sales of the "Hand of Hope" device, the Group expects that the full year results will reflect the benefits from ongoing operational improvements. Nevertheless, the Group will strive to make further improvements in its operational efficiency and bolstering the competitiveness of its OEM Business while continue to be vigilant on keeping costs controlled.

The Group's focus will remain resolute on providing sustainable growth in value of the shareholders of the Company (the "**Shareholders**") over the long term by delivering innovative products to the market in a controlled manner. To that end, the Group expects to launch the new humidification system, the embedded heater wire circuits and the neonatal bubble CPAP system in the second half of 2017 and a number of other new products in 2018.

The Group will continue to build a strong product pipeline by expanding its OBM product portfolio especially in ventilation, paediatric medical devices, and devices for treatment of sleep apnea and related disposable products. The Group will also evaluate and explore potential acquisitions, partnerships and licensing opportunities with an aim to enhance its competitiveness in certain selected new markets with huge potential.

FINANCIAL REVIEW

TURNOVER

For 1H2017, the Group recorded turnover of HK$205.4 million (1H2016: HK$237.9 million), representing a decrease of 13.7%. The decrease was mainly owing to a 17.8% decrease in turnover from the Group's OEM business due to decrease in turnover from sales of OEM respiratory products, imaging disposable products and other products, partially compensated by a 13.7% increase in turnover from the Group's OBM business due to an increase in turnover from sales of OBM orthopaedic and rehabilitation products.

The following table sets out the Group's segmental turnover:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Business segments		
OEM	**170,078**	206,868
OBM	**35,323**	31,073
Total	**205,401**	237,941
Product category segments		
Respiratory products	**73,894**	80,305
Imaging disposable products	**79,093**	92,854
Orthopaedic and rehabilitation products	**35,024**	36,974
Others *(Note)*	**17,390**	27,808
	205,401	237,941

Note: Others mainly include infusion regulators, moulds, surgical tools, instruments and plastic disposable products.

COST OF SALES

For 1H2017, the Group recorded cost of sales of HK$134.5 million (1H2016: HK$160.0 million), representing a decrease of 15.9%. The decrease in cost of sales was mainly due to the decrease in turnover for 1H2017.

GROSS PROFIT AND GROSS PROFIT MARGIN

For 1H2017, the Group recorded gross profit of HK$70.9 million (1H2016: HK$77.9 million), representing a decrease of 9.0%. Also, the gross profit margin for 1H2017 was 34.5% (1H2016: 32.7%), representing an increase of 1.8 percentage points. The increase in gross profit margin was mainly attributable to lower cost of production after the new production facilities for rehabilitation products is in operation.

OTHER INCOME

For 1H2017, the Group recorded other income of HK$0.3 million (1H2016: HK$2.9 million), representing a decrease of 90% as compared to that for 1H2016. The decrease was mainly due to a write back of trade payables of HK$2.2 million in 1H2016.

DISTRIBUTION COSTS

The Group's distribution costs for 1H2017 were HK$7.1 million (1H2016: HK$7.1 million), remained stable as compared to that for 1H2016.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses for 1H2017 were HK$45.9 million (1H2016: HK$50.4 million), representing a decrease of 9.0%. Without taking into account the Listing-related expenses of HK$17.1 million for 1H2016, the increase was mainly due to (i) increases in R&D expenses of HK$3.7 million mainly as a result of certain new research projects on the Group's OBM segment; (ii) staff costs of HK$2.1 million mainly as a result of the appointment of independent non-executive Directors after the Listing, the increase in headcount for business development of OBM market and the salary increment; (iii) professional and compliance fees of HK$2.5 million mainly arising from certain acquisitions and investments; (iv) exchange loss of HK$1.8 million mainly as a result of the appreciation of Renminbi ("**RMB**"); and (v) share-based compensation expenses relating to the pre-IPO share options of HK$2.2 million.

INCOME TAX EXPENSE

Income tax expense for 1H2017 was HK$4.6 million (1H2016: HK$5.8 million), representing a decrease of HK$1.2 million. The decrease was mainly due to the decrease of profit for 1H2017.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company based on the reported net profit for 1H2017 was HK$12.4 million (1H2016: HK$12.1 million), representing an increase of 2.5%.

The profit attributable to owners of the Company based on the underlying net profit for 1H2017 was HK$14.8 million (1H2016: HK$29.4 million), representing a decrease of 49.7%. The underlying net profit for 1H2017 represents reported net profit before deducting the share-based compensation expenses relating to the pre-IPO share options of HK$2.4 million. The underlying net profit for 1H2016 represents reported net profit before deducting the one-off Listing-related expenses of HK$17.1 million and the share-based compensation expenses relating to the pre-IPO share options of HK$0.2 million.

EMPLOYEE INFORMATION

As at 30 June 2017, the total number of full-time employee of the Group was 1,016 (31 December 2016: 921). The remuneration of employees was determined according to their experience, qualifications, results of operations of the Group and the market condition. During 1H2017, staff costs including Directors' emoluments amounted to HK$54.1 million (1H2016: HK$45.5 million), representing 26.3% of the Group's turnover (1H2016: 19.1%). The increase in staff costs in 1H2017 was mainly due to the increase in number of employees for production, quality assurance, sales and marketing and business development and salary increment.

CAPITAL EXPENDITURE

For 1H2017, the Group acquired plant and equipment of HK$3.1 million (1H2016: HK$3.7 million), representing a decrease of HK$0.6 million as compared to that for 1H2016.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group's bank and cash balances amounted to HK$172.5 million (31 December 2016: HK$222.2 million). Most bank and cash balances were denominated in Hong Kong dollars ("**HKD**"), US dollars ("**USD**") and RMB. The decrease in bank and cash balances was mainly due to the decrease in cash generated from operation, payments for dividends, acquisitions and investments during 1H2017.

As at 30 June 2017, the Group had a loan of HK$2.6 million (31 December 2016: including a bank loan and other loan of HK$4.6 million). As at 30 June 2017, no financial instruments were used for hedging purposes. The Group had an insignificant gearing ratio of 0.01 (31 December 2016: 0.01), which was calculated based on total debt divided by total equity attributable to owners of the Company.

CAPITAL STRUCTURE

The Shares were listed on the main board of the Stock Exchange on the Listing Date. As at the date of this announcement, the issued Share capital of the Company is HK$6.4 million, representing 638,000,000 Shares with nominal value of HK$0.01 per Share.

SIGNIFICANT INVESTMENTS

During 1H2017 under review and as at 30 June 2017, the Company considers that the significant investments are as follows:-

1. the Group held 20% interest in Ventific Holdings Pty Limited, the Group recognized a goodwill of HK$10.1 million and shared its net assets of HK$1.4 million, resulting in a net value of the investment at HK$11.5 million. The Group shared a loss of HK$0.01 million in the consolidated statement of profit or loss during 1H2017.

2. the Group also held 20% interest in Retraction Limited, the Group recognized a goodwill of HK$2.8 million and shared its net assets HK$2.5 million. Therefore, the net value of the investment was HK$5.3 million. The Group shared a loss of HK$0.4 million in the consolidated statement of profit or loss during 1H2017.

3. the Group acquired 10% of the issued share capital of 廣州柏頤信息科技有限公司 (translated as Guangzhou 100ecare Technology Co. Ltd. "**100ecare**"). The Group recognized a goodwill of HK$7.0 million and shared its net assets HK$2.3 million, resulting a net value of the investment was HK$9.3 million. The Group shared a profit of HK$0.1 million in the consolidated statement of profit or loss during 1H2017.

MATERIAL ACQUISITIONS AND DISPOSALS

On 8 December 2016, 深圳永勝宏基醫療器械有限公司 (translated as Shenzhen Vincent Raya Medical Device Company Limited, "**VMSZ**") entered into a subscription agreement with 100ecare and its existing shareholder, pursuant to which VMSZ has conditionally agreed to subscribe for 10% of the enlarged registered share capital of 100ecare at a total consideration of RMB8.0 million. The subscription was completed on 21 March 2017 and 100ecare has become a joint venture of the Company. For details, please refer to the Company's announcement dated 8 December 2016.

On 24 January 2017, Vincent Medical Inovytec Limited ("**VMIL**") and Inovytec entered into the Series A Preferred Shares Purchase Agreement ("**Inovytec Agreement**"), pursuant to which Inovytec shall issue and allot to VMIL an aggregate of 12,091 Series A Preferred Shares, representing 15% of the enlarged issued share capital of Inovytec, at a total consideration of US$3.0 million. The purchase of Series A Preferred Shares will be completed by three instalments while Inovytec achieves certain milestones. The first instalment of US$1.8 million has been paid by VMIL on 26 January 2017 upon execution of the agreement and Inovytec has allotted 7,255 Series A Preferred Shares to VMIL according to the Inovytec Agreement, representing 7.5% of the enlarged issued share capital of Inovytec. The second instalment of US$600,000 for 2,418 Series A Preferred Shares has been paid on 12 July 2017 when Inovytec achieved relevant sales target pursuant to the Inovytec Agreement, it represents another 3.75% of the enlarged issued share capital of Inovytec. The third instalment of US$600,000 for 2,418 Series A Preferred Shares, representing 3.75% of the enlarged issued share capital of Inovytec, will be made upon Inovytec achieving relevant sales target as provided in the Inovytec Agreement. For details, please refer to the Company's announcement dated 24 January 2017.

Save for the above, the Group did not have any other material acquisitions or disposals of subsidiaries, associates or joint ventures during 1H2017.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2017, 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, a substantial of sales are denominated in USD given the export-oriented nature of the OEM business. Thus, any appreciation of RMB against USD may subject the Group to increased costs and lower profitability. The Directors have assessed the impact of such foreign currency risk and considered that it may materially affect the Group's profitability. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares were listed on the main board of the Stock Exchange on the Listing Date. The net proceeds from the Global Offering were approximately HK$94.6 million (net of underwriting fees and relevant expenses). During the period between the Listing Date and 30 June 2017, the net proceeds from the Global Offering were utilized as follows:

	Amount received from net proceeds *HK$' million*	**Amount actually used up to 30 June 2017** *HK$' million*
Expansion and upgrading of our production facility from 2016 to 2018	47.3	8.4
Development of our pipeline and planned products from 2016 to 2018	25.5	13.9
Sales and marketing from 2016 to 2018	17.1	8.6
General corporate purposes and working capital	4.7	4.7

As at the date of this announcement, the Company does not anticipate any change to the Company's intention on the use of proceeds as disclosed in the prospectus dated 30 June 2016 (the "**Prospectus**").

CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any contingent liabilities.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding their transactions for the six months ended 30 June 2017.

CORPORATE GOVERNANCE

The Board is committed to maintaining the highest possible standards of corporate governance, and strives to maintain transparent, responsible and value-driven management practices that will enhance and safeguard the interests of the Shareholders. The Board believes that effective and high quality corporate governance is an essential platform for creating value for the Shareholders. The Board is committed to continuously reviewing and improving the Group's corporate governance practices, and maintaining the highest standards of ethical corporate behaviour across the organisation.

The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance since the Listing Date. The corporate governance principles of the Company emphasise a quality Board, sound internal controls and risk management, and transparency and accountability to all Shareholders.

In the opinion of the Directors, the Company has complied with the code provisions set out in the CG Code for the six months ended 30 June 2017.

INTERIM DIVIDEND

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2017.

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme adopted on 17 June 2016

A Pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") was adopted by the Company on 17 June 2016 (the "**Date of Grant**"). 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 life of the Pre-IPO Share Option Scheme is for 10 years.

On the Date of Grant, options to subscribe for an aggregate of 19,684,000 Shares were conditionally granted to a total of 91 grantees under the Pre-IPO Share Option Scheme by the Company. The Shares subject to the options granted under the Pre-IPO Share Option Scheme represent (i) approximately 3.09% of the Company's issued Share capital as of the date of this announcement (excluding all Shares which may be allotted and issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme); and (ii) approximately 2.99% of the Company's issued Share capital as of the date of this announcement, assuming that all options granted under the Pre-IPO Share Option Scheme are exercised. Save for the options which have been granted on the Date of Grant, no further options were granted under the Pre-IPO Share Option Scheme. The exercise price in respect of each option granted under the Pre-IPO Share Option Scheme is HK$0.80 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 Listing.

For the six months ended 30 June 2017, none of the above share options were exercised and a total of 592,000 share options were forfeited as results of voluntary resignation, retirement and termination of employment of the relevant option holders. The table below sets out details of the outstanding share options granted to the Directors, a consultant and other grantees under the Pre-IPO Share Option Scheme as at 30 June 2017:

Grantee	Date of Grant	Vesting schedule	Exercise period	Number of Shares underlying the share options granted	Number of Shares: Outstanding as at 1 January 2017	Number of Shares: Forfeited during the period	Number of Shares: Outstanding as at 30 June 2017
Directors							
To Ki Cheung	17 June 2016	25% of options will vest on each of 13 July 2017, 2018, 2019 and 2020 respectively	25% of options will be exercisable from each of 13 July 2017, 2018, 2019 and 2020 respectively to 16 June 2026	526,332	–	–	526,332
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
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				**1,584,000**	**-**	**-**	**1,584,000**
Consultant							
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	**528,000**	**-**	**-**	**528,000**
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	**17,244,000**	**-**	**592,000**	**16,652,000**
Total				**19,356,000**	**-**	**592,000**	**18,764,000**

A detailed summary of the terms (including the principal terms, exercise price, vesting periods and conditions) of the Pre-IPO Share Option Scheme and list of grantees has been set out in the section headed "Appendix IV. Statutory and General Information – 16. Pre-IPO Share Option Scheme" of the Prospectus.

Share option scheme adopted on 24 June 2016

A share option scheme (the "**Share Option Scheme**") was adopted by the Company on 24 June 2016. The purpose of the Share Option Scheme is to recognise and acknowledge the contributions of eligible participants of the Share Option Scheme including any executive, Director, employee, advisor, consultant, professional, agent, contractor, customer, provider of goods and/or services or business or joint-venture partner to the Group (the "**Eligible Participants**") by granting options to them as incentives or rewards. The Share Option Scheme will expire on 23 June 2026. The subscription price per Share shall be determined by the Board and notified to the grantee at the time of offer of the option.

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

For the six months ended 30 June 2017, no share option was granted under the Share Option Scheme. Subject to the rules of the Share Option Scheme, an option may be exercised by the Eligible Participants at any time during the applicable option period determined by the Board, which in any event shall not be more than 10 years from the date of grant of option. A detailed summary of the terms of the Share Option Scheme has been set out in the section headed "Appendix IV. Statutory and General Information – 17. Share Option Scheme" of the Prospectus.

AUDIT COMMITTEE

The Company established the audit committee of the Company (the "**Audit Committee**") which currently consists of three independent non-executive Directors, namely Mr. Au Yu Chiu Steven, Mr. Chan Ling Ming and Mr. Mok Kwok Cheung Rupert, with written terms of reference which deal clearly with its authority and duties.

The Group's unaudited consolidated interim results for the six months ended 30 June 2017 have been reviewed by the Audit Committee.

The unaudited consolidated interim results of the Group for the six months ended 30 June 2017 have also been reviewed by the Company's auditor, RSM Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The auditor's independent review report will be included in the Company's interim report for the six months ended 30 June 2017 to the Shareholders.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The interim report of the Company for the six months ended 30 June 2017 containing all the relevant information required by the Listing Rules and the relevant laws and regulations will be dispatched to the Shareholders and available on above websites in due course.

APPRECIATION

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

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

Hong Kong, 25 August 2017

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