Vincent Medical

VINCENT MEDICAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1612

2021
ANNUAL REPORT

CONTENTS

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 COMMITTEE

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
Level 54, Hopewell Centre,
183 Queen's Road East,
Hong Kong

PRINCIPAL BANKERS

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

INVESTOR RELATIONS CONTACTS

IR Department – Vincent Medical Holdings Limited
Telephone : (852) 2155 2998
Fax : (852) 2155 8298
Email : investors@vincentmedical.com

STOCK CODE

1612

COMPANY WEBSITE

www.vincentmedical.com

Definitions

In this Annual Report (except the sections of "Independent Auditor's Report" and the audited consolidated financial statements set out on pages 100 to 191), unless the context otherwise requires, the following expressions shall have the following meanings:

"AGM"	the annual general meeting of the Company to be held at 17th Floor, Leighton, 77 Leighton Road, Causeway Bay, Hong Kong on Tuesday, 24 May 2022 at 10:00 a.m. or any adjournment thereof
"Articles of Association"	the articles of association of the Company currently in force
"Audit Committee"	the audit committee of the Board
"Board"	the board of the Directors
"Board Diversity Policy"	the board diversity policy as adopted by the Company on 24 June 2016
"Cayman Companies Act"	the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands
"CEO"	Mr. To Ki Cheung, the chief executive officer of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	Mr. Choi Man Shing, the chairman of the Company
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company"	Vincent Medical Holdings Limited (永勝醫療控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability whose Shares are listed on the Main Board of the Stock Exchange (stock code: 1612)
"Company Secretary"	Ms. Tsui Lai Ki Vicki, the company secretary of the Group
"connected person"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	Mr. Choi Man Shing, Ms. Liu Pui Ching (the spouse of Mr. Choi Man Shing) and VRI, being the controlling shareholders who jointly control their respective interests in the Company within the meaning of the Listing Rules
"Director(s)"	the director(s) of the Company
"Director Nomination Policy"	the nomination of directors policy and procedures as adopted by the Company on 23 March 2018
"Dividend Policy"	the dividend policy as adopted by the Company on 12 December 2018

Definitions

"ESG Committee"	the environmental, social and governance committee of the Board
"Fresca"	Fresca Medical, Inc., a limited liability company incorporated under the laws of Delaware, the US
"FVTOCI"	fair value through other comprehensive income
"Group"	the Company and its subsidiaries
"GZ Hypnus"	廣州和普樂健康科技有限公司 (translated as "Guangzhou Hypnus Healthcare Technology Co., Limited"), a limited liability company established in the PRC
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Third Parties"	a person who, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person of the Company
"Inovytec"	Inovytec Medical Solutions Ltd., a limited liability company incorporated under the laws of the State of Israel
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"NMPA"	the National Medical Products Administration of the PRC
"Nomination Committee"	the nomination committee of the Board
"O2FLO"	O2FLO high flow respiratory humidifier
"OBM"	original brand manufacturing
"OEM"	original equipment manufacturing
"ppts"	percentage points
"PRC"	the People's Republic of China
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme as adopted by the Company on 17 June 2016
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Board

"Risk Management Committee"	the risk management committee of the Board
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of par value of HK$0.01 each in the share capital of the Company, or if there has been a sub-division, consolidation, reclassification or reconstruction or reduction or reorganisation of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company as shall result from any of such sub-division, consolidation, re-classification or re-construction or reduction or reorganisation
"Share Award Scheme"	the share award scheme as adopted by the Company on 2 December 2021
"Share Option Scheme"	the share option scheme as adopted by the Company on 24 June 2016
"Shareholder(s)"	the holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US"	the United States of America, its territories and possessions, and state of the United States and the District of Columbia
"USD"	United States dollars, the lawful currency of the US
"VHB Humidifier"	VHB series humidifiers
"VMDG"	東莞永勝醫療製品有限公司 (translated as "Vincent Medical (Dongguan) Mfg. Co. Ltd."), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
"VMHK"	VINCENT MEDICAL MANUFACTURING CO., LIMITED (永勝醫療製品有限公司), a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
"VRDG"	永勝（東莞）電子有限公司 (translated as "Vincent Raya (Dongguan) Electronics Co., Ltd."), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of VRI
"VRDL"	VINCENT RAYA DEVELOPMENT LIMITED (永勝宏基發展有限公司), a limited liability company incorporated in Hong Kong and a direct wholly-owned subsidiary of VRI

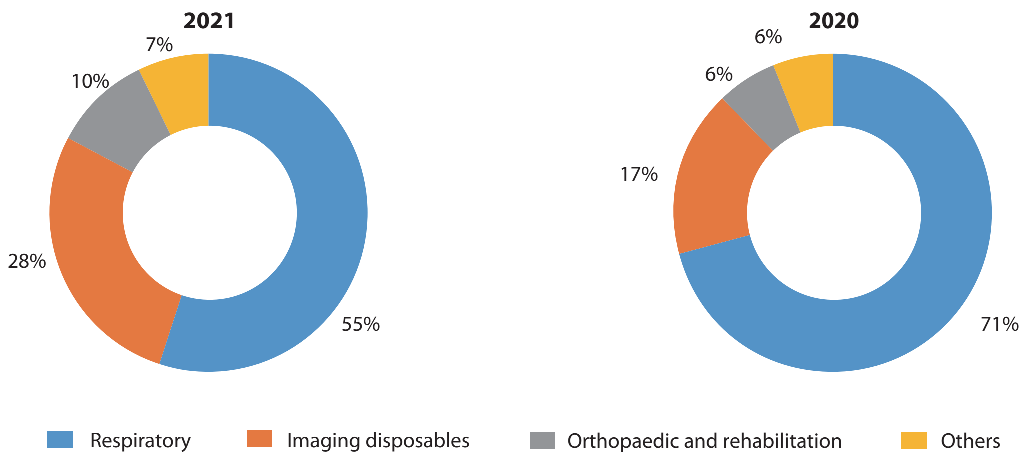
Definitions

"VRHK"	VINCENT RAYA CO., LIMITED (永勝宏基集團有限公司), a limited liability company incorporated in Hong Kong and a direct wholly-owned subsidiary of VRI
"VRI"	VINCENT RAYA INTERNATIONAL LIMITED, a company incorporated in the British Virgin Islands and being held as to 57.89% by Mr. Choi Man Shing and 42.11% by Ms. Liu Pui Ching as at the date of this Annual Report, and one of the Controlling Shareholders
"VRMD"	東莞永勝宏基醫療器械有限公司 (translated as "Vincent Raya (Dong Guan) Medical Device Co., Ltd."), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
"2021" or "Year"	for the year ended 31 December 2021
"%"	per cent.

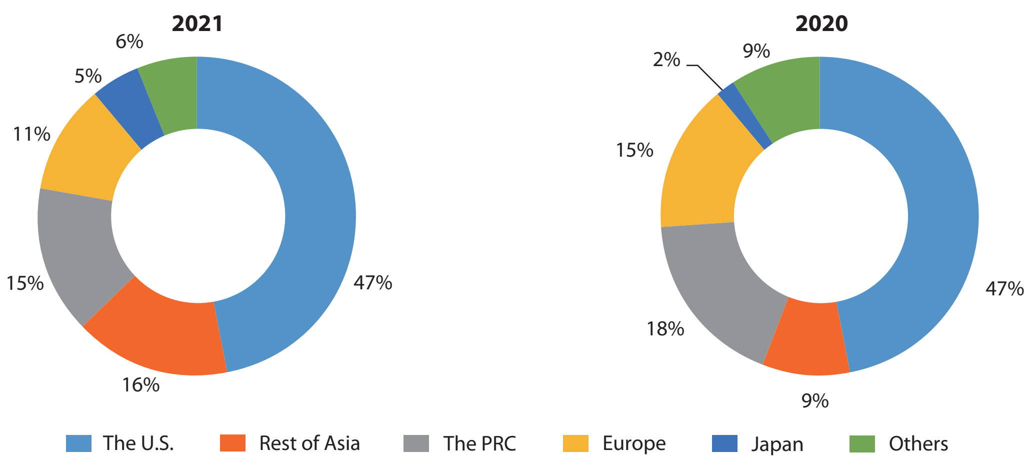
	For the year ended 31 December		
	2021	2020	2019
	HK$'000	HK$'000	HK$'000
Revenue	**777,720**	1,155,383	502,200
Gross profit	**259,104**	494,237	162,007
Profit for the year	**60,070**	247,435	12,857
Profit attributable to owners of the Company	**60,695**	216,865	11,525
Basic earnings per share (HK cents)	**9.28**	33.84	1.81
Total dividend per share (HK cents)	**4.50**	11.00	1.10

REVENUE ANALYSIS

By Product Category



By Geography



2021 MILESTONES

4 APRIL

- Selected as one of the pilot enterprises of Dongguan City's "2021 Business Doubling Plan"

6 JUNE

- Construction of the new warehouse at Tangxia completed, total storage capacity increased by 10%
- Entered into resale purchasing agreement with Philips (China) on high flow devices for the PRC market

7 JULY

- Hosted its first clinical webinar on High Flow Nasal Oxygen (HFNO) treatment with Dr. Oriol Roca, Critical Care Specialist, for Latin America markets

SEPTEMBER

9

- Selected as part of the Forbes Asia's Best Under a Billion 2021

11

NOVEMBER

- Appointed Medtronic as its preferred distributor of the inspired™ respiratory devices and accessories
- Awarded the title "Brand Alliance of Advanced Manufacturing of Rehabilitation Assistive Devices in Dongguan City"

DECEMBER

12

- Signed a global cooperation framework agreement with a subsidiary of Sinopharm Group
- A subsidiary of the Group becomes the first batch of 2021 High-tech Enterprises of Guangdong Province

Celebrating Vincent Medical's 25th Anniversary

Vincent Medical has operated since 1997 in Hong Kong.
This year marks 25 years and the year of expansion.

Stronger Together

As our company continues to grow, we needed more space to accommodate new additions of staff. As such, the Group is pleased to announce the relocation of the corporate headquarters to **Two Harbourfront** in **Hung Hom, Hong Kong** as of **22 February 2022.**

"We will continue to improve, grow and innovate to become part of the future."

Choi Man Shing
Chairman and Executive Director

Dear Shareholders,

On behalf of the Board of Directors of the Company, I am pleased to present you the annual results for the year ended 31 December 2021.

Looking back to our course over the last quarter-century, the Group has evolved into a fully integrated medical technology company, covering every aspect from research, product development, manufacturing, to sales, marketing, and after-sales support. We are particularly proud of our contributions and business development during the two major global health crises in the last 25 years – SARS in 2003 and COVID-19 in 2020, and has since, become one of the most trusted suppliers of respiratory medical devices.

2021 was nonetheless a challenging year for Vincent Medical. As the pandemic situation eased in some of the more developed countries, this has led to a normalised demand for the Group's respiratory medical devices. At the same time, unprecedented supply chain disruptions, higher freight and raw materials costs have dragged the Group's financial performance. As a result, revenue for the Year was HK$777.7 million, a decrease of 32.7% when compared to 2020. Profit attributable to owners of the Company decreased by 72.0% to HK$60.7 million, after one-off impairment loss related to its sleep apnea investments were booked.

Yet, to strive for a balance between operating results, the anticipated capital needs for future development, as well as the need to reward our Shareholders, the Board is pleased to announce the payment of a final dividend of HK$2.5 cents per share. Together with an interim dividend of HK2.0 cents (for the six months ended 30 June 2020: HK Nil cent) per share, total dividend for 2021 reaches HK4.5 cents (2020: HK11.0 cents) per share, or a dividend payout ratio of 48.6%, in line with our Dividend Policy.

Despite the challenges we faced, we were able to demonstrate the resilience of our business model and show passion and strong commitment to our patients and partners. Our strong financial position has also enabled us to focus on our priority – to innovate and develop core technologies in the space of respiratory care; to create new products with the support of core technologies; and eventually, to promote the products in the global markets.

Chairman's Statement

One of the important milestones that the Group reached in 2021 was to successfully enter into long-term collaboration agreements with some of the world-leading medical and healthcare technology companies. The Group is not only treating these collaborations as merely opportunities for distribution of products to new markets, but rather as a vote of confidence from global established partners, as well as an opportunity to create more values for patients supported by the expanding R&D and product development capability through collaborations.

During the Year, we also continued to expand our distribution network and in turn, driving device installed base and subsequent disposables growth. We have successfully expanded our market reach in Asia, with notable performances coming from Japan, India, Vietnam, Thailand and the Philippines. Riding on the global cooperation framework agreement with a subsidiary of Sinopharm Group in December 2021, the Group will also gain access to a comprehensive sales network in countries under the Belt-and-Road initiative through certain international organisations.

2022 marks the 25th anniversary of Vincent Medical. As demonstrated during the two major global health crises, our established and proven business model delivers sustainable competences and competitiveness, and has laid a solid foundation for us to reach the next level in terms of growth, sustainability, and value creation.

To accelerate the execution of our strategic priorities, the Group has appointed Mr. Choi Cheung Tai Raymond as the Deputy Chief Executive Officer, as the Group pursues its new phase of development with the support of this new role.

The opportunities brought by the collaborations with various industry-leading players also promise excitement. While we continue to invest to support our med-tech partners to penetrate the global market, we also put a strong emphasis on our vision – "Patient First", aiming to optimise clinical processes. In 2022, we will raise our engagement effort with academics and medical professionals in order to expand our breadth and depth in clinical knowledge, and in turn, supporting product development, and providing clinical opinion and performance evaluation of our pipeline products. Looking ahead, we will strive to take a dominate position in the respiratory care sector, and will further diversify our product portfolio across respiratory care in intensive care unit, orthopaedic and rehabilitation, and the surgical and anesthesia arena.

Riding on our "In China, For China" strategy and favourable policies supporting domestic medical device companies, Vincent Medical will also fully leverage its advantageous position of being at the heart of the Greater Bay Area. In particular, we see a growing incentive and eagerness from overseas med-tech companies to partner with qualified domestic medical device manufacturers in device development and manufacturing.

The product demand fluctuated over the last two years, as well as the continuing challenges in manufacturing and regulations globally, 2022 will continue to be challenging as we expect there will be disruptions due to the COVID-19 pandemic and impact from the rising geopolitical tension affecting the world economy. However, I believe that the long-term outlook of the Group remains promising. The Group will continue to focus on its plans on new product development, market expansion and margin enhancement, aiming to deliver sustainable growth and create long-term value for its Shareholders.

Lastly, I would like to express my heartfelt gratitude to our Directors and colleagues, customers, suppliers, consultants and our Shareholders for your relentless and continuous support.

Choi Man Shing
Chairman and Executive Director

Hong Kong, 23 March 2022

RESPIRATORY PRODUCTS SEGMENT

In view of the rollout of global vaccination campaigns, lower hospitalisation rate for new COVID variants, as well as the rationalisation of medical device supply chain in 2021, demand for respiratory devices has returned to a lower level when compared to the panic buying and national stock piling that the Group observed in 2020. Hence, sales from the respiratory products segment declined by 47.8% to HK$427.9 million (2020: HK$819.0 million), against a high base in the prior year driven by the extraordinary demand at the initial surge of COVID-19. Nonetheless, sales from the respiratory products segment was 101.5% higher than that of 2019, before the COVID-19 pandemic.

Segment gross margin decreased from 47.9% to 38.3% primarily due to change in product mix and lower production volume.

	For the year ended 31 December		
	2021 HK$'000	2020 HK$'000	Change
O2FLO	**97,942**	111,346	-12.0%
O2FLO disposables	**45,152**	93,478	-51.7%
VHB Humidifier	**24,705**	93,902	-73.7%
VHB Humidifier disposables	**65,617**	101,100	-35.1%
Other respiratory products	**104,489**	127,534	-18.1%
OEM respiratory products	**89,952**	291,657	-69.2%
Total	**427,857**	819,017	-47.8%

Embracing its value proposition of putting patients first, the Group is proudly contributing to saving lives every day. In 2021, we continued to focus on our agenda – to innovate and develop core technologies in the space of respiratory care; to create new products with the support of core technologies; and eventually, to promote the products in the global markets. During the Year, the Group continued to expand its device installed base by further broadening its distribution channels.

Due to the increasing awareness of high flow oxygen therapy, the Group is also seeing a rising adoption in multiple areas of the hospital or out-of-hospital environment in 2021, such trend is expected to continue after the pandemic. To fully capture such market opportunities, the Group is looking to develop an integrated solution with the feature of continuous monitoring of key physiological parameters. Supported by the core technologies of the Group and its partners, the Group is aspiring to develop device that will further solidify its competitive advantage and market position as a total solution provider in hospital respiratory care.

Other respiratory products

Demand for other respiratory products continued to normalise during the Year, with the lower sales from positive airway pressure device partially being offset by the higher sales of respiratory disposables, leading to an overall decline in revenue of 18.1% to HK$104.5 million (2020: HK$127.5 million).

OEM respiratory products

Sales of OEM respiratory products decreased by 69.2% to HK$90.0 million (2020: HK$291.7 million), primarily due to the absence of one-time COVID-19 related orders of ventilator disposables in 2020.

IMAGING DISPOSABLE PRODUCTS SEGMENT

The Group manufactures and sells its imaging disposable products on an OEM basis to a world-leading diagnostic imaging solutions provider. Revenue from the imaging disposable products segment continued to record a steady growth of 7.2% year-on-year to HK$213.8 million (2020: HK$199.5 million), despite the delay of elective surgical procedures and screening tests due to COVID-19. During the Year, the Group continued to leverage its technological know-how in manufacturing to develop new products with its customer and was seeing growing order intake across all product categories, including disposables of fluid delivery systems such as syringes and tubing sets used in computerised tomography scans, magnetic resonance imaging and cardiovascular scans.

Segment gross margin decreased from 31.6% to 28.7%, primarily due to the increase in raw material costs that were yet to pass on to the customer during the Year.

ORTHOPAEDIC AND REHABILITATION PRODUCTS SEGMENT

	For the year ended 31 December		
	2021 HK$'000	2020 HK$'000	Change
OBM orthopaedic and rehabilitation products	**12,095**	8,729	+38.6%
OEM orthopaedic and rehabilitation products	**66,952**	54,334	+23.2%
Total	**79,047**	63,063	+25.3%

Although COVID-19 continued to have a pronounced impact on all aspects of orthopaedic and rehabilitation care, the Group saw a recovery from its orthopaedic and rehabilitation products segment, with revenue increased by 25.3% to HK$79.0 million (2020: HK$63.1 million). There was a tremendous increase in the use of tele-rehabilitation during the pandemic, and the Group recognised the huge market potential and patient benefits for rehabilitation devices that allow remote supervision and physical function monitoring. During the Year, the Group began to develop smart orthopaedic wearable braces, while upgrading its existing devices to allow remote monitoring and physical functioning tracking, with the aim to improve patient outcomes and reduce workload of therapists.

Segment gross margin decreased from 34.2% to 31.6% due to the increase in raw material costs that were yet to pass on to customers during the Year.

OTHER PRODUCTS

Other products include infusion regulators, moulds, surgical disposables, patient warming blankets and plastic disposable products. Revenue from other products decreased by 22.8% to HK$57.0 million (2020: HK$73.8 million), mainly attributable to lower revenue from molding service.

INVESTMENTS AND COLLABORATION

Inspired Medical Japan Co., Limited, a non-wholly owned subsidiary of the Company in Japan, continued to contribute positively to the Group's profit during the Year. Our team in Japan has successfully expanded our customer base, and grew revenue by 173.5% in local currency terms. We will continue to expand our operation in Japan via establishing a broader market presence in both respiratory and rehabilitation areas.

During the Year, Inovytec has introduced new models of ventilators to its Ventway Sparrow® ventilator product line, including the Magnetic Resonance Imaging (MRI) compatible model and the military model. The entire Ventway product line is also cleared by the Food and Drug Administration (FDA) of the US and the Conformité Européenne (CE). Despite the slowdown in demand for ventilators when comparing to the spike in 2020, the Group expects Inovytec will continue its market expansion through the introduction of new devices and solutions, and remains optimistic over its long-term business prospect.

Meanwhile, the Hypnus™ positive airway pressure devices recorded a remarkable sales performance at the beginning of COVID-19 outbreak in the PRC in early 2020, however, sales has then deteriorated as market competition intensified, especially for low-end continuous positive airway pressure (CPAP) units. In light of the worsening business prospects and financial performance of GZ Hypnus (a non-wholly owned subsidiary of the Group that principally engaged in the manufacturing and trading of Hypnus™ branded CPAP equipment), the Group disposed all of its effective interests in GZ Hypnus during the Year. This provides an opportunity for the Group to cut ongoing losses, and allow the Group to efficiently reallocate its resources.

The financial situation of Fresca has worsened in 2021, as the Somnera™ System was not well received in the US market, and substantial design improvement is needed in order for it to be competitive in the sleep apnea therapeutic device market. There is an ongoing discussion between Fresca's shareholders and board of directors regarding its business continuity and the possibility of an auction to sell Fresca's remaining material assets. By considering the above, the Group conducted a comprehensive business review on Fresca, identifying factors that may severely affect its business prospect and the uncertainties regarding the possible auction of assets. Based on the Group's assessments, a full impairment loss (including investment in Fresca and related rights, receivables and inventories) of HK$26.9 million was recognised during the Year.

Management Discussion and Analysis

FINANCIAL REVIEW

REVENUE

Total revenue for the Year amounted to HK$777.7 million (2020: HK$1,155.4 million), representing a decrease of 32.7%. The decline is mainly attributable to the high comparative figures of last year as a result of COVID-19 impact. Nonetheless, the Group's orthopaedic and rehabilitation products segment has largely recovered to pre-pandemic level, and the imaging disposable products segment has continued its uninterrupted growth.

In terms of geographical market, the Group's revenue mix became increasingly diversified, with the US and the PRC, the two largest markets for medical devices globally, each accounted for 47.3% (2020: 46.6%) and 14.2% (2020: 17.5%) of the Group's total revenue, respectively. The Group has also successfully expanded its market reach in Asia, with notable performances coming from Japan, India, Vietnam, Thailand and the Philippines.

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit decreased by 47.6% to HK$259.1 million (2020: HK$494.2 million), primarily due to the decline in revenue and gross profit margin.

During the Year, there was a global shortage of certain principal raw materials and critical components. This has led to a sharp increase in raw material costs, creating difficulties for the Group to swiftly shift the additional costs to its customers. The appreciation of RMB had also put pressure on the Group's gross profit margin, as over 80% of the Group's products produced in the PRC was exported in other currencies. In addition, the change in product mix, with lower sales from higher-margin medical devices, as well as the decrease in total revenue, has led to a general operating deleveraging and increase in unit cost. These three factors contributed to a 2.0 ppts, 2.8 ppts and 4.1 ppts of gross profit margin drop respectively.

OTHER INCOME, OTHER GAINS AND LOSSES

Net other losses of HK$20.0 million in 2021 was recorded, primarily due to the impairment loss and the write off of deposits related to Fresca and the loss on disposal of GZ Hypnus, which was partially offset by the other income of HK$8.1 million mainly from government subsidies.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by 31.1% to HK$37.7 million (2020: HK$54.7 million) as a result of lower revenue. As a percentage of revenue, the selling and distribution expenses remained stable at 4.8% (2020: 4.7%).

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by 17.0% to HK$87.7 million (2020: HK$105.7 million). As a percentage of revenue, administrative expenses increased by 2.2 ppts to 11.3% (2020: 9.1%). The increase is attributable to a combination of the following: the temporary reduction and exemption of social insurance contributions granted in the PRC for 2020 has been cancelled and the decrease in provision for staff bonus.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development has always been an important part of the Group's business model. During the Year, the Group continued to invest to strengthen its R&D capabilities so as to strengthen its ability to support its customers and facilitate market penetration. R&D expenses increased by 7.1% year-on-year to HK$39.2 million, accounting for 5.0% of revenue.

INCOME TAX EXPENSE

Income tax expense amounted to HK$6.1 million (2020: HK$36.6 million). The decrease was due to the lower profit before tax for the Year and over provision of Hong Kong Profit Tax and the PRC Corporate Income Tax in prior years.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

As a result of the foregoing, profit attributable to owners of the Company declined by 72.0% to HK$60.7 million (2020: HK$216.9 million).

PROPERTY, PLANT AND EQUIPMENT

The Group incurred capital expenditure of HK$24.6 million (2020: HK$54.7 million) during the Year, which mainly included the purchase of additional machineries, tooling and equipment. As at 31 December 2021, property, plant and equipment was HK$115.6 million (2020: HK$111.1 million).

As at 31 December 2021, the Group had contracted capital commitments of HK$9.2 million for the procurement of property, plant and equipment, which was mainly financed with internal resources.

RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

As at 31 December 2021, right-of-use assets and lease liabilities amounted to HK$7.5 million (2020: HK$14.7 million) and HK$7.7 million (2020: HK$15.6 million), respectively. The decrease was primarily attributable to the depreciation of right-of-use assets and lease payments.

OTHER INTANGIBLE ASSETS

As at 31 December 2021, other intangible assets decreased to HK$12.0 million (2020: HK$28.4 million) primarily due to the disposal of GZ Hypnus and amortisation.

INVENTORIES

Inventories as at 31 December 2021 was HK$243.2 million (2020: HK$278.7 million), consists mainly of raw materials, work-in-progress and finished goods. The Group will continue to apply stringent policy in inventory control in anticipation of supply chain issues.

TRADE RECEIVABLES

Trade receivables as at 31 December 2021 was HK$167.2 million (2020: HK$161.5 million). The Group is comfortable with the quality of the receivables, and will continue to exercise due care in managing its credit exposure.

PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at 31 December 2021, prepayments, deposits and other receivables (including non-current deposits) decreased to HK$55.6 million (2020: HK$95.0 million) primarily due to lower deposits for raw material purchase and write off of deposits related to Fresca.

OTHER PAYABLES AND ACCRUALS

As at 31 December 2021, other payables and accruals decreased to HK$89.5 million (2020: HK$136.1 million) mainly due to the decrease in provision for warranties and provision for staff bonus.

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the Group continued to maintain a healthy financial position. As at 31 December 2021, the Group had cash and cash equivalents of HK$173.2 million (2020: HK$169.1 million). The Group recorded net current assets of HK$407.9 million (2020: HK$367.3 million).

As at 31 December 2021, the net gearing ratio of the Group was 0.09 (2020: 0.11), which represents total borrowings divided by the total equity attributable to owners of the Company.

As at 31 December 2021, the Group had outstanding bank loans amounting to HK$55.3 million (2020: HK$61.5 million) and unutilised bank facilities of HK$56.5 million.

HUMAN RESOURCES

As at 31 December 2021, the total number of full-time employees of the Group was 1,281 (2020: 1,853). The remuneration of employees was determined based on their job nature, relevant experience, 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 staff.

During the Year, staff costs including Directors' emoluments amounted to HK$213.0 million (2020: HK$244.2 million), representing 27.4% (2020: 21.1%) of the Group's revenue. The increase was mainly due to the upward salary adjustment and the increase in retirement and other benefits as the temporary reduction and exemption of social insurance contributions granted in the PRC for 2020 has been cancelled.

CAPITAL STRUCTURE

As at 31 December 2021, the issued share capital of the Company was approximately HK$6.6 million (2020: approximately HK$6.5 million), comprising 655,008,332 Shares (2020: 650,598,000 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 and the Share Option Scheme; and (ii) the Shares repurchased on the Stock Exchange and were cancelled before the end of the reporting period.

SIGNIFICANT INVESTMENTS

As at 31 December 2021, the Company considered that the significant investments were as follows:

Equity investment at FVTOCI

Name of company	Principal business	Number of shares held/ Approximate percentage of shareholding	Total investment	Fair value of the equity investment		Assets ratio defined under the Listing Rules	
				2021	2020	**2021**	2020
Inovytec	An Israeli company that develops medical devices with a focus on routine and emergency respiratory and cardiac failures.	12,091 preferred shares/ 13.68%	US$3.0 million (equivalent to HK$23.4 million)	**US$3.1 million (equivalent to HK$23.8 million)**	US$3.3 million (equivalent to HK$25.3 million)	**2.8%**	2.7%

Investment in an associate

Name of company	Principal business	Number of shares held/ Approximate percentage of shareholding	Total investment	Carrying amount of the investment		Assets ratio defined under the Listing Rules	
				2021	2020	**2021**	2020
Fresca	A US based sleep solution and connected health company that is developing a system for the treatment of obstructive sleep apnea.	16,010,916 preferred stocks/ 26.09%	US$5.0 million (equivalent to HK$39.3 million)	**US$Nil**	US$0.85 million (equivalent to HK$6.6 million)	**n/a**	0.7%

For additional information regarding the performance during the Year and prospects of the above significant investments, please refer to the paragraph headed "Investments and Collaboration" above.

As at 31 December 2021, the carrying amount of investment in Fresca decreased to HK$Nil (2020: HK$6.6 million) and an impairment loss of HK$10.7 million was recorded during the Year (2020: HK$Nil). In view of the above and the business prospects of Fresca, the Company no longer considers that the investment in Fresca is significant in nature after 31 December 2021.

MATERIAL ACQUISITIONS AND DISPOSALS

During the Year, the Group had no material acquisitions or disposals of subsidiaries and associated companies.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2021, none of the assets of the Group were pledged.

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have contingent liabilities.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Choi Man Shing (蔡文成), aged 69, is the Chairman and an Executive Director of the Company, the chairman of the Nomination Committee and a member of the Remuneration Committee. He currently serves as a director of many subsidiaries of the Company. Mr. Choi is the founder of the Group and primarily responsible for formulating long-term development and marketing strategies of the Group. He has over 43 years of management experience in the manufacturing industry in Hong Kong and the PRC.

Mr. To Ki Cheung (陶基祥), aged 55, is an Executive Director and CEO of the Company. He currently serves as a director of all subsidiaries of the Company. Mr. To joined the Group in February 2000 and is primarily responsible for overseeing the corporate management and formulating the business and product development strategies of the Group.

Mr. To was awarded a bachelor's degree in commerce from the Murdoch University, Australia in August 1990. He further obtained a master's degree in science in Chinese Business Studies from the Hong Kong Polytechnic University in November 2010. He was the vice chairman of the Hong Kong Medical and Healthcare Device Industries Association for the term from 2015 to 2016. He is also an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the respirology equipment committee of the China Association of Medical Equipment* (中國醫學裝備協會).

Before joining the Group, Mr. To worked in the audit division of H. L. Leung & Co, Certified Public Accountants from January 1991 to December 1992. He also held various positions in Deloitte Touche Tohmatsu from January 1993 to April 1996 where he was responsible for accounting work.

Mr. Koh Ming Fai (許明輝), aged 48, is an Executive Director of the Company and the chairman of the Risk Management Committee. He currently serves as the Vice President of Operations of the Group and a director of various subsidiaries of the Company. Mr. Koh joined the Group in September 2000 and is primarily responsible for managing the operations of the Group, including quality assurance production, engineering and procurement of the Group.

Mr. Koh received a bachelor's degree in science in mechanical engineering from the University of Alberta, Canada in June 2000 and a master's degree in business from the University of Newcastle, Australia in May 2009. He is a member of the Hong Kong Institution of Engineers and he was admitted as a member of the biomedical discipline of the Hong Kong Institution of Engineer through the founding member route in January 2007. He is also a professional engineer (biomedical) registered with the Engineers Registration Board, a body corporate established under the Engineers Registration Ordinance (Chapter 409 of the Laws of Hong Kong). He is also elected as a member of the Institution of Mechanical Engineers and was registered as a chartered engineer in April 2008. He is currently an executive board member of the Hong Kong Medical and Healthcare Device Industries Association.

Mr. Fu Kwok Fu (符國富), aged 51, is an Executive Director of the Company and the chairman of the ESG Committee. He currently serves as the Vice President of Engineering of the Group and a director of two of the subsidiaries of the Company, respectively. Mr. Fu joined the Group in June 1997 and is primarily responsible for overseeing the R&D and initiating product development through integrating technologies and techniques. He has over 24 years of experience in the medical device manufacturing industry.

Mr. Fu obtained a bachelor's degree in engineering from the University of Hong Kong in December 1997 and a master's degree in business administration (general management) from the Hong Kong Polytechnic University in October 2009. He is a member of the Institution of Mechanical Engineer and was registered as a chartered engineer in April 2008 and is a member of the Hong Kong Institution of Engineers. He was admitted as a member of the biomedical discipline of the Hong Kong Institution of Engineers through the founding member route in January 2007 and serves as a committee member of the biomedical division of the same institution.

Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. Guo Pengcheng (過鵬程), aged 60, is a Non-executive Director of the Company and joined the Group in February 2017. He graduated from the Shanghai University of Technology with a bachelor's degree in mechanical engineering in 1983. He has over 35 years of experience in business advisory work and cross-border investments. During the period from 1986 to 2004, Mr. Guo worked in various organisations where he was responsible for inbound and outbound business development and business expansion from the PRC. From 2009 to 2015, he was the operating partner of Orchid Asia Private Equity Fund where he was responsible for operational due diligence and post-investment management for listing applicants on the Stock Exchange. Mr. Guo currently acts as the senior investment consultant of Dong Yin Development (Holdings) Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Mok Kwok Cheung Rupert (莫國章), aged 63, is an Independent Non-executive Director of the Company and joined the Group in June 2016. Also, he is the chairman of the Remuneration Committee, as well as a member of each of the Audit Committee and the Nomination Committee. Mr. Mok obtained a bachelor's degree in electrical engineering from the University of Sydney, Australia in March 1982 and a master's degree in biomedical engineering from the University of New South Wales, Australia in October 1984. He is the secretary general of the executive board, the chairperson of the membership affair committee and a member of the product and technology committee of the Hong Kong Medical and Healthcare Device Industries Association. Mr. Mok has over 37 years of experience in administrative management, sales and marketing and R&D of medical devices in the Asia Pacific region.

Mr. Au Yu Chiu Steven (區裕釗), aged 63, is an Independent Non-executive Director of the Company and joined the Group in June 2016. Also, he is the chairman of the Audit Committee. Mr. Au graduated from the University of East Anglia, the United Kingdom, with a bachelor's degree in arts majoring in economics in July 1982. He further obtained a master's degree in business administration from the University of Western Ontario, Canada in October 2000. Mr. Au was admitted as a chartered accountant of the Institute of Chartered Accounts in England and Wales in November 1987. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants.

Mr. Au has more than 36 years of experience in accounting and finance. He worked as an accountant at an accounting firm in the United Kingdom from October 1982 to October 1987 and then at Arthur & Anderson & Co. from December 1987 to January 1989. During the period from August 1992 to April 2008, he was a director of a number of companies where he was responsible for overall corporate management, including China Everbright Securities (International) Limited and Anglo Chinese Securities Limited, both of which are finance and investment companies, and Kin Wah Hong Company Limited, a textiles trading company. Also, Mr. Au was an executive director of finance and administration of Matilda International Hospital from October 2002 to September 2019.

Mr. Au was appointed as an independent non-executive director of Expert Systems Holdings Limited (stock code: 8319, a company which shares are listed on GEM of the Stock Exchange) on 15 March 2016.

Prof. Yung Kai Leung (容啟亮), aged 72, is an Independent Non-executive Director of the Company and joined the Group in February 2017. Also, he is a member of the Audit Committee, the Nomination Committee and the Remuneration Committee, respectively. He graduated from the Brighton University, the United Kingdom with a bachelor's degree in electronic engineering in 1975. He further obtained a master's degree in automatic control systems from the Imperial College of Science, Technology and Medicine, London, the United Kingdom in 1976 and his doctorate in microprocessor applications in process control from the Plymouth University, the United Kingdom in 1985. He is a fellow member of the Hong Kong Institute of Engineers and a fellow of the Hong Kong Academy of Engineering Sciences. In 2015, Prof. Yung was awarded the Bronze Bauhinia Star for his contributions to scientific research.

Since 1986, Prof. Yung held various positions at the Hong Kong Polytechnic University. He has been a professor in the department of industrial and systems engineering at the Hong Kong Polytechnic University since 2001. He has been promoted to a chair professor of precision engineering with effect from 1 July 2017 and appointed as Sir Sze-yuen Chung endowed professor of precision engineering with effect from 1 March 2020.

SENIOR MANAGEMENT

Mr. Choi Cheung Tai Raymond (蔡章泰), aged 40, is the Deputy Chief Executive Officer of the Group. He joined the Group in May 2020 and has been serving as the Senior Operations Manager for overseeing the manufacturing operation and product development for the Group's respiratory devices.

Mr. Choi has over 16 years of experience in industrial engineering and operations management across medical device, cosmetics and beauty product and industrial and semiconductor system. He has a broad and unique experience in smart manufacturing, lean deployment, operations improvement, strategic planning and human resources. Throughout his career he has been working for companies like Medrad Inc. (now Bayer), Sanmina Corporation and Crystal International Group Limited amongst others.

Mr. Choi obtained a bachelor of science in industrial engineering from the Pennsylvania State University, the US in 2005, along with a master of business administration from the University of Manchester, the United Kingdom in 2014. He is a corporate member of the Hong Kong Institution of Engineers and a registered professional engineer in Manufacturing, Industrial and System (MIS). He is also a registered lean sigma black belt of the Six Sigma Institute and a certified six sigma black belt of the China Association for Quality. He is the son of Mr. Choi Man Shing, the Chairman and Executive Director of the Company.

Mr. Lai Hoi Ming (黎海明), aged 40, is the Chief Financial Officer of the Group. He is also a member of each of the Risk Management Committee and the ESG Committee. Mr. Lai joined the Group in July 2018 and is primarily responsible for managing all finance, accounting, human resources and administration work. He obtained a bachelor degree in accountancy from the City University of Hong Kong in November 2005. He is currently an associate member of the Hong Kong Institute of Certified Public Accountants. Before joining the Group, Mr. Lai was the senior manager of RSM Hong Kong where he was responsible for the IPO and audit work of the Group. He has over 17 years of experience in finance and accounting.

Biographical Details of Directors and Senior Management

Ms. Tsui Lai Ki Vicki (徐麗琪), aged 46, is the Company Secretary of the Group. She is also a member of the ESG Committee. She joined the Group in April 2016 and is responsible for the company secretarial functions and provides advice to the Board and the Board committees. Ms. Tsui has over 17 years of experience in the listed corporate secretarial services field. Prior to joining the Group, Ms. Tsui acted as the company secretary of a number of listed companies on the Stock Exchange, providing professional corporate secretarial services to the board of directors. Ms. Tsui is an associate member of The Hong Kong Chartered Governance Institute (formerly known as "The Hong Kong Institute of Chartered Secretaries") and The Chartered Governance Institute (formerly known as "The Institute of Chartered Secretaries and Administrators") in the United Kingdom. Ms. Tsui holds a bachelor degree in accountancy.

Mr. Wong Yuk Ming David (黃育明), aged 51, is the Vice President of Sales and Marketing of the Group. He joined the Group in December 2016 and is primarily responsible for the strategic planning of the companies portfolio of medical devices and overall sales and marketing of the Group.

Mr. Wong has over 17 years of experience in developing, manufacturing and global distribution of medical devices, with a strong clinical network. Mr. Wong has successfully refocused the Company's brand identity, portfolio of respiratory products, sales channels and established the strategic path of co-operation with multinational corporations. His experience in laparoscopic, endoluminal surgery combined with his respiratory experience has created synergy for the Company's future pipeline of products.

Mr. Wong graduated from University of Bradford, the United Kingdom with a master's degree and a bachelor's degree in civil and structural engineering in July 1993. He gained his chartership in civil engineering in 1998 and gained his chartership in biomedical engineering in 2014. He is an advisor of the Innovation and Technology Support Programme Assessment Panel of the Innovation and Technology Fund, Innovation and Technology Commission. He served as the vice chairman of the biomedical division of the Hong Kong Institute of Engineers for the terms from 2014 to 2015, 2017 to 2018 and 2021 to 2022. He also serves as a professional assessor and a member of the accreditation committee for the Hong Kong Institute of Engineers.

Mr. Zhang Changqing (張長青), aged 50, is the Head of Sales and Marketing (Greater China) of the Group. He is also a member of the Risk Management Committee. Mr. Zhang is primarily responsible for overseeing sales and business development in the PRC. He has over 18 years of experience in trading of medical devices since he joined the Group as marketing manager in March 2004. Mr. Zhang is the vice chairman of Guangdong Association of Medical Devices Industry* (廣東省醫療器械行業協會) and Dongguan Asociation of Medical Devices Industry* (東莞市醫療器械行業協會).

Ms. Tsui Wing Kwan (徐詠琨), aged 41, is the Head of Investor Relations and Corporate Development of the Group. Ms. Tsui joined the Group in October 2016 and is responsible for matters relating to corporate development, investor relations and assists in strategic planning and execution of ad hoc projects for the Group. She is also the general manager of Rehab-Robotics Company Limited, an indirect wholly-owned subsidiary of the Company. She obtained a bachelor of social science degree in journalism and communications in December 2003 and a master of science degree in finance in December 2009 from the Chinese University of Hong Kong. Prior to joining the Group, Ms. Tsui worked in a number of Hong Kong and Singapore listed companies. She has more than 15 years of experience in financial communications, investor relations and corporate finance.

Biographical Details of Directors and Senior Management

Mr. Wang Chaobin (王朝斌), aged 53, is the Senior Quality Assurance and Regulatory Affairs Manager of the Group. He was appointed as a member of the Risk Management Committee on 23 March 2022. He joined the Group in April 2020 and is primarily responsible for the overall quality and regulatory compliance of the Group. Mr. Wang obtained a bachelor's degree in mechanical engineering from the Lanzhou Jiaotong University* (蘭州交通大學), the PRC in June 1990 and a master in business administration from the Peking University* (北京大學), the PRC in June 2005. He obtained various advance certificates in the areas of quality management system regulations and corporate governance for medical devices.

Prior to joining the Group, Mr. Wang worked in a number of multinational corporations in the PRC as a senior professional in management of quality assurance and regulatory affairs functions. He has over 21 years of experience in quality and regulatory of medical device industry with best practice in quality system establishment in design, production and process control, problem solving and has the solid experience in the NMPA registration and CE certification.

Mr. Xu Jiebing (徐結兵), aged 47, is the Senior Research and Development Manager of the Group. He joined the Group in December 1998 and is responsible for initiating research and development of products. He graduated from the mechanical engineering programme of Hefei University of Technology* (合肥工業大學), the PRC in July 1995 and from the online course of business administration of Xiamen University* (廈門大學), the PRC in January 2016. He attended various training courses relating to the regulation and standardisation of medical devices and protection of intellectual property rights between the period of October 2001 and July 2013. Mr. Xu is a member of the Respiratory Disease Professional Equipment Commission* (呼吸病學專業裝備委員會) of the China Association of Medical Equipment* (中國醫學裝備協會).

Dr. Yip Chi Bun (葉智斌), aged 42, is the Chief Executive Officer of Rehab-Robotics Company Limited, an indirect wholly-owned subsidiary of the Company. He is primarily responsible for overseeing the rehab business operation and implementing the rehab business plans of the Group. He is a professional occupational therapist duly registered in Hong Kong. He has more than 20 years of clinical experience and has expertise in virtual reality and artificial intelligence application in rehabilitation. Dr. Yip is graduated with a PhD in rehabilitation sciences from the Hong Kong Polytechnic University in 2011. He is currently a board member of the Hong Kong Institute of Occupational Therapy and the youth editorial board member of a Chinese professional journal "Rehabilitation Medicine".

Mr. Liang Kar Kaan (梁家侃), aged 55, is the Senior Operations Manager of the Group. He joined the Group in August 2018 and is primarily responsible for managing and leading the production operations (respiratory and imaging disposable businesses) in Dongguan. He graduated from the Universiti Teknologi Malaysia with a bachelor's degree in mechanical engineering in September 1990. Before joining the Group, Mr. Liang was the operations manager of Infineon Technologies (Kulim) Sdn. Bhd., a production plant of Infineon Technologies AG (a world leader in semiconductor solutions) in Malaysia. He has over 25 years of experience in operations management.

Mr. Yeung Wing Fung (楊永峰), aged 46, is the Senior Operations Manager of the Group. He joined the Group in October 2014 and is primarily responsible for managing and leading the production operations (rehab business) in Dongguan. Before joining the Group, Mr. Yeung held managerial position in various textile trading companies. He has over 23 years of experience in operations management.

* *For identification purpose only.*

Directors' Report

The Board is pleased to present to the Shareholders their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaging in the (i) research, development, manufacture and sales of medical devices focusing on respiratory care, imaging contrast media power injector disposables, orthopaedic and rehabilitation products for the customers in the OEM segment; and (ii) development, manufacture and sales of the Group's respiratory devices and disposables, and orthopaedic and rehabilitation products under "Inspired Medical" and "inspired™" brands (also under "Hand of Hope" and "Hypnus™" brands) in the OBM segment.

Details of the principal activities of the Company's principal subsidiaries are set out in Note 42 to the consolidated financial statements of this Annual Report. The segment information of the operations of the Group for the Year is set out in Note 10 to the consolidated financial statements of this Annual Report.

BUSINESS AND FINANCIAL REVIEW

A fair review of the Group's business and financial, and the analysis of the Group's performance for the Year as well as the prospects of the Group's business, are provided in the sections "Chairman's Statement" on pages 11 to 12 and "Management Discussion and Analysis" on pages 13 to 20 of this Annual Report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's business, financial condition and operations results are subject to various business risks and uncertainties. The factors set out below are those that the Group believes could result in the Group's financial condition or operations results of differing materially from expected or historical results. There may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

(a) Global Economy

As a respiratory device manufacturer serving global medical companies, the Group is exposed to the developments in the global economy as well as developments in the geographical markets in which it operates. As a result, any significant decrease in the level of economic growth in the global or regional or a specific economy could adversely affect the Group's financial condition or results of operations.

(b) COVID-19 Pandemic

In the past two years, the COVID-19 disease and new COVID variants has spread to many countries, with significant number of reported cases and related deaths. Several countries' governments have imposed increasingly stringent restrictions to help avoid or slow down the spread of the pandemic. These measures have led to lockdowns in areas where the Group has operations, and is expected to have an adverse effect in the short to medium-term on the Group's operations. Also, these impacts can also threaten the Group's facilities and transport of the Group's products, cause disruption of operational activities, environmental harm and impact the wellbeing of the Group's employees, and could have a material adverse effect on the Group's results of operations and financial condition.

(c) **Political Stability**

The political unrest and Russia-Ukraine war have created a lot of uncertainties and risks on the global economy. This might have ripple effect to some of the Group's customers and create uncertainty to the Group's business in future. It might also drive up the price of the components of the Group's products, thereby increasing the costs of the Group. If any political unrest and Russia-Ukraine war continue to exacerbate and leads to an economic contraction, it might materially and adversely impact the Group's business.

(d) **Customer Concentration**

The Group generated 52.0% of revenue from the top five customers for the Year. Customer concentration exposes the Group to risks and factors affecting the performance of major customers and may subject us to fluctuations or decline in the Group's revenue. It may also result in difficulty for the Group to negotiate with such customers for satisfactory prices for the products and commercial terms. These risks result in a lack of predictability about the Group's sales, and any reduction in the order from and termination of business relationship with the major customers will have material adverse effect on the Group's business and results of operations.

(e) **Product Development Risks**

The actual timing of the introduction of each of the future products to the market could vary significantly due to a number of factors, many of which are outside the Group's control, including but not limited to, the difficulties and failures in R&D process, the availability of funds and the competition within medical device market. In addition, clinical trials and product registration are inherently a lengthy and expensive process and there can be no assurance that the future products will meet the standards required to pass all necessary clinical trials. Failure to develop, obtain registration or approval for or commercialise the pipeline products could materially and adversely affect the Group's business and results of operations.

(f) **Labour Costs and Shortage**

In recent years, average labour costs in the PRC have increased due to the PRC government's policies to impose more stringent requirements on employers such as minimum wage and maximum working hours. Furthermore, there has been a growing shortage of skilled labour in the PRC, especially labour crunch caused by COVID-19. The utilisation of production facilities may be limited by the ability to recruit sufficiently skilled labour. Accordingly, any shortage of labour or significant increase in labour cost to the extent that the Group is unable to offset such increase by reducing other costs or passing it on to the Group's customers, the Group's business, financial condition and results of operations may be materially and adversely affected.

(g) **Supply Chain**

Currently, we purchase our raw materials only from the approved suppliers which meet our evaluation criteria and are listed on our approved supplier list. We had over 540 approved suppliers for raw materials from the PRC, the US, Hong Kong and other countries. The outbreak of COVID-19 pandemic may disrupt the logistics supply chain of raw materials and has significantly affected their operations. If the suppliers fail to supply raw materials in accordance with our delivery schedule, quality standards or product specifications, we may be forced to deliver our products on a delayed basis or cancel our product offering, either of which could harm our reputation and our relationships with distributors and consumers and expose us to the risks such as potential litigation and damage claims.

(h) Intellectual Property Infringement

The Group operates in an industry in which the Group and its competitors or customers may utilise or own similar technologies and product designs. Consequently, both the Group, its competitors or customers may claim intellectual property rights over the technologies and product designs used in the products. Legal proceedings involving intellectual property rights can be expensive and time-consuming, and their outcomes are uncertain. Successful infringement claims by third parties against the Group could materially and adversely harm the Group's business and reputation.

(i) Change of Laws and Regulations

The medical device industry is highly regulated and each country or territory in which the Group sells its products is subject to its own robust legal and regulatory regime. Any change in the applicable laws, regulations, standards or import policies of overseas countries may prevent or restrict the Group from conducting certain aspects of its current business. There can be no guarantee that the Group will be able to retain its certificates and other licences required to sell its products. If such loss were to occur, it would restrict the Group's ability to service its customers or sell certain medical devices which could have an adverse impact on its business, prospects and financial condition.

In case of a breach of laws and regulations could lead to litigation, investigations or disputes, resulting in additional costs being incurred, civil and/or criminal proceedings and reputational damage. Close monitoring of changes and developments in the regulatory environment and ensuring that sufficient resources being made available to implement any required changes timely.

(j) Product Quality

The Group operates manufacturing facilities. Poor product quality could affect customer or public safety. Incidents of this nature could lead to product recall costs, legal liability and reputational damage. In addition, any lost confidence on the part of the Group's customers would be difficult and costly to re-establish. As such, any material issue regarding the safety of any products could materially and adversely affect the Group's business and results of operations.

(k) Climate Change

Scientific evidence has shown that the earth's temperature is rising due to an increase in greenhouse gases. This has already created, and will continue to create, a number of negative effects to the environment including loss of sea ice, sea level rise, and more frequent and severe weather events. Extreme weather events may also pose increased risk for the Group's stakeholders such as the Group's customers, suppliers and employees, living and working in those locations. Further, as many countries seek to transition to low carbon economies, governments are increasingly introducing legislation to restrict emissions and incentivise environmental protection measures. Other market changes may also influence the Group's business such as changing consumer preferences in favour of companies that are more sustainable. Together these physical and transition risks arising from climate change could have a material impact on the Group's business and adversely affect the Group's financial condition and results of operations.

(l) Financial Risks

The Group's principal business activities are exposed to a variety of financial risks including foreign currency risk, credit risk, liquidity risk and interest rate risk. Details of the aforesaid key risks and risk mitigation measures are elaborated in Note 6 "Financial Risk Management" to the consolidated financial statements of this Annual Report.

RELATIONSHIPS WITH KEY STAKEHOLDERS

The success of the Group also depends on the support from key stakeholders which comprise customers, suppliers, employees, regulators and Shareholders.

Customers

The customers of the Group comprise generally the major international medical device companies, distributors and medical equipment manufacturers. The Group has been devoted to providing good customer service with the purpose of maintaining a stable and long-term business relationship.

Suppliers

Strong relationship with the Group's major suppliers constitutes one of the essential elements of the Group's success. To achieve positive business growth, the Group maintains close relationship with its major suppliers to ensure stability of supply. The Group also leverages on bulk purchase which enable the Group to purchase raw materials at competitive prices.

The principal raw materials used for production are resin, plastic parts and tubings. The Group purchases raw materials only from approved suppliers which meet the Group's evaluation criteria and are listed on the Group's approved supplier list. The Group selects its major suppliers based on their technological capacity, quality control system, business reputation and production scale and regularly assess them based on their product quality, price and delivery time. For the OEM segment, the Group is often required to purchase the relevant raw materials from suppliers as specified by the customers.

Employees

Employees are the most valuable asset of the Group. The Group strives to create a harmonious and safe working environment to all employees. The key objective of the Group's human resource management is to recognise and reward performing staff by providing competitive remuneration packages, granting share options and implementing an effective performance appraisal system with appropriate incentives.

Regulators

The Company's shares are listed on the Main Board of the Stock Exchange and the Group is regulated by the Securities and Futures Commission of Hong Kong and other relevant authorities. The Group makes it a top priority to stay up to date and ensure compliance with new rules and regulations.

Shareholders

The Company considers that effective communication with the Shareholders is essential. Apart from transparent and timely disclosure of corporate information in the websites of the Company and the Stock Exchange, the senior management maintains regular dialogue with institutional investors through one-on-one meetings and electronic conference. The Company considers stable and sustainable returns to the Shareholders to be the goal and endeavours to maintain the Dividend Policy. The Group will focus on its core business for achieving sustainable profit growth and rewarding the Shareholders with dividend after taking into account the business development needs and financial condition of the Group.

DISCLOSURES ON RISK MANAGEMENT AND ENVIRONMENTAL POLICIES

Details of disclosures on risk management and environmental policies are set out in the "Corporate Governance Report" on pages 51 to 72 and the "Environmental, Social and Governance Report" on pages 73 to 99 of this Annual Report.

RESULTS AND DIVIDENDS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 105 to 106 of this Annual Report.

A final dividend in respect of the year ended 31 December 2021 of HK2.5 cents (2020: HK11.0 cents) per Share has been proposed by the Board. Together with an interim dividend of HK2.0 cents (for the six months ended 30 June 2020: HK Nil cent) per Share paid to the Shareholders on 30 September 2021, the total dividend for the year ended 31 December 2021 is HK4.5 cents (2020: HK11.0 cents) per Share, or a dividend payout ratio of 48.6%, in line with the Dividend Policy.

The proposed final dividend amounted to a total of HK$16.4 million has to be approved by the Shareholders in the AGM to be held on 24 May 2022. These proposed dividends are not reflected as dividend payable in the consolidated statement of financial position as at 31 December 2021, but will be reflected as an appropriation of retained profits for the year ending 31 December 2022.

DIVIDEND POLICY

The Company has adopted the Dividend Policy, pursuant to which the Company may declare and distribute dividends to the Shareholders, provided that the Group records a profit after tax and that the declaration and distribution of dividends does not affect the normal operations of the Group.

The payment of any interim dividend or recommendation of the payment of any final dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders. In proposing any dividend payout, the Board shall also take into account, inter alia, the Group's financial condition, results of operations, level of cash, statutory and regulatory restrictions in relation thereto, future prospects, and other factors that the Directors may consider relevant. The historical dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future. The payment of dividend is also subject to any restrictions under the laws of the Cayman Islands and the Articles of Association.

The Company intends to pay a total dividend in respect of each financial year of not less than 30% of the Group's consolidated profit attributable to the Shareholders for the years thereafter, subject to the criteria set out in the Dividend Policy.

The Board will monitor the implementation of the Dividend Policy. Also, the Board will review the Dividend Policy on a regular basis to ensure its effectiveness, and will discuss and approve any revisions that may be required.

CLOSURE OF REGISTER OF MEMBERS

(1) For determining the entitlement to attend and vote at the AGM to be held on Tuesday, 24 May 2022, the register of members of the Company will be closed from Thursday, 19 May 2022 to Tuesday, 24 May 2022, both days inclusive, during which period no transfer of the Shares will be registered. In order to be eligible to attend and vote at the AGM, the Shareholders must lodge all transfer forms accompanied by the relevant share certificates (together the "**Share Transfer Documents**") for registration no later than 4:30 p.m. on Wednesday, 18 May 2022.

(2) The record date for ascertaining the Shareholders' entitlement to the proposed final dividend (subject to the approval of the Shareholders at the AGM) will be Thursday, 2 June 2022. The register of members of the Company will be closed from Tuesday, 31 May 2022 to Thursday, 2 June 2022, both days inclusive, during which period no transfer of the Shares will be registered. In order to establish entitlements to the proposed final dividend, the Shareholders must lodge the Share Transfer Documents for registration no later than 4:30 p.m. on Monday, 30 May 2022.

(3) The Share Transfer Documents shall be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

RESERVES

Movements in the reserves of the Company and of the Group during the Year are set out in Note 29(b) to the consolidated financial statements and the consolidated statement of changes in equity on page 173 of this Annual Report.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution to the Shareholders amounted to HK$189.3 million comprising amount from share premium account and retained profit.

Under the Cayman Companies Act and subject to the provisions of the Articles of Association, the Company's share premium account may be applied to pay distributions or dividends to the Shareholders provided that immediately following the date of distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets, equity and liabilities of the Group for the last five financial years is set out on page 192 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year are set out in Note 18 to the consolidated financial statements of this Annual Report.

SHARE CAPITAL

Details of the movements in the Share capital of the Company during the Year are set out in Note 28 to the consolidated financial statements of this Annual Report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to the existing Shareholders.

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

During the Year, the Company repurchased a total of 1,592,000 Shares on the Stock Exchange at an aggregate consideration of HK$1,613,760 (before expenses). 1,402,000 Shares out of the above repurchased Shares were subsequently cancelled during the Year. Details of the Shares repurchased during the Year are as follows:

Month	Number of Shares purchased	Price paid per Share		Aggregate consideration (before expenses)
		Highest	Lowest	
		HK$	*HK$*	*HK$*
October 2021	192,000	0.88	0.87	168,600
November 2021	222,000	0.90	0.88	198,140
December 2021	1,178,000	1.09	1.02	1,247,020
Total	1,592,000			1,613,760

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 Year.

DONATIONS

No charitable donations were made by the Group during the Year (2020: HK$500,000). While the Group donated 6,000 pieces of cervical spine immobilisers and other medical supplies, which amounted to approximately HK$830,000 to Tongren City, Guizhou Province, the PRC.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the aggregate sales attributable to the Group's five largest customers was 52.0% (2020: 48.1%). The sales attributable to the Group's largest customer during the Year was 29.3% (2020: 18.5%).

The aggregate purchases attributable to the Group's five largest suppliers during the Year was 18.3% (2020: 14.0%). The purchases attributable to the Group's largest supplier during the Year was 5.0% (2020: 3.8%).

None of the Directors or any of their close associates or any Shareholders (who to the knowledge of the Directors own more than 5% of the Company's issued Share capital) had an interest in any of the five largest suppliers or customers of the Group.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

DIRECTORS

The Directors for the Year and up to the date of this Annual Report were as follows:

Executive Directors

Mr. Choi Man Shing *(Chairman)*
Mr. To Ki Cheung *(CEO)*
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

Pursuant to Article 84(1) and (2) of the Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire by rotation at each annual general meeting. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election. In addition, code provision A.4.2 of the CG Code stipulates that each Director should be subject to retirement by rotation at least once every three years.

Mr. To Ki Cheung, an executive Director, and Mr. Mok Kwok Cheung Rupert and Mr. Au Yu Chiu Steven, both independent non-executive Directors, shall retire from office by rotation at the AGM and, being eligible, will offer themselves for re-election at the AGM.

The Company has received an annual confirmation of independence from each of the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules and considers each of the independent non-executive Directors to be independent.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 21 to 25 of this Annual Report.

DIRECTORS' SERVICE AGREEMENTS

Each of the Directors has entered into a service agreement with the Company for an initial fixed term of three years. The service agreements may be terminated in accordance with the respective terms of the service agreements.

None of the Directors has entered or has proposed to enter into any service agreement with the Company or any member of the Group other than contracts expiring or terminable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save for the Directors' material interests in transactions, arrangements or contracts and the related party transactions as disclosed in Notes 15(c) and 41, respectively, to the consolidated financial statements of this Annual Report, no other transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which any Director (or any entity connected with such Director) had a material interest, whether directly or indirectly, subsisted during or at the end of the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year and up to the date of this Annual Report, none of the Directors and the directors of the Company's subsidiaries, or their respective associates had interests in businesses, other than being a director of the Company and/or its subsidiaries and their respective associates, which compete or are likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save for the related party transactions as disclosed in Notes 15(c) and 41, respectively, to the consolidated financial statements of this Annual Report, no contracts of significance was entered into between the Company or any of its subsidiaries and any Controlling Shareholder or its subsidiaries subsisted during or at the end of the Year.

PERMITTED INDEMNITY PROVISION

Subject to the Companies Ordinance, every Director is entitled under the Articles of Association to be indemnified and secured harmless out of the assets of the Company from and against all costs, charges, expenses, losses and liabilities which he may sustain or incur in or about the execution or discharge of his duties.

The Company has arranged directors' and officers' liability insurance for all Directors and senior management of the Company, who subject to the applicable laws, will be indemnified against the costs, charges, expenses, losses and liabilities for legal action incurred by such Director or officer in the execution of his/her duties or otherwise in relation thereto.

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

As at 31 December 2021, 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 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 were as follows:

Interests in Shares and underlying Shares

Name of Director	Capacity/Type of interest	Number of Shares (L) *(Note 1)*	Approximate percentage of shareholding *(Note 6)*
Mr. Choi Man Shing	Beneficial owner/Interest of controlled corporations	389,189,890 *(Note 2)*	59.42%
Mr. To Ki Cheung	Beneficial owner	20,224,110 *(Note 3)*	3.09%
Mr. Koh Ming Fai	Beneficial owner/Interest of spouse	7,144,000 *(Note 4)*	1.09%
Mr. Fu Kwok Fu	Beneficial owner/Interest of spouse	7,070,000 *(Note 5)*	1.08%

Notes:

(1) The letter "L" denotes the person's long position in the Shares or the underlying Shares.

(2) These interests represented:

(a) 7,000,000 Shares held by Mr. Choi Man Shing ("**Mr. Choi**"), the Chairman and an Executive Director of the Company;

(b) 381,939,890 Shares held by 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 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 CEO 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, details of which are set out in the section headed "Share Option Schemes" in this Directors' 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, details of which are set out in the section headed "Share Option Schemes" in this Directors' Report; and

(d) 1,500,000 options granted to Mr. Koh Ming Fai, which are subject to certain vesting conditions pursuant to the Share Option Scheme, details of which are set out in the section headed "Share Option Schemes" in this Directors' Report.

(5) These interests represented:

(a) 5,691,166 Shares held by Mr. Fu Kwok Fu, an Executive Director;

(b) 100,000 Shares 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, details of which are set out in the section headed "Share Option Schemes" in this Directors' Report; and

(d) 750,000 options granted to Mr. Fu Kwok Fu, which are subject to certain vesting conditions pursuant to the Share Option Scheme, details of which are set out in the section headed "Share Option Schemes" in this Directors' Report.

(6) Approximate percentage calculated based on the 655,008,332 Shares in issue as at 31 December 2021.

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2021, 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 31 December 2021, 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	389,189,890 *(Note 2)*	59.42%
VRI	Beneficial owner/Interest of a controlled corporation	382,189,890 *(Note 3)*	58.35%

Notes:

(1) The letter "L" denotes the person/entity's long position in the Shares.

(2) These interests represented:

(a) 7,000,000 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 655,008,332 Shares in issue as at 31 December 2021

Save as disclosed above, as at 31 December 2021, 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.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this Annual Report, at no time during the Year were there rights to acquire benefits by means of the acquisition of Shares or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement to enable the Directors or their respective associates to acquire such rights in any other body corporate.

EQUITY-LINKED AGREEMENTS

Save for the Pre-IPO Share Option Scheme, the Share Option Scheme and the Share Award Scheme as described below, no equity-linked agreements that will or may result in the Company issuing Shares nor require the Company to enter into an agreement that will or may result in the Company issuing Shares was entered into by the Company during the Year or subsisted at the end of the Year.

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme adopted on 17 June 2016

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 Annual 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 year ended 31 December 2021, a total of 2,712,332 share options were exercised under the Pre-IPO Share Option Scheme, 33,000 share options were lapsed as a result of voluntary resignation of the relevant option holder and none of share options were cancelled. As at 31 December 2021, the maximum number of Shares which might be issued upon exercise of all outstanding options granted under the Pre-IPO Share Option Scheme was 2,910,668 Shares, representing approximately 0.44% of the Company's issued share capital as at 31 December 2021.

Details of the outstanding share options under the Pre-IPO Share Option Scheme during the Year are as follows:

Grantee	Date of grant	Vesting schedule	Exercise period	Outstanding as at 1 January 2021	Number of Shares underlying the share options granted — Exercised during the Year	Cancelled during the Year	Lapsed during the Year	Outstanding as at 31 December 2021
Directors								
Mr. 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)	–	–	–
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				**1,584,000**	**(526,332)**	**-**	**-**	**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	**4,072,000**	**(2,186,000)**	**-**	**(33,000)**	**1,853,000**
Total				**5,656,000**	**(2,712,332)**	**-**	**(33,000)**	**2,910,668**

Share Option Scheme adopted on 24 June 2016

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. HK$1.00 is payable by an Share Option Eligible Participant upon acceptance of an offer of option. 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 Annual 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 Annual 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.

Save for the options which have been granted on 28 May 2018 and 25 March 2019, the Company conditionally granted the options to subscribe for an aggregate of 11,788,000 Shares (the "**Share Options**") on 25 August 2021 (the "**Date of Grant**") pursuant to the Share Option Scheme to a total of 62 grantees, including senior management and other employees of the Group, at exercise price of HK$1.14 per Share which was determined by the Board and at least be the highest of (i) the closing price of HK$1.14 per Share as stated in the Stock Exchange's daily quotations sheet on the Date of Grant; (ii) the average closing price of HK$1.07 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.

Among the Shares Options granted above, 1,000,000 Share Options were granted to Mr. Choi Cheung Tai Raymond, who is the Deputy Chief Executive Officer of the Group and son of Mr. Choi Man Shing (Chairman and executive Director of the Company) and thus an associate of Mr. Choi Man Shing. Biographical details of Mr. Raymond Choi are set out on page 23 of this Annual Report. The remaining 10,788,000 Share Options granted to 61 grantees under the Share Option Scheme, all of which are senior management and other employees of the Group. The number of Share Options granted to each grantee ranged from 68,000 to 1,500,000 Share Options.

For the year ended 31 December 2021, a total of 3,100,000 share options were exercised under the Share Option Scheme and none of share options were cancelled or lapsed. As at 31 December 2021, the maximum number of Shares which might be issued upon exercise of all outstanding options granted under the Share Option Scheme was 21,088,000 Shares, representing approximately 3.22% of the Company's issued share capital as at 31 December 2021.

Details of the outstanding share options under the Share Option Scheme during the Year are as follows:

					Number of Shares underlying the share options granted				
Grantee	Date of grant	Vesting schedule	Exercise period	Outstanding as at 1 January 2021	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	Outstanding as at 31 December 2021
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	2,000,000	–	(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
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
In aggregate				**4,250,000**	**-**	**(1,000,000)**	**-**	**-**	**3,250,000**
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	5,300,000	–	(950,000)	–	–	4,350,000
	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	2,850,000	–	(1,150,000)	–	–	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	–	–	–	11,788,000
In aggregate				**8,150,000**	**11,788,000**	**(2,100,000)**	**-**	**-**	**17,838,000**
Total				**12,400,000**	**11,788,000**	**(3,100,000)**	**-**	**-**	**21,088,000**

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 Annual Report is around 10 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 Annual 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 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 Annual 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 31 to the consolidated financial statements of this Annual Report.

REMUNERATION POLICY

The remuneration policy of the Company is designed to encourage good performance and long-term commitment from all Directors and employees to the Company. Basic salary is reviewed annually, taking account of individual's experience and qualification, salary levels of similar positions in the human resources market and operating performance of the Company. The Company should provide a range of benefits and employer contributions in accordance to local regulations of relevant countries.

Annual salary adjustment and discretionary bonus are considered according to operating results of the Company, environment of human resources market and performance of individual employee.

In compliance with the CG Code, the Company has established the Remuneration Committee to formulate remuneration policies. Directors' remunerations are subject to the Shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties and responsibilities, the recommendations of the Remuneration Committee and the performance and results of the Group.

Details of the remuneration of the Directors and the five highest paid individuals of the Group are set out in Notes 15(a) and 14(b) to the consolidated financial statements of this Annual Report, respectively.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the section "Corporate Governance Report" on pages 51 to 72 of this Annual Report.

MANAGEMENT CONTRACTS

Other than the service agreements entered into with the Directors as disclosed above, the Company has not entered into any contract with any individuals, firms or corporate entities to manage or regulate the whole or any substantial part of any business of the Company.

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 during the Year and up to the date of this Annual Report.

DEED OF NON-COMPETITION

During the Year, the Controlling Shareholders have confirmed to the Company of their compliance with the non-competition undertakings provided to the Company under a deed of non-competition entered into between the Controlling Shareholders and the Company dated 24 June 2016.

The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the deed of non-competition have been complied with by the Controlling Shareholders and duly enforced during the Year.

INDEPENDENT AUDITOR

RSM Hong Kong will retire at the conclusion of the forthcoming AGM and be eligible to offer themselves for re-appointment. A resolution will be submitted to the AGM to be held on 24 May 2022 to seek the Shareholders' approval on the appointment of RSM Hong Kong as the Company's auditor until the conclusion of the next annual general meeting and to authorise the Board to fix their remuneration.

RELATED PARTY TRANSACTIONS

A summary of the significant related party transactions which were conducted in the ordinary course of business are set out in Note 41 to the consolidated financial statements of this Annual Report.

As mentioned in Note 41, the rental expenses paid to related companies, the metal supplies and processing service fee to a related company, the electronic assembly service fee to a related company and purchase of medical trolley from a related company were continuing connected transactions contemplated under the Lease Agreements, the Plastic and Metal Services Agreement, the Electronic Assembly Service Agreement and the Medical Trolley Purchase Agreement mentioned in paragraphs (a), (b), (c) and (d) of the paragraph headed "Continuing Connected Transactions" below, respectively.

As mentioned in Note 41, the purchases of goods (other than medical trolley) from related companies, the catering service fee paid to a related company and the administrative service fee paid to a related company were continuing connected transactions which were exempt from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has complied with the applicable requirements under the Listing Rules for those related party transactions which constituted non-fully exempt and non-exempt continuing connected transactions under the Listing Rules. Other related party transactions either did not constitute connected transactions/continuing connected transactions, or constituted connected transactions/continuing connected transactions but were exempted from all disclosure and independent Shareholders' approval requirements under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

During the Year, the Group had entered into certain transactions with entities which have become connected persons upon the Company's listing of the Shares on the Main Board of the Stock Exchange on 13 July 2016. These transactions have continued in the ordinary course of business and have constituted non-fully exempt and non-exempt continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(a) Lease Agreements

The following lease agreements (the "**Lease Agreements**") subsisted during the Year and were classified as continuing connected transactions:

	HK lease agreement	First PRC lease agreement	Second PRC lease agreement
Tenant	VMHK	VMDG	VRMD
Landlord	VRDL *(Note 1)*	VRDG *(Note 1)*	VRDG *(Note 1)*
Location of property	Flat B2, 7th Floor, Phase 2, Hang Fung Industrial Building, 2G Hok Yuen Street, Hung Hom, Kowloon, Hong Kong	Various sites of an industrial complex located at Qiaolong Shuiaotou Industrial Zone, Tangxia Town, Dongguan City, the PRC	4th Floor, 45-46 Qiaolong Shabu Industrial Zone, Tangxia Town, Dongguan City, the PRC
Size of property (GFA)	2,686.26 sq.ft.	26,112.24 sq.m.	1,500.00 sq.m.
Term	1 January 2019 to 31 December 2021	1 January 2019 to 31 December 2021	1 January 2019 to 31 December 2021
Rent payable	HK$42,000 per calendar month *(Note 2)*	RMB526,800 per calendar month *(Note 3)*	RMB28,500 per calendar month *(Note 3)*
Annual caps	HK$504,000	RMB6,321,600	RMB342,000
Use of property	Office	Production plant, warehouse, sterilisation room, offices, staff quarters and canteen	Warehouse

Notes:

(1) VRDL is a direct wholly-owned subsidiary of VRI and VRDG is an indirect wholly-owned subsidiary of VRI, which is the Controlling Shareholder of the Company. Accordingly, VRDL and VRDG are connected persons of the Company under the Listing Rules.

(2) The rent is inclusive of rates and government rent and management fees.

(3) The rent is inclusive of management fees but exclusive of VAT and other operating outgoings.

During the Year, VMHK paid HK$504,000 to VRDL pursuant to the HK lease agreement, VMDG and VRMD paid RMB6,321,600 and RMB342,000 to VRDG pursuant to the first and second PRC lease agreements.

As the HK lease agreement, the first PRC lease agreement and the second PRC lease agreement were expired on 31 December 2021, the Group has entered into the HK lease renewal agreement, the first PRC lease renewal agreement and the second PRC lease renewal agreement with VRDL and VRDG on 2 December 2021 to continue to lease the respective leased properties for a term of two years from 1 January 2022 to 31 December 2023. The transactions contemplated under the above lease renewal agreements were recognised as acquisitions of right-of-use assets which constituted one-off connected transactions of the Company under Chapter 14A of the Listing Rules. For details, please refer to the Company's announcement dated 2 December 2021.

(b) Plastic and Metal Services Agreement

The Group has entered into the following plastic and metal supply and processing services framework agreement with VRDG (the "**Plastic and Metal Services Agreement**"):

Plastic and Metal Services Agreement	
Parties	VMDG as purchaser VRDG as supplier *(Note)*
Effective period	1 January 2019 to 31 December 2021
Nature of transaction	VRDG agreed to supply certain plastic and metal components and provide painting, embossing, repairing and moulding services to VMDG.
Termination	Either party to the Plastic and Metal Services Agreement may terminate the agreement by giving the other party not less than three months' notice.
Pricing basis	The price of the plastic and metal components and painting and moulding services provided by VRDG under the Plastic and Metal Services Agreement was determined based on VRDG's actual cost plus 10% margin.
Annual cap	For the year ended 31 December 2021: HK$9,600,000

Note:

VRDG is an indirect wholly-owned subsidiary of VRI, the Controlling Shareholder. Accordingly, VRDG is a connected person of the Company under the Listing Rules.

During the Year, VMDG paid approximately HK$9.3 million to VRDG pursuant to the Plastic and Metal Services Agreement.

As the Plastic and Metal Services Agreement was expired on 31 December 2021, the Group has entered into the plastic and metal services renewal agreement with VRDG on 2 December 2021 to continue to above services for a term of two years from 1 January 2022 to 31 December 2023. For details, please refer to the Company's announcement dated 2 December 2021.

(c) **Electronic Assembly Service Agreement**

The Group has entered into the following electronic assembly service agreement with VRDG (the "**Electronic Assembly Service Agreement**"):

Electronic Assembly Service Agreement	
Parties	VMDG as purchaser VRDG as supplier *(Note)*
Effective period	20 April 2020 to 31 December 2021
Nature of transaction	VRDG agreed to provide assembly service in relation to certain electronic medical devices (such as humidifier and high flow oxygen therapy device) to VMDG.
Termination	Either party to the Electronic Assembly Service Agreement may terminate the agreement by giving the other party not less than three months' notice.
Pricing basis	The price of the assembly service provided by VRDG under the Electronic Assembly Service Agreement was determined based on VRDG's actual cost (including but not limited to costs on staff, rent, electricity and water and other assembly costs) plus 10% margin.
Annual cap	For the year ended 31 December 2021: HK$10,000,000

Note:

VRDG is an indirect wholly-owned subsidiary of VRI, the Controlling Shareholder. Accordingly, VRDG is a connected person of the Company under the Listing Rules.

During the Year, VMDG paid approximately HK$8.0 million to VRDG pursuant to the Electronic Assembly Service Agreement.

(d) Medical Trolley Purchase Agreement

During the Year, the Group has entered into the following medical trolley purchase agreement with VRDG (the "**Medical Trolley Purchase Agreement**"):

Medical Trolley Purchase Agreement	
Parties	VMDG as purchaser VRDG as supplier *(Note)*
Effective period	30 June 2021 to 31 December 2023
Nature of transaction	VRDG agreed to provide medical trolley, being the accessories of some of the Group's respiratory devices, to VMDG.
Termination	Either party to the Medical Trolley Purchase Agreement may terminate the agreement by giving the other party not less than three months' notice.
Pricing basis	VMDG and VRDG shall, from time to time, during the term of the Medical Trolley Purchase Agreement, enter into separate purchase order(s) in respect of the purchase of medical trolley provided that such purchase order(s) shall always be subject to the Medical Trolley Purchase Agreement. The price and terms of the purchase order(s) in respect of the purchase of medical trolley shall be determined in the ordinary and usual course of business of the Group, on normal commercial terms, negotiated on an arm's length basis and on pricing terms no less favourable to the Group than those available from the Independent Third Parties by reference to at least three comparable quotations obtained from the Independent Third Parties in the market.
Annual cap	For the year ended/ending 31 December: 2021: HK$18,000,000 2022: HK$20,000,000 2023: HK$22,000,000

Note:

VRDG is an indirect wholly-owned subsidiary of VRI, the Controlling Shareholder. Accordingly, VRDG is a connected person of the Company under the Listing Rules.

During the Year, VMDG paid approximately HK$6.5 million to VRDG pursuant to the Medical Trolley Purchase Agreement.

Internal Control

In order to ensure the terms of the non-exempt continuing connected transactions are on normal commercial terms and fair and reasonable to the Company and the Shareholders and are no more favourable than those offered by the Group to the Independent Third Parties, the Company has formulated the following internal control policies and adopted the following internal control measures for the Year:

(i) the finance department of the Company has closely monitored the non-exempt continuing connected transactions to ensure that the transactions amount have not exceeded the annual cap, respectively;

(ii) the finance department of the Company has conducted regular random checks to review and assess whether the non-exempt continuing connected transactions are conducted on normal commercial terms, in accordance with the terms set out in the related agreements and whether the relevant contract terms are in the interest of the Company and the Shareholders as a whole;

(iii) Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the non-exempt continuing connected transactions and confirmed that they have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and

(iv) the Company's auditor, RSM Hong Kong, has conducted an annual review of the transactions entered into under the non-exempt continuing connected transactions to ensure that the transaction amount is within the annual cap, respectively and the transactions are in accordance with the terms set out in the related agreements. Also, pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. RSM Hong Kong has issued the unqualified letter (a copy of which has been provided by the Company to the Stock Exchange) containing its findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules.

COMPLIANCE WITH THE SANCTIONS UNDERTAKING

As disclosed in the prospectus issued by the Company dated 30 June 2016, the Company has, amongst others, undertaken to the Stock Exchange that it would not use the proceeds from 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, or any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any other government, individual or entity sanctioned country which are prohibited under international sanction laws and regulations or with any sanctioned person (the "**Sanctions Undertaking**"). To ensure compliance with the Sanctions Undertaking, the Company has adopted enhanced internal control and risk management measures in order to continuously monitor and evaluate the business and take measures to protect the interests of the Group and the Shareholder from economic sanctions risks.

During the Year, the Risk Management Committee maintained the internal control and risk management policies and procedures, amongst others, to keep updating the sanctions countries list with customers periodically and to investigate customer background so as to ensure the nature and location of the activities or business, as well as the identity of the counterparties and the products involved, if necessary, etc., would not violate the Sanctions Undertaking. In the opinion of the Directors, the Company has complied with the Sanctions Undertaking for the Year.

EVENTS AFTER THE REPORTING PERIOD

The address of the Company's headquarters and principal place of business in Hong Kong has been changed to Units 1604-07A, 16/F., Two Harbourfront, 22 Tak Fung Street, Hung Hom, Kowloon, Hong Kong with effect from 22 February 2022. The telephone and facsimile numbers of the Company have also been changed to (852) 2155 2998 and (852) 2155 8298, respectively.

Saved for the above, there were no other significant events after the reporting period up to the date of this Annual Report.

PUBLICATION OF ANNUAL REPORT

This Annual Report 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

Choi Man Shing
Chairman and Executive Director

Hong Kong, 23 March 2022

1. 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 CG Code as contained in Appendix 14 to the Listing Rules and its subsequent amendments from time to time as its own code of corporate governance. The corporate governance principles of the Company emphasise a quality Board, sound internal controls and risk management, and transparency and accountability to all Shareholders.

In the opinion of the Directors, the Company has complied with the code provisions set out in the CG Code throughout the Year.

2. BOARD OF DIRECTORS

2.1 Responsibilities of the Board

The Board, which is accountable to the Shareholders for the long-term performance of the Company, has multiple responsibilities to the Company, including setting strategic goals, establishing long-term strategies, and ensuring that the necessary financial and human resources are in place for the Company to meet its business objectives. It is also tasked with establishing a framework of effective controls for managing risks, with the particular aim of safeguarding the Company's assets and the interests of the Shareholders. Further, the Board is responsible for reviewing the performance of the Company's management and, more generally, setting and consolidating the Company's values and standards. The Directors take decisions objectively in the best interests of the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve any conflict of interests), financial information and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operations and management of the Company are delegated to the management.

Five Board committees, namely, the Audit Committee, the Nomination Committee, the Remuneration Committee, the Risk Management Committee and the ESG Committee, have also been established to oversee particular aspects of the Group's affairs and help the Board in the execution of its responsibilities. Each Board committee has its written terms of reference which clearly outline its authority, duties and the requirement to report back on its decisions or recommendations to the Board. The Board committees are provided with sufficient resources to discharge their duties.

The Directors can seek independent professional advice for performing their duties at the expense of the Company. Also, the Directors at all times have full access to information of the Group and they can also access to information from the senior management of the Company independently. During the Year, the Directors were provided with periodically operating information on the Group's business, up-to-date performance and financial matters as well as regular updates on applicable legal and regulatory requirements to enable the Board as a whole and each Director to discharge their duties.

Other than the non-executive Directors (including independent non-executive Directors), all executive Directors are appointed on a full-time basis and have sufficient time to deal with the affairs of the Company. All Directors are required to fulfil their responsibilities as Directors of the Company and their common law duties as directors.

2.2 Board Composition

The structure, size and composition of the Board are subject to review from time to time to ensure that the Board (i) has a balanced composition of skills and experience appropriate for the business of the Group; and (ii) provides adequate checks and balances among the Directors to safeguard the interests of the Shareholders and to enable the Board to exercise independent judgment.

As at the date of this Annual Report, the Board had a total of eight members, which comprised four executive Directors, one non-executive Director and three independent non-executive Directors. The composition of the Board and the Board Committees, and the individual attendance records of each Director at the Board meetings, Board committees' meetings and general meeting in the Year are listed below:

	Number of meeting attended/held in 2021						
Name of Director	Board meetings	Audit Committee meetings	Nomination Committee meeting	Remuneration Committee meetings	Risk Management Committee meetings	ESG Committee meetings	General meeting
Executive Directors							
Mr. Choi Man Shing *(Chairman)*	7/7	N/A	1/1	2/2	N/A	N/A	1/1
Mr. To Ki Cheung *(CEO)*	7/7	N/A	N/A	N/A	N/A	N/A	1/1
Mr. Koh Ming Fai	7/7	N/A	N/A	N/A	2/2	N/A	1/1
Mr. Fu Kwok Fu	7/7	N/A	N/A	N/A	N/A	4/4	1/1
Non-executive Director							
Mr. Guo Pengcheng	7/7	N/A	N/A	N/A	N/A	N/A	1/1
Independent Non-executive Directors							
Mr. Mok Kwok Cheung Rupert	7/7	3/3	1/1	2/2	N/A	N/A	1/1
Mr. Au Yu Chiu Steven	7/7	3/3	N/A	N/A	N/A	N/A	1/1
Prof. Yung Kai Leung	7/7	3/3	1/1	2/2	N/A	N/A	1/1

The Directors have extensive industry knowledge and experience in corporate management, strategic planning, accounting and financial matters. The Directors bring a good balance of skills and experience to the Company.

Biographical details of each of the Directors are set out in the "Biographical Details of Directors and Senior Management" section on pages 21 to 25 of this Annual Report. The information is also available on the Company's website. In addition, a list containing the names of the Directors and their roles and functions is posted on the websites of the Stock Exchange and the Company. Directors have disclosed the number and nature of their offices held in public companies or organisations and other significant commitments in their biographical information. They are also reminded to notify the Company in a timely manner and confirm bi-annually to the Company any change of such information so that the Company will set out the change and the updated information regarding such Directors in the next published annual report and interim report of the Company (as the case maybe).

2.3 Chairman and CEO

Mr. Choi Man Shing serves as the Chairman and Mr. To Ki Cheung serves as the CEO. The roles of the Chairman and CEO are segregated and assumed by two separate individuals who have no relationship with each other. It is aimed at striking a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman provides leadership and is responsible for effective functioning and leadership of the Board, while the CEO is delegated with the authorities to focus on the Company's business development and daily management and operations generally.

There is a clear division of responsibilities between the Chairman and CEO to ensure that there is a balance of power and authority in the Group.

2.4 Independent Non-executive Directors

The Company has three independent non-executive Directors, who are persons of high caliber; with academic and professional qualifications in the fields of accounting and business management. By their active participation in the Board meetings and their services on the Audit Committee, the Nomination Committee, the Remuneration Committee, respectively, the independent non-executive Directors have made important contributions to the expression of objective views, effective direction and strategic decision-making of the Group. Also, they do not participate in the day-to-day management of the Company and do not involve themselves in business transactions or relationships with the Company, in order not to compromise their objectivity.

Throughout the Year under review, the Board at all times fulfilled the requirement of Rules 3.10(1) and (2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors (representing at least one-third of the Board) with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Board as well as the Nomination Committee have assessed the independence of all of the independent non-executive Directors and consider all of them to be independent having regard to (i) their respective annual confirmation on independence as required under Rule 3.13 of the Listing Rules; (ii) the absence of involvement in the daily management of the Company; and (iii) the absence of any financial, business or family or other material relationships with other members of the Board or circumstances which would interfere with the exercise of their independent judgment.

During the Year, the Chairman, being an executive Director, held two meetings with independent non-executive Directors without the presence of other Directors or executives of the Group to discuss issues that they wish to raise at the Board.

2.5 Appointment and Re-election of Directors

The Nomination Committee is responsible for assessing the candidate for appointment as and re-election of Director and submit recommendation to the Board for consideration and approval. The Articles of Association also provides that one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire by rotation at each annual general meeting, and those Directors newly appointed subsequent to the preceding annual general meeting, shall retire from office and shall be eligible for re-election. The performance of those Directors who are subject to re-election at the annual general meeting of the Company will be assessed by the Nomination Committee and recommended to the Board to decide the tabling of the proposed re-election of Directors for shareholders' approval at the annual general meeting.

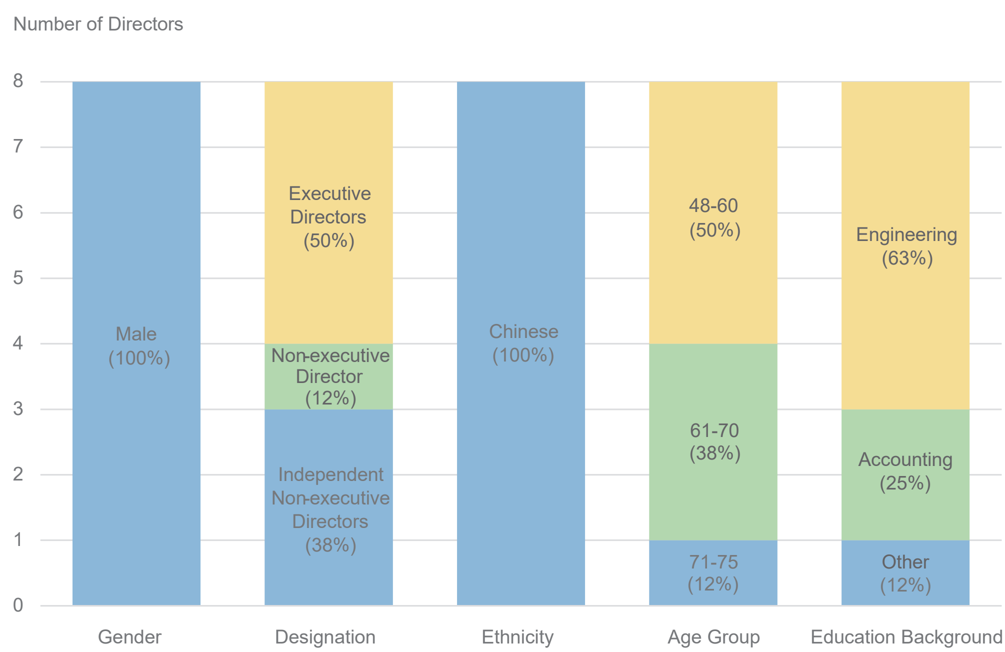
All Directors are elected for a term of three years, subject to the retirement by rotation and re-election at the annual general meeting.

2.6 Board Diversity Policy

The Company has an official written policy relating to the diversity of Board members, which aims to set out the approach to achieve diversity on the Board.

Under this policy, the diversity of the Board has been considered from a number of aspects, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service in the Company. All Directors' appointments are based on meritocracy, and candidates will be considered against a set of objective criteria, having due regard to the benefits of diversity on the Board.

The following chart and table further illustrate the diversity profile of the Board as at the date of this Annual Report:



Name of Director	Professional Experience/Skills and Knowledge
Mr. Choi Man Shing	Manufacturing of medical devices
Mr. To Ki Cheung	Administrative management of medical device manufacturing
Mr. Koh Ming Fai	Manufacturing, sales and marketing of medical devices
Mr. Fu Kwok Fu	Manufacturing, R&D and engineering of medical devices
Mr. Guo Pengcheng	Investment management
Mr. Mok Kwok Cheung Rupert	Administrative management, sales and marketing and R&D of medical devices
Mr. Au Yu Chiu Steven	Audit and Finance
Prof. Yung Kai Leung	Engineering

2.7 Directors' Induction and Continuous Professional Development

The Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on appointment to ensure appropriate understanding of the business and governance policies and operations of the Group and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. This understanding is deepened and continued by the Directors' participation in Board meetings and their work on various Board committees.

The Directors understand the need to continue to broaden and refresh their knowledge and skills on the roles, functions and duties of a listed company director for making contributions to the Company. The Company is responsible for arranging and funding suitable training for the Directors to help them to keep abreast of current trends and issues facing the Group, including the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses.

During the Year, all the Directors have participated in a series of training which included, among others, development of national and global economy, corporate governance issues and regulatory updates, etc.

All Directors have provided the Company with their respective records of the trainings attended by them during the Year. According to the training records maintained by the Company, the types of trainings received by each of the Directors during the Year are summarised as follows:

Name of Director	Type of trainings *(Notes)*
Executive Directors	
Mr. Choi Man Shing	A, B
Mr. To Ki Cheung	A, B
Mr. Koh Ming Fai	A, B
Mr. Fu Kwok Fu	A, B
Non-executive Director	
Mr. Guo Pengcheng	A, B
Independent Non-executive Directors	
Mr. Mok Kwok Cheung Rupert	A, B
Mr. Au Yu Chiu Steven	A, B
Prof. Yung Kai Leung	A, B

Notes:

A: *attending training sessions, including but not limited to, seminars, briefings, conferences, forums and workshops*

B: *reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities*

2.8 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.

The Company requires any Director wishing to deal in the Shares to make a specific written notice of the proposed dealing, and to obtain approval from the Chairman. If the Chairman declares his intention of dealing in the Shares, he must first obtain approval from the CEO.

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 throughout the Year and up to the date of this Annual Report.

2.9 Indemnification of Directors and Officers

The Directors and officers are indemnified under a directors' and officers' liability insurance against any liability incurred by them in the discharge of their duties while holding the office as the Directors and officers of the Company. The Directors and officers shall not be indemnified where there is any negligence, fraud, breach of duty or breach of trust proven against them.

2.10 Board and Board Committees' Meetings

The Company holds at least four Board meetings per year, with special Board meetings being scheduled as required to determine the overall strategic directions and objectives of the Group and approve interim and annual results and other significant matters. The Articles of Association allow the Board meetings to be conducted by means of a telephone conference or other communication method through which all persons participating in the meeting can communicate with each other. Also, a resolution in writing signed by all the Directors for the time being entitled to receive notices of Board meetings shall, provided such Directors would constitute a quorum at any meeting of the Board convened to consider the resolution, be valid and effectual.

At least fourteen (14) days' notice for regular meetings of the Board and at least seven (7) days' notice for regular meetings of the Board committees, and reasonable notice for non-regular meetings of the Board and the Board committees' were given to all Directors/committee members so as to ensure that each of them had an opportunity to attend the meetings. The Company Secretary assists the respective chairman of the Board and the Board committees in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying meeting papers are sent in full to all Directors or the relevant committee members at least three (3) days before the date of meetings (or such other period as the members may agree). The Directors are allowed to include into the draft agenda any additional matters that they wish to discuss and resolve at the meetings.

Minutes of each Board and Board committees' meeting record in sufficient details the matters considered and decisions made, including any concerns or views of the Directors or the relevant committee members or dissenting views expressed. Final drafts of minutes are circulated to all Directors or committee members for their perusal prior to confirmation of the minutes at the subsequent Board or Board committees' meeting. The Directors or committee members may request for clarification or raise comments before the minutes are tabled for confirmation. Upon receiving confirmation from the Directors or committee members, the minutes will be signed by the chairman of the meeting as a correct record of the proceedings of the meeting and kept by the Company Secretary, and are open for inspection at any reasonable time on reasonable notice given by any Director or committee member.

If a matter to be considered by the Board involves a conflict of interests of any substantial Shareholder or the Controlling Shareholder of the Company or Director and if the Board considers that the matter is material, it would be dealt with by a physical meeting rather than a written resolution of the Directors.

The Board ensures that there are sufficient independent non-executive Directors (who, and whose close associates, have no material interests in the transaction) participating in discussing and voting on the resolution. A Director having material interests would abstain from deliberating and voting on the resolution to avoid any conflict of interests.

3. COMPANY SECRETARY

The Company Secretary, Ms. Tsui Lai Ki Vicki, is accountable to the Board for ensuring that the Board procedures are followed and the Board activities are efficiently and effectively conducted. These objectives are achieved through the adherence to proper Board procedures and the timely preparation and dissemination of meeting agendas and papers to the Directors. Minutes of all Board and Board committees' meetings are prepared and maintained by the Company Secretary in sufficient detail the matters considered and decisions reached by the Board or the Board committees, including any concerns raised or views voiced by any Director. All draft and final minutes of the Board and the Board committees' meetings are sent to the Directors and Board committee members as appropriate for comments, approval and records. Board records are available for inspection by any Director or committee member upon request.

The Company Secretary is responsible for ensuring that the Board is fully apprised of all legislative, regulatory, corporate governance and ESG developments of relevance to the Group and that the Board takes these developments into consideration when making decisions for the Group. From time to time, the Company Secretary organises seminars on specific topics of importance and interest and disseminates reference materials to Directors for their information.

The Company Secretary is also directly responsible for the Group's compliance with all obligations under the Listing Rules and The Codes on Takeovers and Mergers and Share Repurchases, including the preparation, publication and despatch of annual reports and interim reports within the time limits laid down in the Listing Rules, and the timely dissemination to the Shareholders and the market of information relating to the Group.

Furthermore, the Company Secretary advises the Directors on connected transactions, notifiable transactions, price-sensitive/inside information and their obligations for disclosure of interests and dealings in the Group's securities, to ensure that the standards and disclosures required by the Listing Rules and all applicable laws, rules and regulations are complied with and, where required, reported in the annual report and/or interim report of the Company.

The appointment and removal of the Company Secretary is subject to the Board's approval in accordance with the Articles of Association. Whilst the Company Secretary reports to the Chairman and the CEO, all members of the Board have access to her advice and service. Ms. Tsui joined the Group in April 2016 and was appointed as the Company Secretary of the Company in May 2017. She has day-to-day knowledge of the Group's affairs. During the Year under review, Ms. Tsui confirmed that she had complied with all the required qualifications, experience and training requirements under the Listing Rules.

4. ACCOUNTABILITY AND AUDIT

4.1 Directors' and Auditor's Responsibilities for the Financial Statements

The Board is committed to providing a balanced, clear and comprehensible assessment of the financial performance and prospects of the Group in all the disclosures made to the stakeholders and the regulatory authorities. The annual and interim results of the Company are published in a timely manner, within three months and two months, respectively of the year end and the half-year end. Timely release of interim and annual results announcements reflects the Board's commitment to provide transparent and up-to-date disclosures of the performance of the Group.

The responsibility of Directors in relation to the financial statements is set out below. The statement of the external auditor of the Company about its reporting responsibilities on the Group's consolidated financial statements for the Year is set out in the independent auditor's report on pages 100 to 104 of this Annual Report.

4.2 Financial Report and Consolidated Financial Statements

The Directors acknowledge their responsibility for the preparation of the financial report and consolidated financial statements of the Group that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and comply with the applicable disclosure requirements of the Companies Ordinance. Directors should incorporate such internal control as the Directors determine as necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

4.3 Accounting Policies

The Directors consider that in preparing the consolidated financial statements, the Group has adopted appropriate accounting policies and applied consistently.

4.4 Audit Committee

The Company established the Audit Committee with its written terms of reference in compliance with the Listing Rules which are available on the websites of the Stock Exchange and the Company. The Audit Committee is currently chaired by Mr. Au Yu Chiu Steven with Mr. Mok Kwok Cheung Rupert and Prof. Yung Kai Leung. Its composition complies with the code provision requirements under the CG Code for an audit committee.

The functions of the Audit Committee are included but not limited to:

(a) ensuring that the Company has an effective financial reporting, risk management and internal control system;

(b) overseeing the integrity of the financial statements of the Company;

(c) selecting and assessing the independence and qualifications of the Company's external auditor; and

(d) ensuring effective communication between the Directors and external auditor.

During the Year, the Audit Committee had performed the following works:

- reviewed the audited annual financial statements for the year ended 31 December 2020;
- reviewed the unaudited interim financial statements for the six months ended 30 June 2021;
- made recommendations to the Board for approval the above-mentioned financial statements, respectively;
- reviewed and approved the audit planning/closing memorandum presented by the external auditor;
- discussed with the management and the external auditor about the issues concerning the accounting policies and practices which may affect the Group, along with financial reporting matters;
- reviewed the risk management and internal control systems;
- recommended to the Board on the re-appointment of the external auditor; and
- determined the interim review and annual audit fees of the external auditor.

Apart from the regular Audit Committee meetings, the Audit Committee also held a meeting with the external auditor without the presence of management.

This Annual Report for the year ended 31 December 2021 has been reviewed by the Audit Committee.

4.5 External Auditor and Auditor's Remuneration

The Audit Committee reviews and monitors the external auditor's independence and objectivity and effectiveness of the audit process. The Audit Committee receives each year the engagement letter from the external auditor of the Company confirming their independence and objectivity and holds meetings with representatives of the external auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it. The Audit Committee also makes recommendations to the Board on the appointment and retention of the external auditor.

The remuneration paid or payable to RSM Hong Kong, being the external auditor of the Company, in respect of the audit services related to the audit for the year ended 31 December 2021 and the review of the interim results for the six months ended 30 June 2021 amounted to approximately HK$2.0 million.

The remuneration paid or payable to RSM Hong Kong and its related entities in respect of the services related to other permissible non-audit services amounted to approximately HK$0.4 million.

5. RISK MANAGEMENT AND INTERNAL CONTROL

5.1 Board Oversight

The Board recognises that it has the overall responsibility to establish and maintain sound and effective risk management and internal control systems to ensure the smooth running of operations, to safeguard the Group's assets and the Shareholders' interest as well as to ensure the reliability of financial statements in compliance with applicable laws and regulations. In devising internal controls, the Group has regard to the nature and extent of the risk, the likelihood of it crystallising, and the cost of controls. Systems of risk management and internal control are designed to manage, but not eliminate, the risk of failure to achieve business objectives and can only provide reasonable but not absolute, assurance against the risk of material misstatement, fraud or loss.

5.2 Risk Management Committee

The Company established the Risk Management Committee with its written terms of reference in compliance with the Listing Rules. The functions of the Risk Management Committee are included but not limited to, oversee the implementation of the Group's internal control and compliance policies and to manage the Group's exposure to risks.

During the Year, the Risk Management Committee held two meetings and the individual attendance records of each member of the Risk Management Committee are listed below:

Name of member	Meeting Attendance/ Eligible to Attend
Mr. Koh Ming Fai *(Executive Director)*	2/2
Mr. Kwok Kam Ming *(Quality Assurance Manager)*	2/2
Ms. Hu Fang *(Senior Sales and Marketing Manager)*	2/2
Mr. Zhang Changqing *(Head of Sales and Marketing (Greater China))*	2/2
Mr. Lai Hoi Ming *(Chief Financial Officer)*	2/2

During the Year, the Risk Management Committee had performed the following works:

- reviewed the business transactions to manage the Group's exposure to risks, including but not limited to sanctions risk, anti-corruptions and anti-fraud risks and patent infringement risk;
- reviewed the business operation to manage the Group's exposure to risks, including but not limited to of the environmental, health and safety risk, financial risk and data security risk;
- conducted periodic checks on the implementation of the Group's internal control, compliance and risk management policies and procedures to ensure that they can be implemented effectively and efficiently; and
- discussed and considered whether the Group's internal control, compliance and risk management policies and procedures are adequate, effective and efficient in monitoring the Group's risks and, where necessary, make recommendations to the Board to improve and enhance the internal control, compliance and risk management policies and procedures of the Group.

5.3 Risk Management and Internal Control Structural Framework

The Company has set up an internal audit division within the Group and maintained an organisation structure with defined levels of responsibility in the Company's risk management and internal control system. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness. The Board has delegated its responsibilities of risk management and internal control to the Audit Committee and the Risk Management Committee as well as internal audit division. The Audit Committee oversees the financial reporting, risk management and internal control systems and provides advice for improvement. The Risk Management Committee as well as the internal audit division of the Group (i) oversee the management of each business department in the design, implementation and monitoring of the risk management and internal control systems; and (ii) determine and evaluate the associated financial, operation, reporting and compliance risks and their corresponding mitigation plans. The entire process and its outcome are documented and reviewed by the Risk Management Committee twice a year.

The Group's risk management and internal control structural framework is summarised below:

Board

- Evaluate and determine the nature and extent of the risks taken by the Group to achieve its strategic business objectives;

- review and maintain the risk management and internal control structural framework and their responsibilities; and

- through the Audit Committee and the Risk Management Committee, regularly review and monitor the effectiveness of the risk management and internal control systems and monitor the corporate governance practices and compliance procedures on an ongoing basis.

Audit Committee

- Review the systems of the Company on financial controls, internal control and risk management regularly;

- monitor the implementation of the action plans and the effectiveness and adequacy of the internal control and risk management systems; and

- report directly to the Board on its findings, decisions and/or recommendations.

Risk Management Committee

- Assist the Board and the Audit Committee to perform its responsibilities of risk management and internal control systems;
- review the effectiveness of the Group's risk management and internal control systems at least half a year, and such review should cover all material controls including financial, operational and compliance control;
- discuss the risk management and internal control systems with the internal audit division and management of each business development to ensure that management has performed its duty to have effective and efficient control systems so as to ensure the adequacy of resources, staff qualifications and experience, and training programmes; and
- report directly to the Board and the Audit Committee on its findings, decisions and/or recommendations.

Internal Audit Division

- Oversee the Group's risk management and internal control systems on an ongoing basis;
- oversee the operation of each business department and evaluate the associated financial, operation and compliance risks and their corresponding mitigation plans; and
- report directly to the Risk Management Committee on its findings, decisions and/or recommendations.

Management of each business development

- Design, implement and maintain appropriate and effective risk management and internal control systems;
- identify, evaluate and manage the risks that may potentially impact the major processes of the operations;
- monitor risks and take measures to mitigate risks in day-to-day operations;
- give prompt responses to, and follow up the findings on risk management and internal control matters; and
- report directly to the Risk Management Committee and the internal audit division on its findings, decisions and/or recommendations.

5.4 Processes Adopted to Identify, Evaluate and Manage Risks

The processes adopted by the Group to identify, evaluate and manage risks associated with the business of the Group, the industry and market are summarised as follows:

Risk Identification

- Identify the risks that may potentially affect the Group's business and operations.

Risk Assessment

- Assess the risks identified by using the assessment criteria developed by the management; and
- access the likelihood of their occurrence and the potential impact on the business and results of the Group.

Risk Response

- Determine the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

- Perform ongoing and periodic monitoring of the risk and ensure that appropriate risk management and internal control processes are in place and effective;
- review and revise the risk management strategies and internal control processes in case of any significant change of situation; and
- report the findings, decisions and recommendations of risk monitoring within the risk management and internal control structural framework regularly.

The Board, through the Audit Committee and the Risk Management Committee as well as internal audit division, conducted a semi-annual review on the Group's risk management and internal control systems and considers that the systems are adequate and effective during the Year. The Board is satisfied that the Group has fully complied with the code provisions on risk management and internal controls as set out in the CG Code.

5.5 Disclosure of Inside Information

The Group acknowledges its responsibilities under the Listing Rules and the SFO and the overriding principle that inside information should be announced as soon as reasonably practical when it is the subject of a decision. The procedures and internal controls for handling and dissemination of inside information are as follows:

(i) The Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;

(ii) The Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website;

(iii) The Group has strictly prohibited the unauthorised use of confidential or inside information and reinforced the awareness to the obligations in preserving confidentiality of inside information within the Group;

(iv) sending blackout period and securities dealing restrictions notification to the Directors and relevant employees regularly; and

(v) The Group has implemented procedures for responding to external enquiries about the Group's affairs, so that only the executive Directors as well as the Company Secretary and the head of investor relations of the Company are authorised to communicate with parties outside the Group.

6. NOMINATION OF DIRECTORS

6.1 Nomination Committee

The Company established the Nomination Committee with its written terms of reference in compliance with the Listing Rules which are available on the websites of the Stock Exchange and the Company. The Nomination Committee is currently chaired by Mr. Choi Man Shing with Mr. Mok Kwok Cheung Rupert and Prof. Yung Kai Leung. Its composition meets the requirements of chairmanship and independence under the Listing Rules.

The functions of the Nomination Committee are included but not limited to, (i) identify, screen and recommend to the Board appropriate candidates to serve as the Directors; (ii) oversee the process for evaluating the performance of the Board; and (iii) develop, recommend to the Board and monitor nomination guidelines for the Company.

During the Year, the Nomination Committee had performed the following works:

- reviewed the existing structure, size, composition and diversity (including but not limited to gender, age, cultural, education background, ethnicity, professional experience, skills, knowledge and length of service in the Company) of the Board;
- reviewed the Board Diversity Policy and the nomination of directors policy and procedures of the Company;
- assessed the independence of the independent non-executive Directors; and
- recommended to the Board on the re-election of retiring Directors.

6.2 Nomination Process

The nomination process has been, and will continue to be, conducted in accordance with the Director Nomination Policy and the Board Diversity Policy, which are available on the Company's website. The Nomination Committee, together with the Board, will review these policies, as appropriate (not less than an annual basis), to ensure its implementation and effectiveness.

Director Nomination Policy and procedures of the Company sets out the procedures, process and criteria for identifying and recommending candidates for election to the Board as follows:

(i) In undertaking its annual review of the Board, the Nomination Committee or the Board as the case may be will determine if a Director should be appointed to the Board either as an additional Director or to fill a vacancy.

(ii) The sufficient biographical details of a candidate (including but not limited to, qualifications and working experience) will be provided to the Nomination Committee for assessing his/her suitability which will be measured against the suitability criteria as set out in this policy which include but are not limited to:

- the extent to which the candidate meets the competencies for a Director outlined in this policy;
- the time commitment required to effectively discharge the duties to the Company balanced with the number of existing directorships and other commitments that may demand the attention of the candidate;
- any actual or perceived conflicts of interest; and
- diversity in the aspects, amongst others, of gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service in the Company as set out in the Board Diversity Policy of the Company.

(iii) A candidate selected by the Nomination Committee will be approached by the Chairman or the CEO to determine his/her interest in joining the Board.

(iv) A candidate will be given information about the role, responsibility, contribution and time commitment the appointment will involve and the remuneration, terms and conditions of the appointment.

(v) A candidate for appointment as a non-executive Director (including an independent non-executive Director) must indicate that they have sufficient time to devote to the tasks the appointment will involve.

(vi) If the nominated candidate accepts an appointment, the Nomination Committee and the Remuneration Committee will consider the appointment and remuneration package, and recommend to the Board for approval.

During the Year under review, no candidate was nominated for directorship.

7. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

7.1 Remuneration Committee

The Company established the Remuneration Committee with its written terms of reference in compliance with the Listing Rules which are available on the websites of the Stock Exchange and the Company. The Remuneration Committee is currently chaired by Mr. Mok Kwok Cheung Rupert with Mr. Choi Man Shing and Prof. Yung Kai Leung. Its composition meets the requirements of chairmanship and independence under the Listing Rules.

The functions of the Remuneration Committee are included but not limited to assist the Board in (i) determining the policy and structure of the remuneration packages of the Directors and the senior management; (ii) reviewing incentive schemes and Directors' service contracts; and (iii) fixing the remuneration packages for the Directors and the senior management.

During the Year, the Remuneration Committee had performed the following works:

- reviewed the remuneration policy and structure of the Group;
- discussed and recommended the remuneration packages of the Directors and senior management for the Board's approval;
- authorised by the Board to approve the allotment and issue of Shares upon exercise of share options under the Pre-IPO Share Option Scheme and the Share Option Scheme;
- considered the grant of share options under the Share Option Scheme and recommend to the Board for approval; and
- reviewed and discussed the adoption of the Share Award Scheme.

7.2 Remuneration Policy

The fees of the Directors and the emolument of the senior management are determined with reference to their respective duties and responsibilities, expertise and experience in the industry, the performance and profitability of the Group as well as remuneration benchmarks from other companies and prevailing market conditions. Whilst the Board retains its power to determine the remuneration of non-executive Directors, the responsibility for reviewing and determining the remuneration packages of individual executive Directors and senior management of the Company is delegated to the Remuneration Committee.

The remuneration paid to the members of senior management (excluding the Directors) by bands for the Year is set out below:

Emolument Band	Number of individuals
Nil to HK$1,000,000	1
HK$1,000,001 to HK$1,500,000	8
HK$1,500,001 to HK$2,000,000	2

The details of the fees and other emoluments paid or payable to the Directors are set out in details in Note 15(a) to the consolidated financial statements set out in this Annual Report.

8. CORPORATE GOVERNANCE FUNCTIONS

The Board recognises that the Directors should be collectively responsible for the corporate governance duties. Such duties are included but not limited to:

(i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(v) to review the Company's compliance with the CG Code and disclosure.

During the Year and up to the date of this Annual Report, the Board has reviewed and performed the aforesaid corporate governance functions.

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") RESPONSIBILITY

9.1 ESG Efforts

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.

9.2 ESG Committee

The Company established the ESG Committee with its written terms of reference. The functions of the ESG Committee are included but not limited to, advise and assist the Board in managing matters relating to ESG of the Group, such as governance, policies, initiatives, performance and reporting.

During the Year, the ESG Committee held four meetings and the individual attendance records of each member of the ESG Committee are listed below:

Name of members	Meeting Attendance/ Eligible to Attend
Mr. Fu Kwok Fu *(Executive Director)*	4/4
Mr. Lai Hoi Ming *(Chief Financial Officer)*	4/4
Ms. Tsui Lai Ki Vicki *(Company Secretary)*	4/4

During the Year, the ESG Committee had performed the following works:

- reviewed the ESG report as contained in the 2020 annual report and approved for submission for the Board's approval;
- performed periodic monitoring the implementation of the major visions and strategy, including but not limited to, green energy, supply control, anti-corruption and employee affairs;
- analysed the data collected by the working group and formulated the ESG working report for the presentation to the Board in a quarterly basis; and
- adopted the anti-corruption policy.

10. RELATIONSHIP WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

To uphold high standards of corporate governance, the Company maintains effective communications with the Shareholders and other stakeholders by disseminating information in a timely and accurate manner. The Board has established a shareholders' communication policy which aims to promote effective communication between the Company and the Shareholders and other stakeholders and to enable the Shareholders to exercise their rights effectively in an informed manner. The shareholders' communication policy has been put on the Company's website and will be reviewed by the Board on a regular (not less than an annual) basis to ensure its implementation and effectiveness.

Senior management maintains regular dialogue with institutional investors through one-on-one meetings and conference calls. The Company is committed to complying with disclosure rules and regulations stipulated by the relevant regulatory bodies, and to communicating the Company's business strategies, development and goals to investors.

To address a wider investment community, the corporate website (www.vincentmedical.com) contains comprehensive information about the Company. The Board is committed to providing clear and full information on the Group to the Shareholders through the publication of financial reports, announcements and other documents of the Company required to be published in accordance with the Listing Rules. The Memorandum and Articles of Association of the Company is published on the websites of the Stock Exchange and the Company. Under the "Investors" page of the Company's website, viewers can find additional information on the Company.

The general meetings of the Company provide one of the primary forums for communication with the Shareholders and for their participation. Such meetings provide Shareholders with the opportunity to share their views and to meet the Board and certain members of senior management. Question and answer sessions at general meetings foster constructive dialogues between Shareholders, Board members and management.

Shareholders are encouraged to participate at general meetings of the Company physically, through electronic means, or by proxy if they are unable to attend in person. The Company encourages participation of the Shareholders in annual general meetings and other general meetings. The Company sends notice to the Shareholders for annual general meetings at least 20 clear business days before the meeting and at least 10 clear business days for all other general meetings. Separate resolutions are proposed at general meetings for each substantial issue, including the re-election of individual Directors. The detailed procedures of conducting a poll are explained to the Shareholders at the general meeting, to ensure that the Shareholders are familiar with such procedures.

The Company's last general meeting was held on Tuesday, 18 May 2021 at 10:00 a.m. at 17th Floor, Leighton, 77 Leighton Road, Causeway Bay, Hong Kong (the "**2021 AGM**"). To safeguard the health and safety of attendees and to prevent the spreading of the COVID-19, the precautionary measures including compulsory body temperature screening, mandatory wearing of surgical face mask, mandatory submission of health declaration form and no serving of refreshments or drinks had been implemented at the 2021 AGM. Also, in light of the continuing risks posed by the COVID-19, and in the interests of protecting Shareholders, the Company strongly encouraged the Shareholders to exercise their right to vote on the relevant resolutions at the 2021 AGM by appointing the Chairman of the 2021 AGM as their proxy instead of attending in person. All the resolutions proposed at the 2021 AGM were approved by the Shareholders by poll. Details of the poll results are available under the websites of the Company and the Stock Exchange.

The 2022 AGM will be held at 17th Floor, Leighton, 77 Leighton Road, Causeway Bay, Hong Kong on Tuesday, 24 May 2022 at 10:00 a.m..

11. SHAREHOLDERS' RIGHTS

11.1 Convening an Extraordinary General Meeting by the Shareholders

In accordance with Article 58 of the Articles of Association, an extraordinary general meeting can be convened on the requisition of any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

11.2 Procedures for Making Proposals at General Meetings and Putting forward Enquiries to the Board

There are no provisions in the Articles of Association or the Cayman Companies Act for the Shareholders to move new resolutions at general meetings. The Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

Apart from participating in the Company's general meetings, the Shareholders may send their specific enquiries requiring the Board's attention to the Company Secretary. Other general enquiries can be directed through the Company's Investor Relations contacts.

Address:	Vincent Medical Holdings Limited Units 1604-07A, 16/F., Two Harbourfront, 22 Tak Fung Street, Hung Hom, Kowloon, Hong Kong. (For the attention to the Company Secretary)
Telephone:	(852) 2155 2998
Fax:	(852) 2155 8298
Email:	investors@vincentmedical.com

For the avoidance of doubt, the Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

12. ARTICLES OF ASSOCIATION

During the Year, the Company has not made any amendment to its Articles of Association. An up-to-date version of the Articles of Association is available on the website of the Company and the Stock Exchange, respectively.

ABOUT THE REPORT

The Group adheres determinedly to the fundamental values of providing innovative, quality and reliable medical devices. The Group longs for the pursuit of sustainability, continuously incorporating environmental and social initiatives in our business. In view of the importance of corporate environmental and social responsibilities, the Board is pleased to launch its sixth Environmental, Social and Governance Report (the "**Report**"), which aims to describe our commitments, practices and performance in all aspects of ESG for the year ended 31 December 2021 (the "**reporting period**"), in response to stakeholders' expectations and sustainable development of the Group.

REPORTING SCOPE

The relevant environmental key performance indicators ("**KPI(s)**") mainly cover the manufacture of medical devices in all operating sites in Dongguan, Shenzhen and Japan as well as the head office in Hong Kong, on the ground that these areas are financially significant and operationally important to the Group and its stakeholders.

In light of the worsening business prospects and financial performance of GZ Hypnus, the Group disposed all of its effective interests in GZ Hypnus during the reporting period and Guangzhou was no longer considered as one of the reporting scopes.

By business nature, the production lines in Dongguan are mainly for the medical devices focusing on respiratory care, imaging contrast media power injector disposables, and orthopaedic and rehabilitation products for the customers in the OEM segment, and our own "Inspired Medical" and "inspired™" brands of respiratory devices and disposables and orthopaedic and rehabilitation products (also under "Hand of Hope" and "Hypnus™" brands) in the OBM segment.

REPORTING PRINCIPLE

The Report complies with the requirements as set out in the "Environmental, Social and Governance Reporting Guide" (the "**Guide**") in Appendix 27 of the Listing Rules issued by the Stock Exchange. The Company has complied with all "comply or explain" provisions as set out in the Guide and followed the below reporting principles in the preparation of the Report: materiality, quantitative, balance and consistency. In addition, the Report tries to meet the aspects, general disclosures and KPIs of the new Guide issued in 2021.

Materiality: In order to better understand and identify the most material ESG-related issues to the Group from the stakeholders' perspectives, the Group communicates with them on a regular basis. Details are explained in the sections headed "Stakeholders Engagement and Materiality Assessment" in this Report. Meanwhile, the Group concerns ESG development outside and within the industry, fulfilling local standards as well as incorporating it into the strategic development plan of the Group.

Quantitative: Appendix 27 of the Listing Rules guides the Group to prepare measurable KPIs to review its performance. Quantitative information presented in the Report is accompanied by narrative, explanation and comparison analysis wherever applicable. The frequency of publication is once a year per reporting period.

Balance: The Group upholds this reporting principle to compile the Report, unbiasedly disclose the ESG performance in the reporting period with the support of pictures, charts and presentation formats whenever appropriate so as to avoid misleading and influence readers to make decisions or judgments.

Consistency: The Group adopts consistent methodologies and retrieves the ESG performance from the Group's internal record system. The Group is also with reference to Appendix 2: Reporting Guidance on Environmental KPIs as well as Appendix 3: Reporting Guidance on Social KPIs as set out in "How to prepare an ESG Report" issued by the Stock Exchange to collect, calculate and present so as to make meaningful comparisons over the years.

BOARD STATEMENT

The Board acknowledges its responsibility for ensuring the integrity of the Report and to the best of their knowledge, the Report addresses all relevant material issues and fairly presents the ESG performance of the Company. The Report was reviewed and approved by the Board on 23 March 2022.

The Board believes that an effective governance structure of ESG matters is fundamental to ESG performance and reporting and can enhance the corporate brand image, promote the sustainable development of the Group's business and improve the competitiveness of the Group. The Group has established the ESG Committee with its written terms of reference, which aims to assist and advise the Board in managing ESG matters such as identifying ESG risks and opportunities, formulating ESG strategy and visions, overseeing ESG issues as well as its performance in the Group. The Group continued to maintain a high standard in ESG during the reporting period. We strictly operated in accordance with laws and regulations, improved the governance structure in accordance with the current Company status, and clarified the scope of duties and working procedures. The ESG Committee directly reports to the Board. It comprises such number of members as the Board may determine, provided at least one executive Director, Chief Financial Officer and Company Secretary of the Group. A working group was also set up for exercising ESG plan and collecting data regularly for the review of the ESG performance of the Group. The working group reports to the ESG Committee from time to time. Based on the data provided by the working group, the ESG Committee will formulate the working reports for presentation to the Board on a quarterly basis.

The risk management of ESG-related issues is critical to the Board. In order to promote the comprehensive risk management within the Group, through the Board's extensive understanding of the business and the communication with different stakeholders, we have made a basic assessment of relevant ESG risks and incorporated the relevant risks into the risk management and internal control system.

The Board believes that our focus on product quality, protection of intellectual properties and occupational health and safety is particularly beneficial to the Group's achievement of its goal of establishing an excellent corporate image. Therefore, the Group regularly evaluates our quality assurance metrics and occupational safety statistics based on predetermined targets. These goals and evaluations are effective indicators that reflect efficiency and control.

The COVID-19 pandemic remains a critical challenge to the world in 2021. The Board directed a clear message to all levels of staff to ensure the resilience of the Group's supply chain and maintain continuous business development. The Group has also maintained close communication with the suppliers to identify potential physical and transitional risks along the supply chain. Alternative suppliers are standing by at all time to safeguard critical supply. The Group continues to adopt a series of COVID-19 safety measures and social distancing policy.

We are with great pleasure and pride in offering respiratory devices and disposables with approvals to alleviate COVID-19 symptoms. The Group understands the needs of the community and therefore provided sponsored medical devices to the infected and the hospitals to confront COVID-19.

During the reporting period, there was no environmental non-compliance resulting in fines or prosecution. For continuous improvement purposes, the Group will continue to seek ways to develop our business in a more efficient and environmentally friendly manner.

Despite the overwhelming support from the market, we acknowledge that we should not be complacent and should continue to strive for development and perfections. The uncertainty of the pandemic is still looming, a diligent and prudent operation practice is the answer to an uncertain situation. We will continue to uphold our visions to build an inclusive and sustainable society to support the sick.

STAKEHOLDERS ENGAGEMENT AND MATERIALITY ASSESSMENT

Stakeholders' opinions are the solid foundation for the Group's sustainable development and success. The stakeholders engagement helps the Group to develop a business strategy that meets the needs and expectations of stakeholders, enhances the ability to identify risk and strengthens important relationships. The Group communicates with its stakeholders through various channels on a regular basis, shown as below.

	Stakeholders	Communication Channels	
External	**Government and regulatory agencies**	• Annual reports, interim reports and other public information	• Notices and circulars • Newsletters and releases
External	**Shareholders and investors**	• Disclosure of corporate information in the websites of the Company and the Stock Exchange • Annual reports, interim reports and other public information	• Annual general meetings and other general meetings of shareholders • Press releases/ announcements • Regular dialogue with institutional investors
External	**Customers**	• Emails and faxes • Customer satisfaction survey • Customer service hotline	• Regular meetings • Representative offices • Exhibitions
External	**Suppliers**	• Hotlines/emails • Onsite visits	• Annual performance review • Meetings
Internal	**Employees**	• Regular trainings • Regular meetings • Internal circulars (notices and intranet)	• Emails/opinions collection boxes • Performance evaluation

"Materiality" is one of the keystone reporting principles for preparing a quality ESG report. In the Guide, materiality is defined as the threshold at which ESG issues are determined by the board to be sufficiently important to investors and other stakeholders that they should be disclosed. In preparing the Report, we directly engaged with the appropriate stakeholder categories as part of the materiality assessment process to identify and prioritise the issues to be covered in the Report that have significant impacts on the business and stakeholders.

Stage 1 – Identification

We compiled a list of ESG issues and grouped into four reporting aspects: Environment, Employment and Labour Practices, Operating Practices and Community.

Stage 2 – Prioritisation

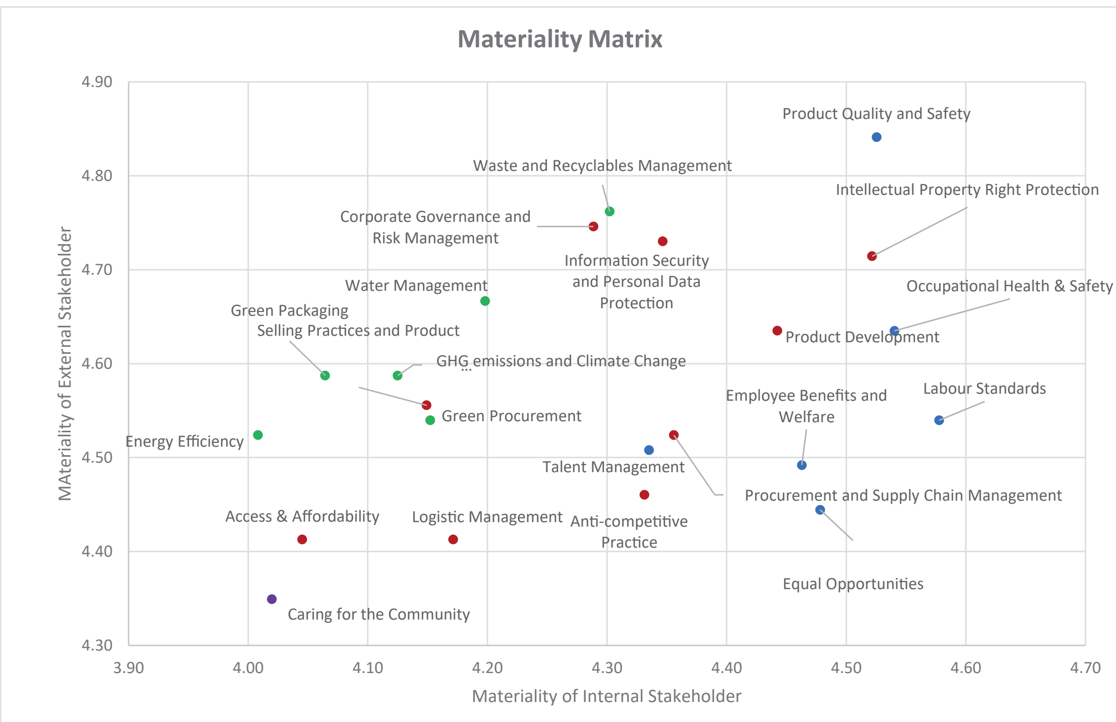
An online stakeholders engagement survey was conducted in September 2021. External stakeholders such as investors, customers and suppliers, as well as internal stakeholder – employees were invited to participate in the survey and to rate the importance of each ESG issue from the perspective of each stakeholder category and the Group using a scale of 1 to 5.

The importance of each reporting aspect was then determined by compiling the degrees of importance given from all the participants. The importance grade from each stakeholder category was the average among all respondents within that stakeholder category. The overall importance grade across multiple stakeholder categories was then the average of each categorical importance grade. The materiality matrix was developed based on the scores of the survey and prioritised a list of ESG issues.

Stage 3 Validation

Management reviewed the materiality matrix and identified the five most pertinent ESG issues according to the score from the perspective of each stakeholder category and the Group.

The materiality matrix below was prepared to clearly illustrate the result by placing each aspect with regard to its importance grade (from 1 to 5) to the internal stakeholder of the Group and to all other external stakeholders.



Based on the materiality matrix, we believe the five most pertinent ESG issues include the following:

- Product Quality and Safety
- Intellectual Property Right Protection
- Occupational Health and Safety
- Product Development
- Labour Standards

All ESG aspects were above the materiality threshold of 3.0 and thus assessed to be material enough to be disclosed in the Report. Also, the table below summarises the most important ESG issues expressed by the respective stakeholder categories:

Stakeholder Categories	Most Material Issues
Shareholders and investors	Intellectual Property Right Protection Employee Benefits and Welfare
Customers	Product Quality and Safety Labour Standards
Suppliers	Product Quality and Safety Occupational Health and Safety
Employees	Product Quality and Safety Waste and Recyclables Management

In response to the expectations of relevant stakeholders, the corresponding sections of the Report have disclosed the policies and measures the Group has implemented.

ENVIRONMENT

The Group attaches great importance to mitigating environmental threats and impacts caused directly or indirectly by the business through vigilant assessment and monitoring. The Group is continuously making positive gains through internal self-control, innovative technology and alignment with global standards and certifications. The Group is classified as a low emission industry by the Dongguan Tangxia Environmental Protection Department (東莞塘廈環保分局) and has upheld the principle of sustainability in operation.

Emissions

The primary greenhouse gases ("**GHG**") emissions of the Group are generated from purchased electricity and fossil fuels consumed by company vehicles. During the reporting period, the GHG emissions are listed in the following table:

Indicator (Note1)	Units	Total emissions 2021	2020	Change
Total GHG emission (Scope 1, 2 and 3)	CO_2e tonnes	**12,855**	14,471	–11.2%
Scope 1 (Note 2)	CO_2e tonnes	**41**	23	+78.3%
Scope 2 (Note 3)	CO_2e tonnes	**12,806**	14,442	–11.3%
Scope 3 (Note 4)	CO_2e tonnes	**8**	6	+33.3%
Intensity of total GHG emission	CO_2e tonnes/m^2	**0.36**	0.42	–14.3%
Air pollutants (Note 5)				
Nitrogen Oxides (NO_x)	kg	**30.85**	24.16	+27.7%
Sulphur Oxides (SO_x)	kg	**0.26**	0.15	+73.3%
Particulate Matter (PM)	kg	**2.68**	2.16	+24.1%

Notes:

1. The GHG emissions are presented in terms of carbon dioxide equivalent which refer to the latest released emission factors by the National Development and Reform Commission (NDRC).

2. Scope 1 refers to the emissions directly from business operations owned or controlled by the Group. The related emissions during the reporting period was primarily from vehicles that are owned by the Group.

3. Scope 2 refers to the indirect emissions resulting from the generation of purchased electricity consumed within the Group.

4. Scope 3 refers to the indirect emissions from business travel by employees.

5. Air emissions are calculated with reference to Appendix 2: Reporting Guidance on Environmental KPIs, published by the Stock Exchange.

6. Please also refer to the below section "Use of Resources" for information on energy-saving measures that also help mitigate GHG emission.

The total GHG emission in the reporting period was decreased by 11.2% which is mainly due to the reduction of electricity consumption resulted from the decrease of production orders in 2021 as compared with 2020. The increases in Scope 1 GHG emission and in air pollutants such as NOx, SOx and PM were mainly due to higher vehicular activities. The increase in Scope 3 GHG emission was due to the resumption of air travel in the reporting period.

Because of the business nature, the Group does not emit a significant amount of exhaust gas from its operation. The main source of exhaust gas emitted would be mobile vehicles. They emit some amount of NOx, SOx and PM. The Group strives to control the emissions, such as to regularly conduct proper engine repair and maintenance, and promote eco-driving habits. The Group will also consider adopting cleaner alternatives to diesel vehicles, as well as installing after-treatment devices that reduce pollutants where feasible.

Waste Management

The business of the Group entails the use of natural resources. The Group has established a waste reduction pathway with a long-term perspective as a directional target. The Group, therefore, actively encourages employees to reduce waste at source. To exemplify, the Group has implemented an Office Automation (OA) System and the SAP system; set duplex-printing as default and communicated with employees via electronic means to minimise paper usage and its subsequent disposal.

During the reporting period, the amount of hazardous waste decreased by 66.1% due to the fact that the figure in 2020 accounted for the hazardous waste generated and accumulated in 2019 and 2020. The reduction in non-hazardous waste of 23.4% was mainly due to a decreased number of employees which in turn led to the decrease of domestic waste generated in office and household.

Indicator	Units	Total disposal 2021	2020	Change
Clinical waste (Note 1)	Tonnes	**0.084**	0.061	+37.7%
Other hazardous waste (Note 2)	Tonnes	**1.00**	2.95	–66.1%
Intensity of hazardous waste (per building area)	kg/m^2	**0.03**	0.09	–66.7%
Non-hazardous waste (Note 3)	Tonnes	**180**	235	–23.4%
Intensity of non-hazardous (per building area)	kg/m^2	**5.01**	6.90	–27.4%

Notes:

1. Clinical wastes include the Limulus Amoebocyte Lysate (LAL) and their test kit.

2. Other hazardous waste includes chemicals waste such as acetone, silicone oil, mercury and etc.

3. Non-hazardous waste represents domestic waste generated in office and household.

The Group also strictly follows the applicable guidelines and regulations to handle, manage and discharge hazardous and non-hazardous waste. This allows us to ensure that such wastes are managed and handled in a responsible way to limit harmful exposure to both people and the environment. Should an accident still occur, the Group has a comprehensive emergency procedure protocol to contain and limit any damage. For non-hazardous waste, the Group implements 3Rs (i.e. recycle, reuse and reduce) policy into daily operations. For hazardous waste that was not suitable for reuse or recycle (such as thinner, waste oil, waste compact fluorescent lamps, exhausted cartridges, and toners), are separately collected and handled by the licensed contractors and followed the National Hazardous Waste List. Before contractors' collection of the waste, the Group stores hazardous waste properly in designated containers with covers which are placed in designated areas to avoid leakage and misuse. To ensure the competence of our waste contractors to handle hazardous waste, the Group requires our hazardous waste contractors to possess the Hazardous Waste Operation Permit and the Road Transportation Operation Permit issued by the local authorities.

Non-Hazardous Waste

180 Tonnes

Compared to 2020

-23.4%

Hazardous Waste

1.08 Tonnes

Compared to 2020

-64.0%

Use of Resources

Energy Consumption

Although it is inevitable to consume energy in daily operation, the Group takes energy saving as a long-term objective and strives to decrease energy consumption. The Group has established an energy consumption reduction pathway with a long-term perspective as a directional target. For this vision, the Group has taken the following actions to lower energy consumption.

- Establishment of an energy management centre to analyse and monitor energy usage regularly;
- Installation of a solar-powered water heating system in office and dormitory;
- Replacement of conventional lightings with Light Emitting Diode (LED) lights or T5 fluorescent tube;
- Purchase of two environmental-friendly electric forklifts;
- Limiting unnecessary use of company vehicles;
- Turning off lighting, personal computer, air-conditioners and other electronic equipment when not in use;
- Switching off idling engines;
- Using video conferencing or phone calls for meeting;
- Maintaining indoor room temperature at 24 to 26 degrees Celsius at the office;
- Placing energy-saving reminders at pantry, office and dormitory; and
- Turning off the electricity supply to appliances to reduce their standby power consumption.

		Total emissions		
Indicator	Units	2021	2020	Change
Total energy consumption (including solar energy generated)	kWh	**15,308,661**	17,264,022	–11.3%
Intensity of total energy use (per building area)	kWh/m²	**427**	503	–15.1%
Total electricity purchased	kWh	**15,305,061**	17,260,422	–11.3%
Total solar energy generated	kWh	**3,600**	3,600	0%
Diesel oil consumption	Litres	**3,975**	2,662	49.3%
Unleaded petrol consumption	Litres	**13,352**	7,167	86.3%

During the reporting period, the total number of production orders was decreased resulting a reduction in the total energy consumption. The amount of diesel oil consumed by company trucks and the amount of unleaded petrol consumed by staff shuttle buses was increased due to higher vehicular activities in the reporting period.

Electricity
15,308,661 kWh
Compared to 2020
-11.3%

Unleaded Petrol
13,352 Litres
Compared to 2020
+86.3%

Diesel Oil
3,975 Litres
Compared to 2020
+49.3%

Water Consumption

Production of medical devices does not consume a material amount of water. Water consumption of the Group is mainly from office and household use. The Group had no difficulty in sourcing water that is fit for purpose in the reporting period. Nonetheless, the Group is devoted to reducing the use of water and has established a water consumption reduction pathway with a long-term perspective as a directional target. The Group has installed water flow controllers and water-efficient taps to reduce water consumption. Moreover, reminders have been placed at pantries and toilets to remind employees to save water.

		Total emissions		
Indicator	**Units**	**2021**	**2020**	**Change**
Total water consumption	m^3	**162,807**	176,504	–7.8%
Water consumption Intensity (per building area)	Litres/m^2	**4.54**	5.14	–11.7%

The total water consumption in the reporting period was decreased due to the decrease of staff employed and hence lower office and household use of water.

On top of water consumption, the handling of wastewater is also a concern in the operation of the Group. The Group has installed a system to segregate rainwater and sewage. The Group properly treats all wastewater and manages the treatment plant in accordance with the local regulations namely "Guangdong Local Standards – Emission Limits of Water Pollutants DB44/26-2001" (廣東省地方標準-水污染物排放限值DB44/26-2001). Correspondingly, the Group conducts regular monitoring and inspections to ensure that the wastewater discharge is within the discharge caps set out by the local authority. If applicable, the Group takes corrective and preventative actions in response to abnormal situations.

Packaging Materials Management

Proper packaging is essential in keeping products in good quality without damage. The Group mainly uses paper boxes and plastics in the delivery and transportation process. In the reporting period, the lower production volume of our products resulted in less packaging materials consumed, including paper, plastics and carton boxes for a total of 925 tonnes. The intensity of the total packaging material per production volume was 0.000013 tonnes/production volume.

Category of packaging materials	Unit	2021	2020	Change
Carton boxes	Tonnes	**807**	1,129	–28.5%
Plastic	Tonnes	**110**	224	–50.9%
Paper	Tonnes	**8**	8	0%
Total	Tonnes	**925**	1,361	–32.0%
Intensity of total packaging materials (per production volume)	Tonnes/production volume	**0.000013**	0.000018	–27.7%

The Group reuses all the packaging materials whenever possible. We gathered a series of recyclable and recycled materials of paper and packaging materials. In the production lines, when the materials cannot be further reused, they will be separated into different categories for disposal.

The Environment and Natural Resources

The objective of the environment and natural resources management in the Group is to promote sustainable use, management of natural resources and promote adaptation to climate change. We will evaluate the impact of environmental risks, in which it is based on the possibilities of the events and the degree of seriousness. The local legal requirements, potential damage to human, financial loss, disruption of operations and reputations are used to determine the degree of seriousness. We commit to reduce the environmental impacts from manufacturing process and daily operation.

Environmental Education

The Group relies on the employees' support for environmental protection. We input resources in employee education to encourage our colleague (especially the newcomers) understanding more the Group's environmental policies towards water, energy and waste, and performances on protecting the environment. It not only builds up employee knowledge on the environmental standards, but also let them display a positive and respectful attitude on reducing pollutant impacts in the community. Regular environmental trainings and activities were organised to employees during the reporting period so as to refresh and reinforce their awareness. Thanks to our awareness, there was no incident with significant impacts on the environment and natural resources in the reporting period.

Sustainable Material

The utilization of sustainable material is becoming more and more popular in the market. The Group is proactively reduce the use of raw materials in terms of product design, modification and presentation, in which it is not only to reduce the material waste but also can save the overall material costs. We are planning to get rid of plastics packaging in phases because plastic has a detrimental effect on the environment and encourage to use the latest promoted sustainable materials to substitute the current choice of less environmentally friendly material. The alternative being adopted is the use of fabrics.

Climate Change

The Group has established contingent plans to deal with extreme weather. The Group would rearrange manpower, take precautionary measures to ensure staff safety in the event of adverse weather conditions such as typhoon, rainstorm and heatwave. In order to avoid any physical damage to property, the Group would also refer to the guidance of local authority and implement corresponding measures.

SOCIAL

Employment and Labour Standards

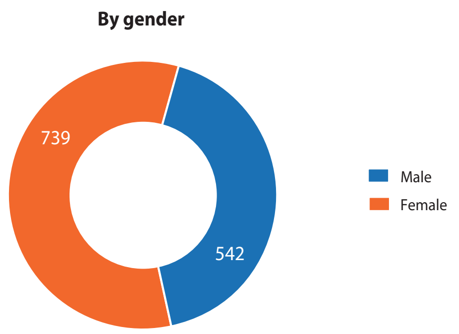
Employment Policy

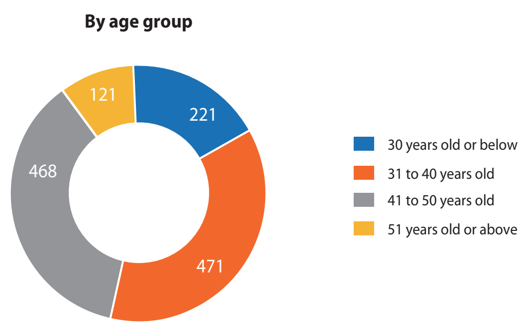
Employees countless contributions are the key to the Group's continuous success in business, so the Group is eager to build and maintain a harmonious, fair and safe working environment to them and endlessly strive to enhance corporate social responsibility. We have developed a comprehensive human resource management system to set out our management approach on compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

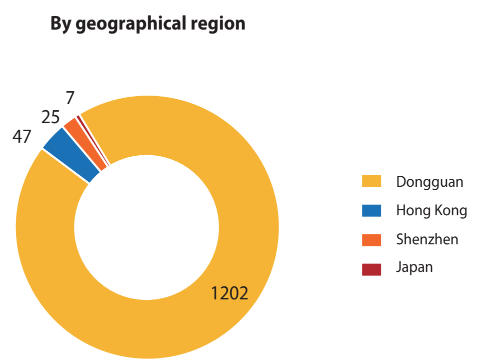
Employee Profile

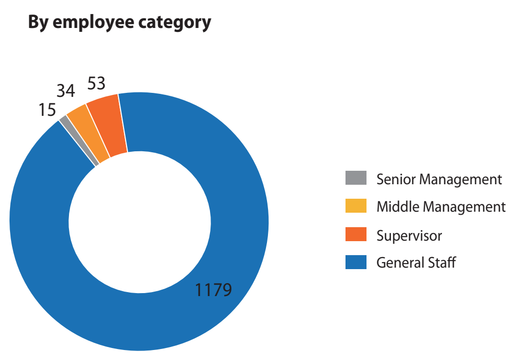
As of the end of the reporting period, the Group had a total of 1,281 employees which are all full-time staff, in which general staff (including supervisor) accounted for around 96% (1,232) and the remainders were management staff.

For the distribution of employees as at the end of the reporting period based on gender, age, geographical region and employee category, please refer to the below charts.





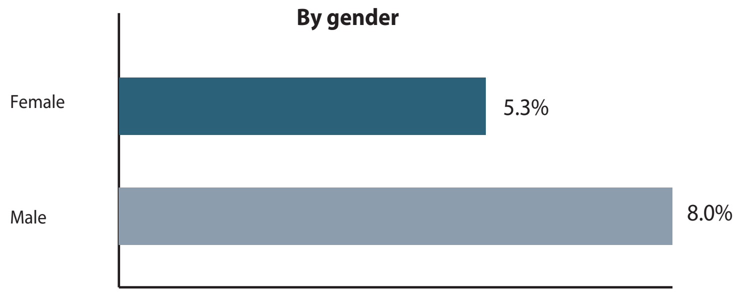


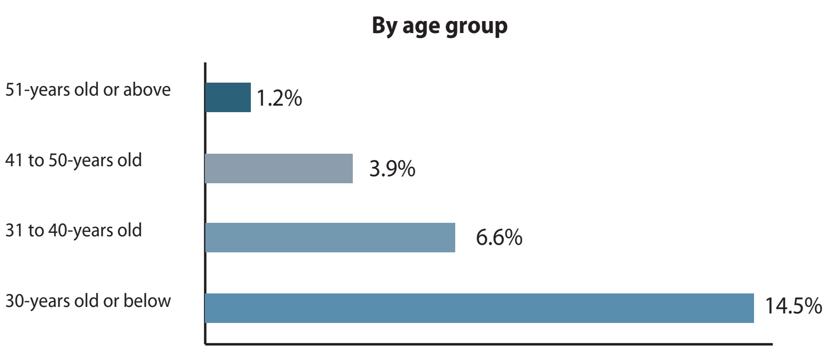


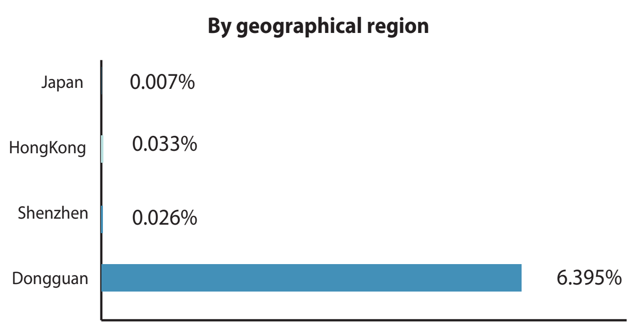
Employee Turnover Rate

Because of the Group's conscientious efforts on improving the remunerable package, the employees' turnover rate was stable. In the reporting period, the average turnover rate was 6.5%. The Group interviewed each individual to understand their reasons for resigning and address their opinions whenever applicable.

For the average turnover rate based on gender, age and geographical region in the reporting period, please refer to the below charts:







Remuneration and Compensation

Employees are our backbone and we strive to attract, train and retain qualified, enthusiastic and committed employees. The Group respects the right of employees to receive fair remuneration, which linked to the performance of the employees and profitability of the Group. The Group benchmark employees' salary against industry norms and standards to maintain a competitive remuneration package to recruit talented employees.

Recruitment and Dismissal

According to the relevant labour law in different jurisdictions, the Group has formulated fair and equal employment and recruitment procedures to hire and promote employees. The Group appreciates the cultural diversity in the workplace, and as a result, our recruitment is based on candidates' experiences, education backgrounds, abilities and business needs, regardless of race, gender, age, marital status, pregnancy, family status, sexual orientation, religion and nationality.

No children are allowed to work in the Group. Identity check is a must in the recruitment process. The Group will ensure that no child labour in the Group through annual child labour review and day-to-day management. Employment will be terminated immediately when there is child labour. If necessary, the Group will seek assistance from relevant institutions. Furthermore, all illegal means such as retention of identity cards or passports, intimidation, coercion, and undue pressure are strictly prohibited. In the reporting period, the Group was in compliance with relevant laws and regulations relating to preventing child and forced labour, and as such no rectification was required.

The dismissal of an employee has strictly followed local laws and regulations. Forcing an employee to resign by coercion or other illegal means is strictly prohibited.

Promotion

All talented employees have the potential to be promoted based on their capabilities and performance, and obtained relevant training to meet business needs and personal career development. The Group adopts a semi-annual/an annual appraisal so to review employees' performance and discuss their needs and expectations to meet the business growth of the Group. Plus, the Group makes use of this opportunity to identify outstanding performers and offers them the best suit of a job to retain talents. Existing employees are in priority in the list when filling job vacancies if applicable.

Working Hours and Rest Periods

The Group also totally believes in the importance of work-life balance as it links to productivity and well-being. Consequently, the Group has always been meticulous about the production schedule to avoid overtime work and also reviews the workflow in the matter of overtime work needed. We also employ a multi-shift system in our production line to ensure employees have adequate time to rest. All employees are entitled to public or statutory holidays each year, as well as reasonable working hours and rest periods. In addition to those holidays, employees are entitled to annual leave, sick leave, compensation leave, maternity/paternity leave, marriage leave, compassionate leave, etc.

Benefits and Welfares

The Group contributes to “Five Social Insurances and One Housing Fund” for employees in the PRC. Likewise, the Group offers the Mandatory Provident Fund (MPF) scheme to employees in Hong Kong and the retirement allowance to employees in Japan as required by the local regulations. With an aim to better understand the employees’ opinion, a labour union was formed whereby all employees are welcome to join. They can also share their ideas through monthly meetings with the Group’s representatives, emails, hotlines, or WeChat.

In addition, the Group also provides welfares to the employees. For instance, distributing gifts, food or beverages during the festivals like the Mid-Autumn Festival and Lunar New Year. The Group plants greenery in the operating site of the Group in Dongguan in an eco-friendly manner and provides recreational facilities.

The Group has established an employees’ welfare fund on 1 January 2021. The fund aims to further promote the corporate culture and strengthen the cohesion of employees, and at the same time, fulfil the Group’s corporate social responsibilities. Through the employees’ welfare fund, employees can get better help when they encounter difficulties in work and life, and can experience a supportive working environment. The fund provides a wide variety of support to all current employees who have passed the probationary period, including medical aid, disability assistance, wedding gifts, consolation payment for bereavement, and various employee recreational activities.

Employee Engagement and Team Building

We want our employees to feel like they are part of our family. We encourage team building across the entire organisation to help create a sense of cohesion and belongings. We organise sports events, competitions, staff birthday trips and festival evening events. Employees in the PRC also have free access to basketball courts, badminton courts, table tennis and library.

Badminton Competition

Mooncake Making Activity

Compliance information for relevant laws and regulations

Our business operations must comply with certain labour-related laws and regulations in the PRC, Hong Kong and Japan, including but not limited to:

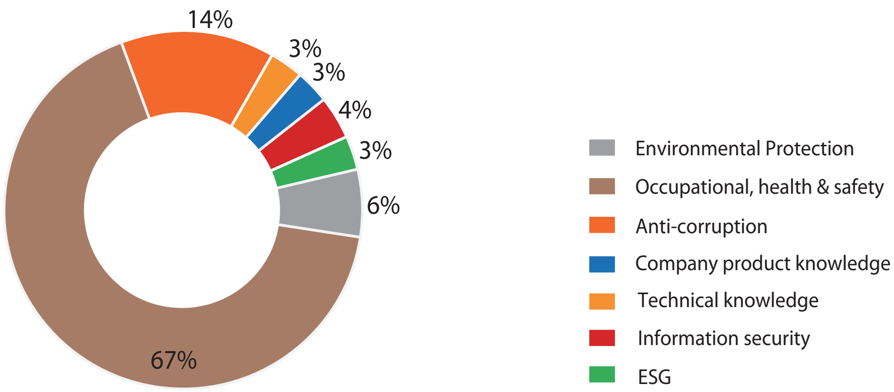
- Employment Ordinance (Chapter 57 of the Laws of Hong Kong)
- Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)
- Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)
- Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)
- Labour Contract Law of the PRC (中華人民共和國勞動合同法)
- Social Insurance Law of the PRC (中華人民共和國社會保險法)
- Administrative Regulations on Housing Provident Funds (住房公積金管理條例)
- Labor Standards Act of Japan

During the reporting period, there was no case of non-compliance regarding compensation and dismissal, recruitment and promotion, equal opportunities, diversity, and discrimination.

Training and Development

The Group believes the quality and skills of our employees are critical for our business and operations. The Group actively encourages its employees to attend training to equip themselves for the changes and challenges in the market. Human resources department stipulates a training schedule to employees. Training topics not only cover technical know-how, but also include laws and compliances, product safety and business ethics. In the reporting period, there were 31,931 training hours offered to all employees as shown on below chart:

Total ESG-related training hours by training topics



Employees participated in training during the Year

With an aim to increase convenience and flexibility in response to the pandemic, the Group has provided more online trainings to employees. In the reporting period, each employee received an average of 25 training hours. The training rates and average training hours based on employee category and gender are shown below:

	Percentage of employees trained
By gender	
Male	42%
Female	58%
By employee category	
Senior management	1%
Middle Management	3%
Supervisor	4%
General Staff	92%
Total	100%

	Average training hours completed
By gender	
Male	24
Female	26
By employee category	
Senior management	16
Middle Management	26
Supervisor	27
General Staff	25
All employees	25

Occupational Health and Safety

Employees are an essential part of the Group. Employees' health and safety are one of the Group's core values. The Group strives to create a safe and healthy work environment to the employees. In view of the need to mitigate potential hazards and dangers at the workplace, a safety committee, comprising safety managers from different business units, was established. The committee is responsible for establishing safety strategies and procedures as well as identifying any potential risks in the workplace.

In the reporting period, anti-infection prevention measures remain the utmost concerns of the Group. Our human resources team has monitored the situation closely and has taken necessary actions to safeguard the well-being of our staff. To minimise cross-contaminations, the Group has also limited personnel movement across areas and enforced social distancing policy. All unnecessary visits and travels were strongly prohibited, and ribonucleic acid (RNA) test was required for employees who visited high risk regions. Employees must pass the temperature checks and obey mask-on policy. Individual partitions were installed in canteens. In addition, work-from-home policy for administrative and managerial employees may come into effect depending on the circumstance. The Group reduced the number of face-to-face meeting, social events, non-essential travel to location with ongoing COVID-19 outbreaks. Alternatively, the Group encourages their employees to use video conferencing platform, social medium tools and electronic communication tools to keep internal and external communications. Moreover, more frequent cleaning and disinfection schedules were in place. Additional cleanings and disinfections were arranged upon request. The Group also reminded employees to keep good personal hygiene and to be aware of any COVID-19 symptoms.

Suitable and adequate personal protective equipment (PPE), medical check-up, regular safety checks and machinery inspections as well as fire drills were conducted. With all these supports, the Group ensures the employees are both physically fit and well equipped for their work. For those who are unable to pass health checks, they will be suspended from their existing position or arranged to another less physical-intensive job duty.

The Group encouraged the employees to actively receive COVID-19 vaccination. The significance of vaccination is self-protection and the protection of the people around by preventing transmission of the virus. As an important step in managing the epidemic, receiving vaccination is important for oneself and others and help resume the economy and normal life in a gradual and orderly manner.

Placing warning signs at the prominent area to raise awareness is another way to minimise the possibility of injury. More importantly, the Group understands education and training are effective ways of preventing accidents. Hence, all newcomers must attend safety training such as emergency handling, cardiopulmonary resuscitation (CPR) training, and disease prevention trainings. These measures aimed to ensure all employees are fully aware of the working procedures and the corresponding safety and health measures.

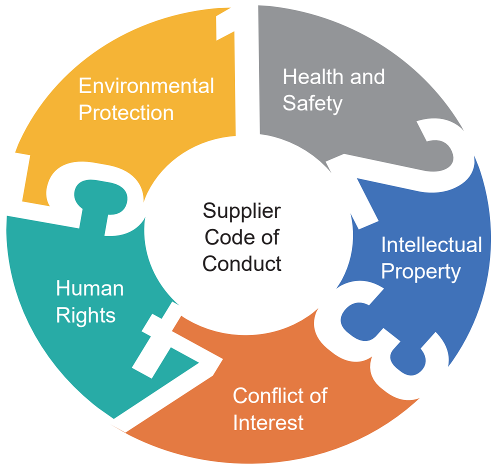
There were no work-related fatalities in the Group in the past three years. While the Group had minor injuries occurred in the operating sites during the reporting period of which a total of 113 days (2020: 229 days) were lost due to such events. The significant decrease in the total lost days was due to the improved safety awareness. The Group provided prompt and appropriate assistance to the injured employees, and the Group also carried out an intensive investigation to examine the root cause of accidents.

Operating Practices

Supply Chain Management

Trust, cooperation, honesty, and mutual respect are the cornerstone of the Group's operation. The Group believes the sincere and honest attitude can bring positive influence throughout the supply chain. Building a stable long-term relationship with the suppliers and contractors can be beneficial to the Group to achieve its goals. To keep us in line with the same working principles and values, the Supplier Corporate Social Responsibility Code of Conduct, including five primary social responsibilities (refer to the chart on the right), was disseminated to the suppliers and contractors. All of our suppliers and contractors are governed by this Supplier Code of Conduct.

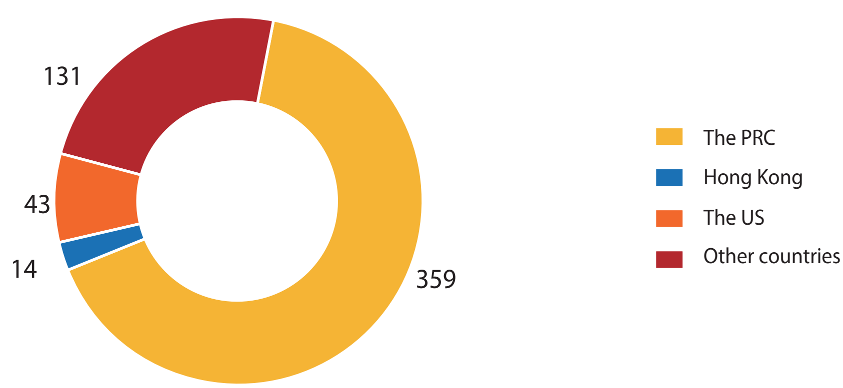
Five Elements of Suppliers Code of Conduct



The Group has established a detailed supply chain management procedure to guide employees of operating practices. The Group has stipulated policies such as Evaluation & Approval of Supplier Procedure, and Incoming Inspection to manage the supply chain. The Group sources materials and services globally. In the selection process, price is not the only selection criterion, quality and on-time delivery are also key performance indicators. For the services suppliers, the Group also examines the suppliers' ability to handle abnormality. Priority is given to the suppliers with quality management system certification. Prior to decision making, a supplier evaluation team with quality and engineering department will conduct an onsite audit to assess the potential suppliers' quality standards, achievements on environmental protection and social responsibilities. Suppliers are required to submit quality management system certificates, certification document for qualified products for verification when necessary. Qualified suppliers are registered in "Approved Vendor List" once approved by the department manager. Suppliers go through a yearly evaluation to make sure that their performance fulfils tender requirements. For those who failed, they will be removed from the vendor list.

The Group strongly believes that the quality of all of our medical products have a significant impact on patients' safety and experience. The Group must fully comply with the quality control requirements. The Group continues to develop series of alternative resources for critical components, for example, GSL ink, drip chamber, data cable, chemical and non-woven fabric, etc. to safeguard the stability of supply chain. Moreover, the Group relies on local suppliers and diversifies suppliers from other countries such as Sweden, Netherlands and Israel for irreplaceable materials.

Distribution of suppliers by geographical region (as at 31 December 2021)



Furthermore, the Group promotes environmentally preferable products and services when selecting suppliers. As a result, choosing environmentally conscious suppliers and contractors are of great importance to the Group. The Group has already implemented a cost down plan so to minimise packaging material usage by cutting or redesigning the packaging, and at the same time monitor overall consumption of packaging material. The Group also purchases packaging materials on-demand, minimising the total amount of materials consumed.

Product Responsibility

Quality Assurance

Defective products can pose irreversible and detrimental consequences to patients. Thus, the Group takes particularly good care of product quality. Not only does the Group fully complies with the related laws and regulations, but has also successfully attained Certifications on ISO 13485 Medical Device Quality Management System. The Group regularly reviews processes to strive for improvement, strengthen the risk management framework and quality control system. At last, this enables the Group to adopt a proactive and structural approach to risk management from the conceptual stage to after-sales services.

In view of the implication of quality assurance of the medical devices, the Group has to be meticulous in raw materials selection, manufacturing and exporting. Quality System Procedure is adopted to guide employees to properly perform quality assurance. All suppliers are required to provide testing reports and certificates to prove the quality and harmlessness of the products. The quality control department is responsible for verifying and validating different types of purchased materials in accordance with the “Incoming Inspection Procedure or Monitoring” and “Measuring for Product Procedure”. Also, the quality control department conducts random checks in the whole production chain. All validating reports are well-documented and filed.

Particularly, some of the products must be manufactured under a high sanitary environment. The Group maintains a standard level of hygiene and strives to control any destabilising factors. As such, the Group is equipped with specialised production facilities. Employees must strictly follow the Production Environmental Control Procedure to ensure the cleanliness and environment control of the operating sites. They are classified as four classes according to the “Cleanroom Contamination Control”. Temperature, humidity, pressure and ventilation of each cleanroom are under close monitoring. All cleanroom follows the NMPA and ISO 14644 standard requirement.

Medical devices such as the heated humidifier and heated humidifier respiratory unit were granted an Emergency Use Authorisation from the FDA of the US. Hence, the increased demand and production leaded us to pay extra attention on product quality.

As the new European Union regulation for the medical device industry (EU MDR) has been put into force, the Group is committed to devote additional resources to enhance its quality management system so as to strengthen the registration capabilities and to meet the most stringent quality standards of medical products. As per the commitment, the class I products has finished the MDR transition in 2021, and the class IIa and class IIb products are in the MDR transition progress.

Product Recall and Complaint Handling

Customer feedback is the engine of continuous improvement of the business for the Group. The Group has stipulated a procedure to standardise the handling of customer complaint. In 2021, the Group manufactured more than 73 million of products. The Group is pleased to note that there was no significant product recalls and reportable events on safety or malfunction of devices issues during the reporting period.

In the reporting period, there were 192 complaints (such number of cases is quite minimal as compared with the total number of production orders) and 185 of the complaints have already been addressed according to internal complaint handling procedures. The Group will continue to work diligently to deal with the complaints. The Group believes that showing respect for customers' opinions are beneficial to business growth. Consequently, every enquiry is addressed in a timely manner and is recorded in detail in accordance with the prescribed procedures. An investigation is carried out immediately to come up with improvements and suggestions in response to the stated issue.

Intellectual Property Rights

Intellectual properties (including trademarks, designs and patents) are important to the Group's business. The Group believes that its patent portfolio is the backbone of its business expansion and future commercial success depends on the Group's ability to obtain and maintain patents and other intellectual property. As at 31 December 2021, the Group owned an aggregate 127 patents and patent applications which consisted of 78 issued patents and 8 patent applications in the PRC, and 20 issued patents and 21 patent applications overseas. The Group strives to protect its intellectual property rights and respect third party intellectual property rights according to all related applicable laws and regulations and have engaged intellectual property counsels and consultants to review from time to time to ensure new and existing rights are adequately preserved.

Data Privacy

In addition, the Group fully understands that personal data privacy is another critical issue concerned by either clients or suppliers. Precisely because they have trusted the Group with their data, the Group is obligated to take good care of it. A procedure has been established in the Group to guide employees to handle personal data. Besides, for enhanced cybersecurity, the Group refuses to use any outdated and unauthorised software so as to avoid data leakage. Designated personnel are also assigned to take care of personal data and confidential information. Privacy awareness and refresher training were provided quarterly to the employees. IT department encrypts the data regularly and organised cybersecurity training to enhance the employees' awareness. Under no circumstances can the Group disclose personal data and confidential information to the third parties or to the public without clients' consent.

Anti-corruption

Integrity has significant implication for brand image and operation. The Group has to observe laws and regulations in the PRC, Hong Kong and Japan. Any form of bribery, extortion, fraud, and money laundering are prohibited, and anti-corruption policies are applicable to all employees with no exception. During the reporting period, the ESG Committee has adopted the updated anti-corruption policy to ensure its effectiveness. An internal control system has been established to review the operation flow and assure operation consistency. Employees can remain anonymous to report any suspicious cases to the Group and penalties are clearly defined. The Group will not condone any unlawful acts and corruption. The Audit Committee and the Risk Management Committee as well as the internal audit division are responsible in monitoring the overall anti-corruption performance. To enhance employees' awareness on anti-corruption, refresher trainings were organised, especially for those employees whose positions have high risk of corruption. In the reporting period, 234 anti-corruption training hours were provided for the new staff and 90% staffs of the Group are completed the anti-corruption training. The Group will continue to organise anti-corruption trainings to all levels of staff.

In the reporting period, there was no suspected case of bribery, extortion, fraud and money laundering.

Community Investment

In 2021, the Group's corporate volunteer team continued to deliver volunteer services and organised a number of volunteering activities (e.g. worship activity in memory of revolutionary martyrs) to serve the communities. During the reporting period, the Group contributed 322 volunteer hours.

Worship activity in memory of revolutionary martyrs

While the COVID-19 pandemic still occupied most of the attention of governments and hospitals in 2021, the Group saw the shortage of medical supplies outside respiratory care area and donated 6,000 pieces of cervical spine immobilisers and other medical supplies, which amounted to approximately HK$830,000 to Tongren City, Guizhou Province, the PRC.

The Group believes that supporting today's aspiring young leaders is a great investment in the future. In 2020, the Group established the "Vincent Medical Enrichment Scholarship for Medical Student" in the LKS Faculty of Medicine, the University of Hong Kong. In the academic year 2021-22, the scholarship was granted to a year 3 student supporting his research at Royal Brompton Hospital of the National Heart and Lung Institute in London, the United Kingdom. The Group is pledged to continue its support to this scholarship in the years to come.

ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General Disclosures and KPIs		Section/Statement
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment
KPI A1.1	The types of emissions and respective emissions data.	Environment – Emissions
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environment – Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environment – Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environment – Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environment – Waste Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environment – Waste Management
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources – Energy Consumption
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources – Water Consumption
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources – Energy Consumption
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources – Water Consumption
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources – Packaging Materials Management
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources

Subject Areas, Aspects, General Disclosures and KPIs		Section/Statement
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and Labour Standards – Employment Policy
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment and Labour Standards – Employee Profile
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment and Labour Standards – Employee Turnover Rate
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Occupational Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Occupational Health and Safety
KPI B2.2	Lost days due to work injury.	Occupational Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Occupational Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Training and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Training and Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	Training and Development

Subject Areas, Aspects, General Disclosures and KPIs		Section/Statement
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment and Labour Standards – Recruitment and Dismissal
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employment and Labour Standards – Recruitment and Dismissal
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Employment and Labour Standards – Recruitment and Dismissal
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Operating Practices – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Operating Practices – Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Operating Practices – Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Operating Practices – Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Operating Practices – Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility – Product Recall and Complaint Handling
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility – Product Recall and Complaint Handling
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility – Quality Assurance
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility – Data Privacy

Subject Areas, Aspects, General Disclosures and KPIs		Section/Statement
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-Corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-Corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-Corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-Corruption
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

Independent Auditor's Report

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TO THE SHAREHOLDERS OF VINCENT MEDICAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Vincent Medical Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 105 to 191, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter we identified is:

Key Audit Matter	How our audit addressed the Key Audit Matter
Allowance for inventories	
Refer to Note 5(e) (critical judgements and key estimates) and Note 24 (inventories) to the consolidated financial statements for the related disclosures. As at 31 December 2021, inventories of the Group amounted to approximately HK$243,161,000. As disclosed in Note 4(i) to the consolidated financial statements, inventories are stated at the lower of cost and net realisable value ("**NRV**"). The management determines the allowance for inventories with reference to the aging analysis and the estimated NRV for obsolete inventory items that are no longer suitable for use in operations and/or slow-moving inventory items at the end of each reporting period. During the year, allowance for inventories of approximately HK$4,964,000 was made to write down the carrying amount of certain inventories to their estimated NRV as at 31 December 2021. We identified the estimated allowance for inventories as a key audit matter due to the significance of the balances and the judgment exercised by management in determining the NRV of the inventories.	Our procedures in relation to estimated allowance for inventories included: • Understood and evaluated management's internal control and assessment process of estimating the NRV of the inventories and conducting periodic review on inventory obsolescence; and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as subjectivity and susceptibility to management bias or fraud; • Examined the basis of the methodology with respect to inventory provisions and evaluated amongst others, the outcome of management's estimations in prior year, and analysis and assessment made by management with respect to slow moving and obsolete inventories; • Observed client's inventory counts to identify where there was any damaged or obsolete inventories; • Tested, on a sample basis, the accuracy of the ageing profile of individual inventory items by checking to the underlying procurement correspondence and invoices; and • Tested, on a sample basis, the NRV of selected inventory items, by comparing the latest selling price against the carrying values of these individual inventory items.

OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Liu Fung Yi.

RSM Hong Kong
Certified Public Accountants

23 March 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Revenue	8	**777,720**	1,155,383
Cost of sales		**(518,616)**	(661,146)
Gross profit		**259,104**	494,237
Other income, other gains and losses	9	**(19,954)**	(5,005)
Selling and distribution expenses		**(37,679)**	(54,727)
Administrative expenses		**(87,739)**	(105,696)
Research and development expenses		**(39,245)**	(36,577)
Profit from operations		**74,487**	292,232
Finance costs	11	**(2,428)**	(3,395)
Share of losses of associates		**(4,827)**	(3,145)
Share of losses of joint ventures		**(1,052)**	(1,608)
Profit before tax		**66,180**	284,084
Income tax expense	12	**(6,110)**	(36,649)
Profit for the year	13	**60,070**	247,435
Attributable to:			
Owners of the Company		**60,695**	216,865
Non-controlling interests		**(625)**	30,570
		60,070	247,435
Earnings per share	17		
Basic		**HK9.28 cents**	HK33.84 cents
Diluted		**HK9.18 cents**	HK33.29 cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Profit for the year	**60,070**	247,435
Other comprehensive income:		
Item that will not be reclassified to profit or loss:		
Fair value changes of equity investments at fair value through other comprehensive income ("**FVTOCI**")	**(2,150)**	3,235
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**8,867**	21,704
Exchange differences reclassified to profit or loss on disposal of a subsidiary	**343**	–
	9,210	21,704
Other comprehensive income for the year, net of tax	**7,060**	24,939
Total comprehensive income for the year	**67,130**	272,374
Attributable to:		
Owners of the Company	**67,950**	238,646
Non-controlling interests	**(820)**	33,728
	67,130	272,374

Consolidated Statement of Financial Position

At 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	**115,616**	111,088
Right-of-use assets	19	**7,464**	14,717
Other intangible assets	20	**11,954**	28,365
Investments in associates	21	**1,404**	9,296
Investments in joint ventures	22	**10,424**	11,181
Equity investments at FVTOCI	23	**43,632**	45,782
Non-current deposits	26	**14,906**	26,160
Deferred tax assets	33	**–**	2,014
Total non-current assets		**205,400**	248,603
Current assets			
Inventories	24	**243,161**	278,683
Trade receivables	25	**167,229**	161,542
Contract assets	8	**16,519**	20,169
Prepayments, deposits and other receivables	26	**40,679**	68,802
Bank and cash balances	27	**173,167**	169,068
Total current assets		**640,755**	698,264
TOTAL ASSETS		**846,155**	946,867
EQUITY AND LIABILITIES			
Share capital	28	**6,550**	6,506
Reserves	30(a)	**591,811**	605,051
Equity attributable to owners of the Company		**598,361**	611,557
Non-controlling interests		**2,072**	(6,378)
Total equity		**600,433**	605,179
Non-current liabilities			
Lease liabilities	32	**4,893**	1,190
Deferred tax liabilities	33	**8,021**	9,553
Total non-current liabilities		**12,914**	10,743
Current liabilities			
Trade payables	34	**65,266**	88,566
Other payables and accruals	35	**89,529**	136,061
Lease liabilities	32	**2,814**	14,430
Borrowings	36	**55,251**	69,071
Current tax liabilities		**19,948**	22,817
Total current liabilities		**232,808**	330,945
TOTAL EQUITY AND LIABILITIES		**846,155**	946,867
Net current assets		**407,947**	367,319
Total assets less current liabilities		**613,347**	615,922

Approved by the Board of Directors on 23 March 2022 and are signed on its behalf by:

Mr. CHOI Man Shing **Mr. TO Ki Cheung**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium account HK$'000	Share-based payments reserve HK$'000	Merger reserve HK$'000	Foreign currency translation reserve HK$'000	FVTOCI reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2020	6,377	141,755	10,620	12,094	(11,065)	(27,428)	220,098	352,451	61,696	414,147
Total comprehensive income for the year	–	–	–	–	18,546	3,235	216,865	238,646	33,728	272,374
Shares issued under share option schemes	129	16,058	(5,829)	–	–	–	–	10,358	–	10,358
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	139	139
Purchases of non-controlling interests	–	–	–	–	–	–	15,083	15,083	(84,836)	(69,753)
Net gain on deemed disposal of non-controlling interests	–	–	–	–	–	–	1,105	1,105	(1,105)	–
Share-based payments	–	–	928	–	–	–	–	928	–	928
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(16,000)	(16,000)
Dividend paid	–	–	–	–	–	–	(7,014)	(7,014)	–	(7,014)
Transfer	–	–	–	–	–	22,791	(22,791)	–	–	–
Changes in equity for the year	129	16,058	(4,901)	–	18,546	26,026	203,248	259,106	(68,074)	191,032
At 31 December 2020	6,506	157,813	5,719	12,094	7,481	(1,402)	423,346	611,557	(6,378)	605,179

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium account HK$'000	Treasure shares HK$'000	Share-based payments reserve HK$'000	Merger reserve HK$'000	Foreign currency translation reserve HK$'000	FVTOCI reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2021	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 year	–	–	–	–	–	9,405	(2,150)	60,695	67,950	(820)	67,130
Shares issued under share option schemes *(Note 28)*	58	6,691	–	(2,099)	–	–	–	–	4,650	–	4,650
Repurchase of shares *(Note 28)*	–	–	(1,620)	–	–	–	–	–	(1,620)	–	(1,620)
Cancellation of shares *(Note 28)*	(14)	(1,409)	1,423	–	–	–	–	–	–	–	–
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	209	209
Share-based payments	–	–	–	1,072	–	–	–	–	1,072	–	1,072
Dividend paid *(Note 16)*	–	–	–	–	–	–	–	(85,248)	(85,248)	–	(85,248)
Disposal of a subsidiary *(Note 37(a))*	–	–	–	–	–	–	–	–	–	9,061	9,061
Changes in equity for the year	44	5,282	(197)	(1,027)	–	9,405	(2,150)	(24,553)	(13,196)	8,450	(4,746)
At 31 December 2021	6,550	163,095	(197)	4,692	12,094	16,886	(3,552)	398,793	598,361	2,072	600,433

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**66,180**	284,084
Adjustments for:			
Allowance for inventories	13	**4,964**	9,198
Amortisation	13	**5,316**	6,416
Depreciation of property, plant and equipment	13	**20,403**	17,015
Depreciation of right-of-use assets	13	**14,344**	13,585
Finance costs	11	**2,428**	3,395
Gain on disposal of property, plant and equipment	9	**(10)**	–
Interest income	9	**(382)**	(228)
Impairment of investment in an associate	9	**10,729**	1,806
Impairment of investment in a joint venture		**–**	5,254
Impairment of other intangible assets		**–**	3,400
Impairment of property, plant and equipment		**–**	600
Impairment of trade receivables	9	**3,287**	82
Loss on disposal of a subsidiary	37(a)	**2,268**	–
Provision for warranties	35	**685**	37,355
Share of losses of associates		**4,827**	3,145
Share of losses of joint ventures		**1,052**	1,608
Share-based payments		**1,072**	928
Write off of deposits	9	**11,697**	–
Write off of other intangible assets	9	**590**	1,591
Write off of property, plant and equipment	9	**325**	1,135
Operating profit before working capital changes		**149,775**	390,369
Decrease/(increase) in inventories		**6,314**	(169,594)
Increase in trade receivables		**(10,026)**	(48,917)
Decrease/(increase) in contract assets		**3,650**	(7,178)
Decrease/(increase) in prepayments, deposits and other receivables		**25,308**	(31,986)
(Decrease)/increase in trade payables		**(21,095)**	45,289
(Decrease)/increase in other payables and accruals		**(22,993)**	56,029
Cash generated from operations		**130,933**	234,012
Income tax paid		**(9,454)**	(23,110)
Interest paid		**(1,842)**	(1,576)
Interest on lease liabilities		**(586)**	(1,243)
Net cash generated from operating activities		**119,051**	208,083

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**382**	228
Payment for purchases of property, plant and equipment		**(24,955)**	(55,795)
Prepaid license fee		**–**	(2,524)
Sale proceeds from disposal of property, plant and equipment		**23**	–
Additions to other intangible assets		**–**	(7,852)
Addition to investment in an associate		**(7,754)**	–
Disposal of a subsidiary	37(a)	**11,784**	–
Net cash used in investing activities		**(20,520)**	(65,943)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares		**4,650**	10,358
Repurchase of shares		**(1,620)**	–
Borrowings raised		**42,461**	55,356
Repayment of borrowings		**(46,431)**	(19,088)
Principal elements of lease payment		**(14,972)**	(13,487)
Purchases from non-controlling interests		**–**	(69,753)
Capital contribution from non-controlling shareholders		**209**	139
Dividend paid to owners of the Company		**(85,248)**	(7,014)
Dividend paid to non-controlling shareholders		**–**	(16,000)
Net cash used in financing activities		**(100,951)**	(59,489)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(2,420)**	82,651
Effect of foreign exchange rate changes		**6,519**	16,466
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**169,068**	69,951
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**173,167**	169,068
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**173,167**	169,068

1. GENERAL INFORMATION

Vincent Medical Holdings Limited (the "**Company**") was incorporated as an exempted company in the Cayman Islands under the Companies Act of the Cayman Islands on 19 November 2015. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The address of its principal place of business is Flat B2, 7/F., Phase 2, Hang Fung Industrial Building, 2G Hok Yuen Street, Hung Hom, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 42 to the consolidated financial statements.

In the opinion of the directors of the Company, Vincent Raya International Limited, a company incorporated in the British Virgin Islands (the "**BVI**"), is the ultimate parent of the Company. Mr. Choi Man Shing ("**Mr. Choi**") and Ms. Liu Pui Ching are the ultimate controlling parties of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and with the disclosure requirements of the Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 below provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

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

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phrase 2
Amendment to HKFRS 16: Leases	COVID-19-Related Rent Concessions

In addition, the Group has early applied the Amendments to HKFRS 16, COVID-19- Related Rent Concessions beyond 30 June 2021.

None of the application of these amendments to HKFRSs in the current year had material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) New and revised HKFRSs in issue but not yet effective

Other than the amendments to HKFRS 16, COVID-19 Related Rent Concessions beyond 30 June 2021, the Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2021. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Business Combination – Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37 Onerous contracts – cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRSs 2018 – 2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of liabilities as current or non-current	1 January 2023
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value).

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing 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.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of 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 subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any related accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Business combination and goodwill (continued)

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate 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 associate'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 assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which include any long-term interests that in substance, from part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Associates (continued)

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

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

(d) 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, which is included in the carrying amount of the investment. 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 assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Joint arrangements (continued)

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.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Hong Kong dollars ("**HKD**"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Foreign currency translation (continued)

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified in the consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(f) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Furniture and fixtures	20% – 33%
Plant and machinery	10% – 20%
Leasehold improvements	20% – 33%
Moulds	20% – 33%
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (continued)

Construction in progress represents leasehold improvements under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(g) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group as a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily IT equipment. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leases (continued)

The Group as a lessee (continued)

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

(h) Other intangible assets

Use right

Use right is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives.

Patents and trademarks

Patents and trademarks are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives.

License right

License right is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the license period.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Other intangible assets (continued)

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the development is recognised only if all of the following conditions are met:

– The technical feasibility of completing the intangible asset so that it will be available for use or sale;

– Management intends to complete the intangible asset and use or sell it;

– There is ability to use or sell the intangible asset;

– It can be demonstrated how the intangible asset will generate probable future economic benefits;

– Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

– The expenditure attributable to the intangible asset during its development can be reliably measured.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("**ECL**") in accordance with the policy set out in Note 4(aa) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

(k) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for ECL.

(o) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(q) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(s) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

OEM products that have no alternative use to the Group and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method, by reference to the costs incurred to date over the total expected costs. Otherwise, sales are recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been delivered to the designated location prescribed by the customer.

Revenue from the sales of OBM products are recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(u) Share-based payments

(i) Share option scheme

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

(ii) Share award scheme

Under the share award scheme, shares are issued to directors and employees for no cash consideration. The fair value of the employee services received in exchange for the award of the shares is recognised as an expense with a corresponding adjustment to equity. The total amount to be expensed is determined by reference to the market value of the shares awarded at the grant date. The total expense is recognised over the vesting period which is the period over which all of the specified vesting conditions are to be satisfied.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(w) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(x) Provision for warranties

Provision for warranties is recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The Group recognises the estimated liability to repair or replace products still under warranty at the end of the reporting period. This provision is calculated based on historical experience of the level of repairs and replacements.

(y) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Taxation (continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

Value in use is the present value of the estimated future cash flows of the asset/CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/CGU whose impairment is being measured.

Impairment losses for CGUs are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(aa) Impairment of financial assets and contracts assets

The Group recognises a loss allowance for ECL on trade receivables and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Impairment of financial assets and contracts assets (continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk for a particular financial instrument;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– significant increases in credit risk on other financial instruments of the same debtor; and

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Impairment of financial assets and contracts assets (continued)

Significant increase in credit risk (continued)

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) the financial instrument has a low risk of default,

(ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Impairment of financial assets and contracts assets (continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

– significant financial difficulty of the issuer or the counterparty;

– a breach of contract, such as a default or past due event;

– the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(ac) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Significant influence with less than 20% equity interest

Although the Group holds less than 20% of the voting power of Celsius Medical, S.L. ("**Celsius**"), the directors considered that the Group has significant influence over Celsius because the Group is entitled to appoint one director out of the five directors of Celsius.

(b) Joint control assessment

Guangzhou 100ecare Technology Co. Limited ("100ecare")

The Group entered into a share subscription agreement with 100ecare and its existing shareholders, pursuant to which, the Group has agreed to subscribe for 10% of the registered capital of 100ecare at a consideration of RMB8.0 million.

The board of directors of 100ecare is composed of five directors, three of them are appointed by the founders, and the remaining two directors are appointed by the Group and another investor respectively. In accordance with the shareholders' agreement, directors' resolution in relation to the relevant activities of 100ecare could not be passed without the agreement of the director appointed by the Group. Therefore, the Group considers to have joint control together with the founders over 100ecare and the Group classified 100ecare as a joint venture.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Critical judgements in applying accounting policies (continued)

(b) Joint control assessment (continued)

Avalon Photonics Holdings Limited ("Avalon")

The Group entered into a share subscription agreement with Avalon and its existing shareholders, pursuant to which, the Group has agreed to subscribe for 20% of the registered capital of Avalon at a consideration of USD1.7 million.

The board of directors of Avalon is composed of five directors, four of them are appointed by the founders, and the remaining director is appointed by the Group. In accordance with the shareholders' agreement, directors' resolution in relation to the relevant activities of Avalon could not be passed without the agreement of the director appointed by the Group. Therefore, the Group considers to have joint control together with the founders over Avalon and the Group classified Avalon as a joint venture.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment and depreciation of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

Further, the cash flows projections, growth rate and discount rate are subject to greater uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions in the Group's operation.

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (continued)

(a) Impairment and depreciation of property, plant and equipment and right-of-use assets (continued)

The carrying amount of property, plant and equipment as at 31 December 2021 was approximately HK$115,616,000 (2020: HK$111,088,000).

The carrying amount of right-of-use assets as at 31 December 2021 was approximately HK$7,464,000 (2020: HK$14,717,000).

(b) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, income tax of approximately HK$6,110,000 (2020: HK$36,649,000) was charged to profit or loss based on the estimated profit.

(c) Impairment of other intangible assets

Determining whether other intangible assets are impaired requires an estimation of the value in use of the CGU to which other intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.

Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's operations.

The carrying amount of other intangible assets as at 31 December 2021 was approximately HK$11,954,000 (2020: HK$28,365,000) (net of accumulated impairment losses of approximately HK$3,400,000 (2020: HK$3,400,000)).

(d) Impairment of trade receivables and contract assets

The management of the Group estimates the amount of impairment loss for ECL on trade receivables and contract assets based on the credit risk of trade receivables and contract assets. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2021, the carrying amount of trade receivables and contract assets was approximately HK$183,748,000 (2020: HK$181,711,000) (net of allowance for doubtful debts of approximately HK$3,481,000 (2020: HK$194,000)).

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (continued)

(e) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. During the year, allowance for slow-moving inventories of approximately HK$4,964,000 was made (2020: HK$9,198,000).

(f) Fair value measurement of investments in unlisted equity securities

In the absence of quoted market prices in an active market, the Group appointed independent professional valuer to assess the fair value of the unlisted equity securities. In determining the fair value, the valuer has utilised a method of valuation which involves certain estimates made by the Group.

Whilst the Group considers theses valuations are the best estimates, the ongoing COVID-19 pandemic has resulted in greater market volatility and may cause further disruptions to the investees' business, which have led to higher degree of uncertainties in respect of the valuations in the current year.

As at 31 December 2021, the carrying amount of these equity investments was approximately HK$43,632,000 (2020: HK$45,782,000).

(g) Impairment of investments in associates and joint ventures

Determining whether investments in associates and joint ventures are impaired requires an estimation of the recoverable amount of the investments in associates and joint ventures, when indicators of potential impairment are identified.

As at 31 December 2021, the carrying amounts of the investments in associates and joint ventures were approximately HK$1,404,000 (2020: HK$9,296,000) (net of accumulated impairment losses of approximately HK$18,184,000 (2020: HK$7,455,000)) and HK$10,424,000 (2020: HK$11,181,000) (net of accumulated impairment losses of approximately HK$7,490,000 (2020: HK$7,490,000)), respectively.

(h) Provision for warranties

The Group gives 12-24 months warranties on certain electronic devices and undertakes to repair or replace items that fail to perform satisfactorily. A provision is recognised at the end of the reporting period for expected warranty claims based on past experience of the level of repairs and returns. As at 31 December 2021, provision for warranties of approximately HK$2,285,000 (2020: HK$17,545,000) was made.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currency of respective Group entities such as United States dollars ("**USD**") and Renminbi ("**RMB**"). The directors have assessed the impact of foreign currency risk and considered that it is insignificant to the Group. 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.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk in relation to its trade and other receivables, contract assets and cash and bank balances.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits and credit approvals. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significant reduced.

As at 31 December 2021, there were 3 (2020: 3) customers which individually contributed over 10% of the Group's trade receivables and contract assets. The aggregate amounts of trade receivables and contract assets from these customers amounted to 63% (2020: 63%) of the Group's total trade receivables and contract assets as at 31 December 2021.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations
- actual or expected significant changes in the operating results of the counterparty
- significant expected changes in the performance and behaviour of the counterparty, including changes in the payment status of counterparties in the group and changes in the operating results of the counterparty

A default on a financial asset is when the counterparty fails to make contractual payments when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery.

(i) Trade receivables and contract assets

The Group applies the simplified approach to providing for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. The expected loss rate of current trade receivables and contract assets are assessed to be nearly 0%. As at 31 December 2021 and 2020, the loss allowance provision for these balances was not material. The additional impairment loss recognised for the year is related to trade receivable balances with a Group's associate.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) Trade receivables and contract assets (continued)

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	**194**	285
Impairment losses recognised for the year	**3,287**	82
Amounts written off during the year	**–**	(173)
At 31 December	**3,481**	194

(ii) Other receivables

The Group has assessed that the ECL for other receivables are not material under the 12-month expected losses method. No loss allowance provision was recognised during the year (2020: HK$Nil).

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follow:

	On demand or within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
At 31 December 2021				
Trade payables	**65,266**	**–**	**–**	**65,266**
Other payables and accruals	**60,426**	**–**	**–**	**60,426**
Borrowings	**55,251**	**–**	**–**	**55,251**
Lease liabilities	**2,909**	**1,876**	**3,114**	**7,899**
At 31 December 2020				
Trade payables	88,566	–	–	88,566
Other payables and accruals	97,887	–	–	97,887
Borrowings	69,071	–	–	69,071
Lease liabilities	14,931	1,202	–	16,133

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

For bank loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the above maturity analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lender was to invoke its unconditional rights to call the loans with immediate effect.

Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

The maturity analysis of the bank loans with a repayment on demand clause based on agreed scheduled repayment set out in the loan agreements is as follows:

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2021	**29,197**	**2,538**	**652**	**–**	**32,387**
At 31 December 2020	37,672	3,564	6,308	–	47,544

(d) Interest rate risk

The Group's exposure to interest-rate risk mainly arises from its bank deposits, bank loans and other loan. Bank deposits and bank loans bear interests at variable rates varied with the then prevailing market condition. Other loan bears interest at fixed interest rate and therefore is subject to fair value interest rate risk.

The effect of changes in interest rates is not significant to the consolidated financial statements. Except as stated above, the Group has no other significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Categories of financial instruments at 31 December 2021

	2021 HK$'000	2020 HK$'000
Financial assets:		
Financial assets measured at amortised cost	**379,447**	369,661
Financial assets measured at FVTOCI – equity instruments	**43,632**	45,782
Financial liabilities:		
Financial liabilities at amortised cost	**180,943**	255,524

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. FAIR VALUE MEASUREMENT

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 input 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 a 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.

7. FAIR VALUE MEASUREMENT (CONTINUED)

Disclosures of level in fair value hierarchy at 31 December 2021:

Description	Fair value measurement using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2021 HK$'000
Recurring fair value measurement:				
Financial assets at FVTOCI				
– Unlisted equity securities	**–**	**–**	**43,632**	**43,632**

Description	Fair value measurement using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2020 HK$'000
Recurring fair value measurement:				
Financial assets at FVTOCI				
– Unlisted equity securities	–	–	45,782	45,782

Reconciliation of assets measured at fair value based on Level 3:

	2021 HK$'000	2020 HK$'000
At 1 January	**45,782**	43,199
Reclassification from equity investments at FVTOCI to investments in associates	**–**	(652)
Total gains or losses recognised in other comprehensive income	**(2,150)**	3,235
At 31 December	**43,632**	45,782

The total gains or losses recognised in other comprehensive income are presented in fair value changes of equity investments at FVTOCI in the consolidated statement of profit or loss and other comprehensive income.

7. FAIR VALUE MEASUREMENT (CONTINUED)

Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2021:

The Group's chief financial officer is responsible for the fair value measurements of assets and 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 inputs	Fair value 2021 HK$'000	Fair value 2020 HK$'000
Unlisted equity securities classified as financial assets at FVTOCI	Discounted cash flows	Weighted average cost of capital	40% – 50% (2020: 50%)	Decrease	**43,632**	45,782
		Discount for lack of marketability	20% – 25% (2020: 20% – 25%)	Decrease		
		Long-term growth rate	2% (2020: 2%)	Increase		

During the two years, there were no changes in the valuation techniques used.

8. REVENUE

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.

	OEM		OBM		Total	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
By product category						
Respiratory products	**89,952**	291,657	**337,905**	527,360	**427,857**	819,017
Imaging disposable products	**213,790**	199,498	**–**	–	**213,790**	199,498
Orthopaedic and rehabilitation products	**66,952**	54,334	**12,095**	8,729	**79,047**	63,063
Other products	**57,026**	73,805	**–**	–	**57,026**	73,805
	427,720	619,294	**350,000**	536,089	**777,720**	1,155,383
By geographical market						
The United States (the "**US**")	**361,273**	516,537	**6,606**	22,234	**367,879**	538,771
The People's Republic of China (the "**PRC**")	**–**	–	**110,461**	202,432	**110,461**	202,432
Japan	**10,820**	10,055	**28,644**	18,143	**39,464**	28,198
Vietnam	**–**	–	**36,853**	1,086	**36,853**	1,086
India	**–**	–	**29,507**	71,335	**29,507**	71,335
The Netherlands	**24,952**	25,713	**1,769**	624	**26,721**	26,337
Thailand	**–**	–	**26,380**	973	**26,380**	973
Turkey	**–**	–	**22,576**	34,518	**22,576**	34,518
Costa Rica	**12,577**	2,505	**–**	–	**12,577**	2,505
South Africa	**–**	–	**8,789**	12,756	**8,789**	12,756
Great Britain	**–**	–	**4,263**	24,739	**4,263**	24,739
Israel	**2,231**	34,977	**1,917**	8,173	**4,148**	43,150
Australia	**1,216**	13,352	**1,785**	2,068	**3,001**	15,420
Saudi Arabia	**–**	–	**–**	58,705	**–**	58,705
Others	**14,651**	16,155	**70,450**	78,303	**85,101**	94,458
	427,720	619,294	**350,000**	536,089	**777,720**	1,155,383
By timing of revenue recognition						
Products transferred at a point in time	**213,930**	419,796	**350,000**	536,089	**563,930**	955,885
Products transferred over time	**213,790**	199,498	**–**	–	**213,790**	199,498
	427,720	619,294	**350,000**	536,089	**777,720**	1,155,383

8. REVENUE (CONTINUED)

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

	2021 HK$'000	2020 HK$'000
Receivables, which included in "trade receivables"	**167,229**	161,542
Contract assets	**16,519**	20,169

Contract assets primarily consist of unbilled amount resulting from sales of OEM products transferred over time. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

There were no significant changes in the contract assets balances during the reporting period.

9. OTHER INCOME, OTHER GAINS AND LOSSES

	2021 HK$'000	2020 HK$'000
Other income		
Government subsidies *(Note)*	**3,742**	11,691
Interest income – bank deposits	**382**	117
Interest income – trade and other receivables	**–**	111
Sundry income	**4,003**	5,682
	8,127	17,601
Other gains and losses		
Exchange gains/(losses), net	**805**	(8,738)
Gain on disposal of property, plant and equipment	**10**	–
Impairment of investment in an associate	**(10,729)**	(1,806)
Impairment of investment in a joint venture	**–**	(5,254)
Impairment of other intangible assets	**–**	(3,400)
Impairment of property, plant and equipment	**–**	(600)
Impairment of trade receivables	**(3,287)**	(82)
Loss on disposal of a subsidiary *(Note 37(a))*	**(2,268)**	–
Write off of deposits	**(11,697)**	–
Write off of other intangible assets	**(590)**	(1,591)
Write off of property, plant and equipment	**(325)**	(1,135)
	(28,081)	(22,606)
Total	**(19,954)**	(5,005)

Note: Government subsidies mainly related to the subsidies received from the local government authority for the achievements accomplished by the Group.

10. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors of the Group that makes strategic and operating decisions.

Directors of the Group review the internal reporting of the Group in order to assess performance and allocate resources. From business model perspective, management assesses the performance of two operating segments, which are OEM and OBM.

- OEM represents "original equipment manufacturing", whereby products are manufactured in accordance with the customer's specification for sale under the customer's or third party's brand.

- OBM represents "original brand manufacturing", comprises research, development, manufacturing, marketing and sales of medical devices under "Inspired Medical", "inspired™", "Hand of Hope" and "Hypnus™" brands.

The accounting policies of the operating segments are the same as those described in Note 4 to the consolidated financial statements. Segment profits or losses do not include interest income, interest expenses, share-based payments, share of losses of associates, share of losses of joint ventures, impairment of investment in an associate, impairment of investment in a joint venture, corporate income and corporate expenses.

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 the consolidated financial statements.

10. SEGMENT INFORMATION (CONTINUED)

Information about reportable segment profit or loss:

	OEM HK$'000	OBM HK$'000	Total HK$'000
Year ended 31 December 2021			
Revenue from external customers	**427,720**	**350,000**	**777,720**
Segment profit	**55,830**	**33,113**	**88,943**
Depreciation and amortisation	**16,104**	**23,959**	**40,063**
Impairment of trade receivables	**–**	**3,287**	**3,287**
Loss on disposal of a subsidiary	**–**	**2,268**	**2,268**
Provision for warranties	**–**	**685**	**685**
Write off of deposits	**–**	**11,697**	**11,697**
Write off of other intangible assets	**–**	**590**	**590**
Write off of property, plant and equipment	**178**	**147**	**325**
Year ended 31 December 2020			
Revenue from external customers	619,294	536,089	1,155,383
Segment profit	164,467	131,567	296,034
Depreciation and amortisation	14,126	22,890	37,016
Impairment of other intangible assets	–	3,400	3,400
Impairment of property, plant and equipment	–	600	600
Impairment of trade receivables	–	82	82
Provision for warranties	–	37,355	37,355
Write off of other intangible assets	–	1,591	1,591
Write off of property, plant and equipment	270	865	1,135

10. SEGMENT INFORMATION (CONTINUED)

Reconciliation of reportable segment revenue and profit or loss:

	2021 HK$'000	2020 HK$'000
Revenue		
Total revenue of reportable segments	**777,720**	1,155,383
Profit or loss		
Total profit or loss of reportable segments	**88,943**	296,034
Interest income	**382**	228
Interest expenses	**(2,428)**	(3,395)
Share-based payments	**(1,072)**	(928)
Share of losses of associates	**(4,827)**	(3,145)
Share of losses of joint ventures	**(1,052)**	(1,608)
Impairment of investment in an associate	**(10,729)**	(1,806)
Impairment of investment in a joint venture	**–**	(5,254)
Corporate income	**5,681**	14,348
Corporate expenses	**(8,718)**	(10,390)
Consolidated profit before tax	**66,180**	284,084

10. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue	
	2021	2020
	HK$'000	HK$'000
The US	**367,879**	538,771
The PRC	**110,461**	202,432
Japan	**39,464**	28,198
Vietnam	**36,853**	1,086
India	**29,507**	71,335
The Netherlands	**26,721**	26,337
Thailand	**26,380**	973
Turkey	**22,576**	34,518
Costa Rica	**12,577**	2,505
South Africa	**8,789**	12,756
Great Britain	**4,263**	24,739
Israel	**4,148**	43,150
Australia	**3,001**	15,420
Saudi Arabia	**–**	58,705
Others	**85,101**	94,458
	777,720	1,155,383

10. SEGMENT INFORMATION (CONTINUED)

Geographical information (continued)

	Non-current assets	
	2021	2020
	HK$'000	HK$'000
Hong Kong	**19,857**	20,169
The PRC	**137,420**	156,337
Spain	**904**	1,484
Japan	**3,587**	4,638
The US	**–**	18,179
	161,768	200,807

Revenue from major customers:

	2021	2020
	HK$'000	HK$'000
OEM segment		
Customer A	**228,122**	213,673
Customer B	**80,036**	106,363

11. FINANCE COSTS

	2021	2020
	HK$'000	HK$'000
Interest expenses on lease liabilities *(Note 19)*	**586**	1,243
Interest on borrowings	**1,842**	2,152
	2,428	3,395

12. INCOME TAX EXPENSE

	2021 HK$'000	2020 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**8,798**	18,133
Over-provision in prior years	**(1,121)**	–
	7,677	18,133
Current tax – the PRC		
Provision for the year	**866**	15,262
Over-provision in prior years	**(3,771)**	–
	(2,905)	15,262
Current tax – Others		
Provision for the year	**1,822**	–
Deferred tax *(Note 33)*	**(484)**	3,254
Income tax expense	**6,110**	36,649

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%.

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 Vincent Medical (Dongguan) Mfg. Co. Ltd. (東莞永勝醫療製品有限公司) ("**VMDG**") which is qualified as High and New Tech Enterprise and would be entitled to a reduced corporate income tax rate of 15%. The relevant tax rates of the Company's PRC subsidiaries range from 15% to 25%.

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

12. INCOME TAX EXPENSE (CONTINUED)

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2021 HK$'000	2020 HK$'000
Profit before tax	**66,180**	284,084
Tax at Hong Kong Profits Tax rate of 16.5% (2020: 16.5%)	**10,920**	46,874
Tax effect of share of losses of associates	**796**	518
Tax effect of share of losses of joint ventures	**174**	265
Tax effect of income that is not taxable	**(35,138)**	(51,983)
Tax effect of expenses that are not deductible	**38,259**	40,679
Tax effect of temporary difference not recognised	**63**	4,359
Tax effect of tax losses not recognised	**1,564**	2,166
Tax effect of utilisation of tax losses not previously recognised	**(2,077)**	(164)
Tax effect of change of tax rate	**(1,406)**	(165)
Effect of different tax rates of subsidiaries	**1,749**	6
Tax concession	**(4,334)**	(5,699)
Others	**432**	(207)
Over-provision in prior years	**(4,892)**	–
Income tax expense	**6,110**	36,649

13. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the followings:

	2021 HK$'000	2020 HK$'000
Allowance for inventories (included in cost of inventories sold)	**4,964**	9,198
Amortisation	**5,316**	6,416
Auditor's remuneration	**2,029**	1,957
Cost of inventories sold	**518,616**	661,146
Depreciation of property, plant and equipment	**20,403**	17,015
Depreciation of right-of-use assets	**14,344**	13,585
Equity-settled share-based payments	**1,072**	928
Gain on disposal of property, plant and equipment (included in other gains and losses)	**(10)**	–
Impairment of investment in an associate (included in other gains and losses)	**10,729**	1,806
Impairment of investment in a joint venture (included in other gains and losses)	**–**	5,254
Impairment of other intangible assets (included in other gains and losses)	**–**	3,400
Impairment of property, plant and equipment (included in other gains and losses)	**–**	600
Impairment of trade receivables (included in other gains and losses)	**3,287**	82
Loss on disposal of a subsidiary (included in other gains and losses) *(Note 37(a))*	**2,268**	–
Provision for warranties (included in cost of inventories sold) *(Note 35)*	**685**	37,355
Write off of deposits (included in other gains and losses)	**11,697**	–
Write off of other intangible assets (included in other gains and losses)	**590**	1,591
Write off of property, plant and equipment (included in other gains and losses)	**325**	1,135

Cost of inventories sold include staff costs of approximately HK$135,227,000 (2020: HK$174,772,000), depreciation of property, plant and equipment of approximately HK$14,676,000 (2020: HK$11,693,000), depreciation of right-of-use assets of approximately HK$8,437,000 (2020: HK$7,604,000), and amortisation of approximately HK$1,679,000 (2020: HK$2,270,000), which are included in the amounts disclosed separately.

14. EMPLOYEE BENEFITS EXPENSE

	2021 HK$'000	2020 HK$'000
Salaries, bonuses and allowances	**185,192**	231,017
Retirement benefits scheme contributions	**16,021**	1,772
Other benefits	**10,730**	10,545
Equity-settled share-based payments	**1,072**	897
	213,015	244,231

(a) Pensions – defined contribution plans

The Group contributes to defined contribution retirement plans which are available for eligible employees in the PRC and Hong Kong.

Pursuant to the relevant laws and regulations in the PRC, the Group has joined defined contribution retirement schemes for the employees arranged by local government labour and security authorities (the "**PRC Retirement Schemes**"). The Group makes contributions to the PRC Retirement Schemes at the applicable rates based on the amounts stipulated by the local government organisations. Upon retirement, the local government labour and security authorities are responsible for the payment of the retirement benefits to the retired employees.

The Group operates a Mandatory Provident Fund scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong) for employees employed under the jurisdiction of Hong Kong Employment Ordinance (Chapter 57 of the laws of Hong Kong). The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and the employees are each required to make contributions to the plan at 5% of the employees' relevant income.

During the years ended 31 December 2020 and 2021, the Group had no forfeited contributions under the PRC Retirement Schemes which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at 31 December 2020 and 2021 under the PRC Retirement Schemes which may be used by the Group to reduce the contribution payable in future years.

Contributions of approximately HK$Nil (2020: HK$23,000) were payable to the Mandatory Provident Fund ("**MPF**") at the year-end. The amount of forfeited contributions utilised under the MPF Scheme for the year ended 31 December 2021 was HK$98,000 (2020: HK$Nil). At 31 December 2020 and 2021, no forfeited MPF contribution available for use by the Group to reduce existing level of contributions.

14. EMPLOYEE BENEFITS EXPENSE (CONTINUED)

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2020: three) directors whose emoluments are reflected in the analysis presented in Note 15(a) to the consolidated financial statements.

The emoluments of the remaining two (2020: two) individuals during the year was as follows:

	2021 HK$'000	2020 HK$'000
Salaries and allowances	3,420	11,494
Bonuses	–	–
Retirement benefits scheme contributions	64	53
Equity-settled share-based payments	38	74
	3,522	11,621

The emoluments fell within the following band:

	2021	2020
Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	2	–
Over HK$2,000,000	–	2

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set as below.

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	*(Note)* Estimated money value of other benefits HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Housing allowance HK$'000		Total HK$'000
Name of director									
Mr. Choi	-	1,257	100	-	117	-	-	-	1,474
Mr. To Ki Cheung	-	1,484	115	30	69	-	-	-	1,698
Mr. Koh Ming Fai	-	1,241	97	22	57	-	-	-	1,417
Mr. Fu Kwok Fu	-	1,181	93	22	55	-	-	-	1,351
Mr. Mok Kwok Cheung Rupert	261	-	-	-	-	-	-	-	261
Mr. Au Yu Chiu Steven	234	-	-	-	-	-	-	-	234
Mr. Guo Pengcheng	225	-	-	-	-	-	-	-	225
Prof. Yung Kai Leung	252	-	-	-	-	-	-	-	252
Total for 2021	**972**	**5,163**	**405**	**74**	**298**	**-**	**-**	**-**	**6,912**
Name of director									
Mr. Choi	–	1,204	1,164	–	106	–	–	–	2,474
Mr. To Ki Cheung	–	1,384	1,234	94	66	–	–	–	2,778
Mr. Koh Ming Fai	–	1,237	1,173	73	54	–	–	–	2,537
Mr. Fu Kwok Fu	–	1,162	1,155	73	50	–	–	–	2,440
Mr. Mok Kwok Cheung Rupert	213	–	–	–	–	–	–	–	213
Mr. Au Yu Chiu Steven	213	–	–	–	–	–	–	–	213
Mr. Guo Pengcheng	213	–	–	–	–	–	–	–	213
Prof. Yung Kai Leung	213	–	–	–	–	–	–	–	213
Total for 2020	852	4,987	4,726	240	276	–	–	–	11,081

Note:

Estimated money values of other benefits include rent paid, share options, insurance premium, etc.

Neither the chief executive nor any of the directors waived any emoluments during the year (2020: Nil).

During the year, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

15. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate and connected entities with such directors

During the year ended 31 December 2021, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favor of directors (2020: Nil).

(c) Directors' material interests in transactions, arrangement or contracts

During the year, the Group entered into the following transactions:

Name of parties contracted with	Nature of transactions	Amount HK$'000	Interested directors
Vincent Raya Co., Limited	Purchases of goods	976	Mr. Choi has beneficial interest in the contracting party
	Administrative service fee	252	
Vincent Raya (Dongguan) Electronics Co. Ltd. 永勝（東莞）電子有限公司	Purchase of goods	1,661	Mr. Choi has beneficial interest in the contracting party
	Purchase of medical trolley	6,469	
	Catering service fee	1,736	
	Rental expenses	10,948	
	Electronic assembly service fee	7,983	
	Metal supplies and processing service fee	9,322	
Vincent Raya Development Limited	Rental expenses	504	Mr. Choi has beneficial interest in the contracting party

Save for contracts amongst group companies and the aforementioned transactions, no other significant transactions, arrangements and contracts to which the Company was a party and in which a director of the Company and other director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

16. DIVIDEND

	2021 HK$'000	2020 HK$'000
2021 interim dividend of HK2.0 cents (2020: HK Nil cent) per ordinary share	**13,128**	–
2020 final dividend of HK11.00 cents (2020: 2019 final dividend of HK1.10 cents) per ordinary share	**72,120**	7,014
	85,248	7,014

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2021 of HK2.5 cents per share has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting to be held on 24 May 2022.

17. EARNINGS PER SHARE

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

	2021 HK$'000	2020 HK$'000
Earnings		
Profit attributable to owners of the Company	**60,695**	216,865

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**654,333**	640,857
Effect of dilutive potential ordinary shares arising from share options issued by the Company	**6,790**	10,574
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**661,123**	651,431

18. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Moulds HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2020	16,160	69,442	42,940	35,260	2,963	1,160	167,925
Additions	3,017	37,096	901	6,154	307	7,252	54,727
Write off	(92)	(5,784)	(110)	–	–	–	(5,986)
Transfer	–	–	6,723	617	–	(7,340)	–
Exchange differences	1,043	6,165	3,128	2,558	169	69	13,132
At 31 December 2020 and 1 January 2021	**20,128**	**106,919**	**53,582**	**44,589**	**3,439**	**1,141**	**229,798**
Additions	**1,778**	**5,039**	**212**	**10,694**	**799**	**6,058**	**24,580**
Write off/disposal	**(154)**	**(1,719)**	**–**	**(173)**	**(251)**	**–**	**(2,297)**
Disposal of a subsidiary	**(1,373)**	**–**	**(597)**	**(2,777)**	**–**	**–**	**(4,747)**
Transfer	**–**	**137**	**5,618**	**–**	**–**	**(5,755)**	**–**
Exchange differences	**509**	**3,155**	**1,613**	**1,385**	**90**	**38**	**6,790**
At 31 December 2021	**20,888**	**113,531**	**60,428**	**53,718**	**4,077**	**1,482**	**254,124**
Accumulated depreciation and impairment							
At 1 January 2020	11,833	40,270	27,782	17,528	1,780	–	99,193
Charge for the year	2,134	6,579	5,364	2,549	389	–	17,015
Write off	(85)	(4,659)	(107)	–	–	–	(4,851)
Impairment losses	15	263	94	228	–	–	600
Exchange differences	723	2,668	2,049	1,207	106	–	6,753
At 31 December 2020 and 1 January 2021	**14,620**	**45,121**	**35,182**	**21,512**	**2,275**	**–**	**118,710**
Charge for the year	**2,264**	**8,871**	**5,120**	**3,705**	**443**	**–**	**20,403**
Write off/disposal	**(144)**	**(1,525)**	**–**	**(51)**	**(239)**	**–**	**(1,959)**
Disposal of a subsidiary	**(732)**	**–**	**(456)**	**(1,004)**	**–**	**–**	**(2,192)**
Exchange differences	**376**	**1,408**	**1,073**	**634**	**55**	**–**	**3,546**
At 31 December 2021	**16,384**	**53,875**	**40,919**	**24,796**	**2,534**	**–**	**138,508**
Carrying amount							
At 31 December 2021	**4,504**	**59,656**	**19,509**	**28,922**	**1,543**	**1,482**	**115,616**
At 31 December 2020	5,508	61,798	18,400	23,077	1,164	1,141	111,088

19. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
At 1 January 2020	21,408
Additions	6,134
Remeasurement	(111)
Depreciation	(13,585)
Exchange differences	871
At 31 December 2020 and 1 January 2021	**14,717**
Additions	**9,743**
Depreciation	**(14,344)**
Disposal of a subsidiary	**(2,758)**
Exchange differences	**106**
At 31 December 2021	**7,464**

Lease liabilities of approximately HK$7,707,000 (2020: HK$15,620,000) are recognised with related right-of-use assets of approximately HK$7,464,000 (2020: HK$14,717,000) as at 31 December 2021.

	2021 HK$'000	2020 HK$'000
Depreciation expenses on right-of-use assets	**14,344**	13,585
Interest expense on lease liabilities (included in finance costs)	**586**	1,243
Expenses relating to short-term lease (included in cost of inventories sold, selling and distribution expenses, administrative expenses and research and development expenses)	**1,414**	1,237
Expenses relating to leases of low value assets (included in selling and distribution expenses, administrative expenses and research and development expenses)	**247**	218

Details of total cash outflow for leases are set out in Note 37(d).

For both years, the Group leases various offices and factory premises for its operations. Lease contracts are entered into for fixed term of 1 year to 4 years (2020: 1 year to 4 years), but may have extension and termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

At 31 December 2021, the Group entered into new leases for certain offices and factory premises that are not yet commenced, with non-cancellable period of 2 years. The total future undiscounted cash flows over the non-cancellable period amounted to approximately HK$28,124,000.

20. OTHER INTANGIBLE ASSETS

	Use right HK$'000	Patents and trademarks HK$'000	License right HK$'000	Product development costs HK$'000	Total HK$'000
Cost					
At 1 January 2020	14,953	11,066	4,136	10,899	41,054
Additions	–	–	7,852	–	7,852
Write off	–	–	–	(2,857)	(2,857)
Exchange differences	–	662	–	451	1,113
At 31 December 2020 and 1 January 2021	**14,953**	**11,728**	**11,988**	**8,493**	**47,162**
Write off	**–**	**(590)**	**–**	**–**	**(590)**
Disposal of a subsidiary	**–**	**(10,378)**	**–**	**(7,455)**	**(17,833)**
Exchange differences	**–**	**58**	**–**	**106**	**164**
At 31 December 2021	**14,953**	**818**	**11,988**	**1,144**	**28,903**
Accumulated amortisation and impairment					
At 1 January 2020	6,448	1,885	–	1,598	9,931
Amortisation for the year	1,610	1,114	1,440	2,252	6,416
Write off	–	–	–	(1,266)	(1,266)
Impairment losses	3,024	–	–	376	3,400
Exchange differences	–	181	–	135	316
At 31 December 2020 and 1 January 2021	**11,082**	**3,180**	**1,440**	**3,095**	**18,797**
Amortisation for the year	**1,610**	**860**	**1,570**	**1,276**	**5,316**
Disposal of a subsidiary	**–**	**(3,764)**	**–**	**(3,463)**	**(7,227)**
Exchange differences	**–**	**24**	**–**	**39**	**63**
At 31 December 2021	**12,692**	**300**	**3,010**	**947**	**16,949**
Carrying amount					
At 31 December 2021	**2,261**	**518**	**8,978**	**197**	**11,954**
At 31 December 2020	3,871	8,548	10,548	5,398	28,365

20. OTHER INTANGIBLE ASSETS (CONTINUED)

Use right

The use right represents the right to use the technology for the purpose of manufacturing, marketing and distribution of products for "Hand of Hope" robotic hand training devices. The remaining amortisation period of the use right is 3.38 years (2020: 4.38 years).

Patents and trademarks

The trademarks at 31 December 2021 and 2020 are mainly used for trading of medical devices in Japan. The average remaining amortisation period of the trademarks is 3.17 years (2020: 4.17 years).

The patents at 31 December 2020 are mainly used for the manufacturing and trading of "Hypnus™" branded continuous positive airway pressure equipment.

License right

On 8 September 2017 and 26 February 2019, the Group entered into license agreements with an associate respectively, pursuant to which, the Group has granted a right of 10 years (exclusive rights for the first 5 years) to produce and sell the licensed goods in the licensed territories as specified in the license agreements after obtaining the relevant products registration. Amortisation of license right commences after completion of registration.

Product development costs

The product development costs are generated internally for the development of certain OBM products. Amortisation begins when the relevant products are available for sales. The estimated average useful lives of the product development costs are 5 years (2020: 5 years).

21. INVESTMENTS IN ASSOCIATES

	2021 HK$'000	2020 HK$'000
Unlisted investments:		
Share of net assets	**3,931**	4,364
Goodwill	**15,657**	12,387
	19,588	16,751
Impairment losses	**(18,184)**	(7,455)
	1,404	9,296

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

Details of the Group's associates as at 31 December 2021 are as follows:

Name	Place of incorporation and operation	Particulars of issued and paid up capital	Percentage of ownership interest/ voting power/profit sharing	Principal activities
Retraction Limited ("**Retraction**")	Hong Kong	100 ordinary shares and 80 preference shares	40% (2020: 40%)	Design, development and commercialisation of retractors for minimally invasive surgery
Celsius	Spain	9,000 ordinary shares and 1,000 preference shares	10% (2020: 10%)	Design, development and commercialisation of air and fluid warning systems
Fresca Medical, Inc. ("**Fresca**") *(Note)*	The US	1,613,799 common stocks and 59,721,392 preferred stocks	26.09% (2020: 20.35%)	Design, development and commercialisation of a system for the treatment of obstructive sleep apnea

Note:

During the year, the Group entered into the Series E Preferred Stocks purchase agreement with Fresca and other investors, pursuant to which, the Group has agreed to subscribe 4,822,068 Series E Preferred Stocks at a consideration of approximately US$1.0 million (equivalent to approximately HK$7,754,000). After the purchase of Series E Preferred Stocks, the Group owns 26.09% of the enlarged issued share capital of Fresca.

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table shows information on the associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

Name	Retraction		Celsius		Fresca	
	2021	2020	**2021**	2020	**2021**	2020
Principal place of business/country of incorporation	**Hong Kong**	Hong Kong	**Spain**	Spain	**The US**	The US
% of ownership interests/ voting rights held by the Group	**40%/40%**	40%/40%	**10%/10%**	10%/10%	**26.09%/ 26.09%**	20.35%/ 20.35%
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 31 December:						
Non-current assets	**2,437**	3,808	**15,449**	20,362	**2,683**	22,586
Current assets	**540**	1,131	**8,992**	10,396	**1,571**	2,086
Non-current liabilities	**(1,293)**	(1,396)	**(11,709)**	(11,081)	**–**	(9,571)
Current liabilities	**(434)**	(389)	**(3,686)**	(4,831)	**(4,254)**	(7,148)
Net assets	**1,250**	3,154	**9,046**	14,846	**–**	7,953
Group's share of net assets	**500**	1,262	**904**	1,484	**–**	1,618
Goodwill	**–**	–	**–**	–	**–**	4,932
Group's share of carrying amount of interests	**500**	1,262	**904**	1,484	**–**	6,550
Year ended 31 December:						
Revenue	**1,187**	1,804	**6,914**	7,355	**1,650**	–
Loss for the year	**(1,473)**	(966)	**(4,805)**	(5,526)	**(15,319)**	(10,735)
Other comprehensive income	**–**	–	**–**	–	**–**	–
Total comprehensive income	**(1,473)**	(966)	**(4,805)**	(5,526)	**(15,319)**	(10,735)
Dividends received from associates	**–**	–	**–**	–	**–**	–

During the year, the sales performance of Fresca is unsatisfactory, the number of its products sold is less than the expected level as the products take time to penetrate into the market and substantial design improvement is needed in order for it to be competitive in the market. Besides, the financial situation of Fresca has worsened which cast significant doubt to continue as a going concern.

In view of the above and the significant uncertainties on business prospects of Fresca, the Group had made impairment of approximately HK$10,729,000 after review the recoverable amount of Fresca. The recoverable amount of Fresca is based on the fair value less cost of disposal, which is considered to be minimal based on the fair value model by an independent external valuation expert using cost approach.

22. INVESTMENTS IN JOINT VENTURES

	2021 HK$'000	2020 HK$'000
Unlisted investments:		
Share of net assets	**5,931**	6,902
Goodwill	**11,983**	11,769
	17,914	18,671
Impairment losses	**(7,490)**	(7,490)
	10,424	11,181

Details of the Group's joint ventures as at 31 December 2021 are as follows:

Name	Place of incorporation and operation	Particulars of issued and paid up capital	Percentage of ownership interest/voting power/profit sharing	Principal activities
100ecare	The PRC	Registered capital of RMB11,649,331	9.41% (2020: 9.41%)	Design, development, sales and operation of wearable devices
Avalon	The BVI	50,000 ordinary shares of US$1 each	20% (2020: 20%)	Investment holding
Avalon Photonics (HK) Limited ("**Avalon HK**") *(Note)*	Hong Kong	10,000 ordinary shares	20% (2020: 20%)	Design, development and distribution of kanga-care products
Avalon Medical Devices (Chongqing) Co., Limited ("**Avalon PRC**") *(Note)*	The PRC	Registered capital of RMB10,000,000	20% (2020: 20%)	Manufacturing of kanga-care products

Note:

Avalon HK and Avalon PRC are the wholly-owned subsidiaries of Avalon.

22. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The following table shows information on the joint ventures that are material to the Group. These joint ventures are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the joint ventures.

Name	100ecare		Avalon and its subsidiaries	
	2021	2020	**2021**	2020
Principal place of business/country of incorporation	**The PRC**	The PRC	**BVI**	BVI
% of ownership interests/voting rights held by the Group	**9.41%/ 9.41%**	9.41%/ 9.41%	**20%/20%**	20%/20%
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 31 December:				
Non-current assets	**10,669**	9,048	**568**	2,078
Current assets	**22,914**	21,642	**7,056**	9,589
Non-current liabilities	**–**	–	**(7,371)**	(4,732)
Current liabilities	**(2,630)**	(2,171)	**(253)**	(935)
Net assets	**30,953**	28,519	**–**	6,000
Group's share of net assets	**2,913**	2,684	**–**	1,200
Goodwill	**7,511**	7,297	**–**	–
Group's share of carrying amount of interests	**10,424**	9,981	**–**	1,200
Cash and cash equivalents included in current assets	**10,460**	9,688	**2,332**	3,186
Current financial liabilities (excluding trade and other payables and provisions) included in current liabilities	**–**	–	**–**	–
Non-current financial liabilities (excluding trade and other payables and provisions) included in non-current liabilities	**–**	–	**–**	–
Year ended 31 December:				
Revenue	**24,567**	17,676	**162**	831
Depreciation and amortisation	**(1,760)**	(1,186)	**(1,071)**	(2,556)
Interest income	**144**	267	**2**	5
Income tax expense	**–**	–	**–**	–
Profit/(loss) for the year	**1,572**	(4,410)	**(5,217)**	(5,891)
Other comprehensive income	**–**	–	**439**	–
Total comprehensive income	**1,572**	(4,410)	**(4,778)**	(5,891)
Dividends received from joint ventures	**–**	–	**–**	–

22. INVESTMENTS IN JOINT VENTURES (CONTINUED)

As at 31 December 2021, the bank and cash balances of the Group's joint ventures in the PRC denominated in RMB amounted to approximately HK$7,528,000 (2020: HK$10,588,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

23. EQUITY INVESTMENTS AT FVTOCI

	2021 **HK$'000**	2020 HK$'000
Unlisted equity securities	**43,632**	45,782
Analysed as:		
Non-current assets	**43,632**	45,782

The unlisted equity securities were measured at fair value using the method of valuation by an independent external valuation expert.

Equity investments at FVTOCI are denominated in USD.

24. INVENTORIES

	2021 **HK$'000**	2020 HK$'000
Raw materials	**143,461**	153,192
Work in progress	**47,322**	65,178
Finished goods	**52,378**	60,313
	243,161	278,683

25. TRADE RECEIVABLES

	2021 **HK$'000**	2020 HK$'000
Trade receivables	**170,710**	161,736
Less: allowance for doubtful debts	**(3,481)**	(194)
	167,229	161,542

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:

	2021 **HK$'000**	2020 HK$'000
0 to 30 days	**47,636**	64,959
31 to 60 days	**41,207**	46,363
61 to 90 days	**27,732**	20,828
Over 90 days	**50,654**	29,392
	167,229	161,542

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2021 **HK$'000**	2020 HK$'000
HKD	**3,132**	458
RMB	**23,178**	24,654
USD	**139,359**	134,262
Others	**1,560**	2,168
	167,229	161,542

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Deposits for license and distribution rights	**2,524**	14,153
Deposits for purchases of goods	**21,162**	35,524
Deposits for purchases of property, plant and equipment	**12,382**	12,007
Prepaid expenses	**2,085**	1,695
Rental and other deposits	**2,983**	3,346
Value-added tax and other receivables	**14,449**	28,237
	55,585	94,962
Less: Non-current deposits	**(14,906)**	(26,160)
	40,679	68,802

27. BANK AND CASH BALANCES

The carrying amounts of the Group's bank and cash balances are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
HKD	**33,744**	11,534
RMB	**38,754**	38,599
USD	**91,352**	116,262
Others	**9,317**	2,673
	173,167	169,068

As at 31 December 2021, the bank and cash balances of the Group denominated in RMB and kept in the PRC amounted to approximately HK$38,264,000 (2020: HK$33,696,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

28. SHARE CAPITAL

	Number of Shares '000	Share capital HK$'000	Treasure shares HK$'000
Ordinary shares			
Authorised			
At 1 January 2020, 31 December 2020 and 31 December 2021	10,000,000	100,000	–
Issued and fully paid			
At 1 January 2020	637,650	6,377	–
Shares issued under share option schemes	12,948	129	–
At 31 December 2020 and 1 January 2021	650,598	6,506	–
Shares issued under share option schemes *(Note (i))*	5,812	58	–
Repurchase of shares *(Note (ii))*	–	–	(1,620)
Cancellation of shares *(Note (ii))*	(1,402)	(14)	1,423
At 31 December 2021	**655,008**	**6,550**	**(197)**

Notes:

(i) During the year ended 31 December 2021, 5,812,332 shares were issued under share option schemes at a subscription price of HK$0.80 per share for a total cash consideration of approximately HK$4,650,000, and share-based payments reserve of approximately HK$2,099,000 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 the end of the reporting period.

Subsequent to the reporting date, the remaining 190,000 shares at approximately HK$197,000 were cancelled on 26 January 2022.

28. SHARE CAPITAL (CONTINUED)

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group regards total equity other than non-controlling interests as capital, for management purpose. The amount of capital as at 31 December 2021 amounted to approximately HK$598,361,000 (2020: HK$611,557,000), in which the Group considers as optimal have considered the projected capital expenditures and the projected investment opportunities.

The only externally imposed capital requirement for the Group is in order to maintain its listing on the Stock Exchange (the "**Listing**"), it has to have a public float of at least 25% of the shares. Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained sufficient public float as required by the Listing Rules. As at 31 December 2021, over 25% (2020: over 25%) of the shares were in public hands.

29. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**82,639**	152,793
Current assets			
Due from subsidiaries		**253,240**	135,237
Prepayments, deposits and other receivables		**245**	2,760
Bank and cash balances		**3,137**	571
Total current assets		**256,622**	138,568
TOTAL ASSETS		**339,261**	291,361
EQUITY AND LIABILITIES			
Share capital	28	**6,550**	6,506
Reserves	29(b)	**193,834**	242,498
Total equity		**200,384**	249,004
Current liabilities			
Due to subsidiaries		**138,174**	41,680
Other payables and accruals		**703**	677
Total current liabilities		**138,877**	42,357
TOTAL EQUITY AND LIABILITIES		**339,261**	291,361

Approved by the Board of Directors on 23 March 2022 and are signed on its behalf by:

Mr. CHOI Man Shing **Mr. TO Ki Cheung**

29. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserve movement of the Company

	Share premium account HK$'000	Share-based payments reserve HK$'000	Treasure shares HK$'000	Merger reserve HK$'000	(Accumulated losses)/ retained profits HK$'000	Total HK$'000
At 1 January 2020	141,755	10,620	–	–*	(13,747)	138,628
Profit for the year	–	–	–	–	99,727	99,727
Dividend paid	–	–	–	–	(7,014)	(7,014)
Shares issued under share option schemes	16,058	(5,829)	–	–	–	10,229
Share-based payments	–	928	–	–	–	928
At 31 December 2020 and 1 January 2021	**157,813**	**5,719**	**–**	**–***	**78,966**	**242,498**
Profit for the year	**–**	**–**	**–**	**–**	**32,526**	**32,526**
Dividend paid	**–**	**–**	**–**	**–**	**(85,248)**	**(85,248)**
Shares issued under share option schemes *(Note 28)*	**6,691**	**(2,099)**	**–**	**–**	**–**	**4,592**
Share-based payments	**–**	**1,072**	**–**	**–**	**–**	**1,072**
Repurchase of shares	**–**	**–**	**(1,620)**	**–**	**–**	**(1,620)**
Cancellation of shares	**(1,409)**	**–**	**1,423**	**–**	**–**	**14**
At 31 December 2021	**163,095**	**4,692**	**(197)**	**–***	**26,244**	**193,834**

* Represent the amount less than HK$1,000

30. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium account

Under the Companies Act of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall in the ordinary course of business.

(ii) Share-based payments reserve

The share-based payments reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors, employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in Note 4(u)(i) to the consolidated financial statements.

(iii) Merger reserve

The merger reserve of the Company represents the difference between the costs of investments in subsidiaries pursuant to the reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

The merger reserve of the Group represents the difference between the nominal value of shares of Vincent Healthcare Products Limited ("**VHPL**") and Vincent Medical Manufacturing Co., Limited ("**VMHK**") acquired pursuant to the reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

(iv) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 4(e)(iii) to the consolidated financial statements.

(v) FVTOCI reserve

FVTOCI reserve comprises the cumulative net change in the fair value of financial assets at FVTOCI held at the end of the reporting period and is dealt with in accordance with the accounting policy in Note 4(l) to the consolidated financial statements.

31. 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 the date of Listing (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.

31. 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 year are as follows:

	2021		2020	
	Number of share options	Weighted average exercise price HK$	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**5,656,000**	**0.80**	16,064,000	0.80
Exercised during the year	**(2,712,332)**	**0.80**	(9,948,000)	0.80
Lapsed during the year	**(33,000)**	**0.80**	(460,000)	0.80
Outstanding at the end of the year	**2,910,668**	**0.80**	5,656,000	0.80
Exercisable at the end of the year	**2,910,668**	**0.80**	5,656,000	0.80

The weighted average share price immediately before the dates of exercise for share options exercised during the year was HK$2.13 (2020: HK$2.15). The options outstanding at the end of the year have a weighted average remaining useful life of 4.46 years (2020: 5.46 years) and the exercise price is HK$0.80 (2020: HK$0.80).

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.

31. SHARE OPTION AND SHARE AWARD SCHEMES (CONTINUED)

(a) Share option schemes (continued)

Share option scheme adopted on 24 June 2016 (continued)

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.

The estimated fair value of the options at the date of grant on 25 August 2021 was approximately HK$4,102,000. 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$1.14
Expected volatility *(Note 1)*	63.54%
Risk free rate	0.813%
Expected divided yield *(Note 2)*	9.94%

Notes:

1. Expected volatility was determined by calculating the historical volatility of the Company's share price.

2. 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, employees and/or consultants leave the Group.

31. SHARE OPTION AND SHARE AWARD SCHEMES (CONTINUED)

(a) Share option schemes (continued)

Share option scheme adopted on 24 June 2016 (continued)

Details of the movement of share options during the year are as follows:

	2021		2020	
	Number of share options	Weighted average exercise price HK$	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**12,400,000**	**0.80**	15,400,000	0.80
Granted during the year	**11,788,000**	**1.14**	–	n/a
Exercised during the year	**(3,100,000)**	**0.80**	(3,000,000)	0.80
Outstanding at the end of the year	**21,088,000**	**0.99**	12,400,000	0.80
Exercisable at the end of the year	**4,675,000**	**0.80**	3,925,000	0.80

The weighted average share price immediately before the dates of exercise for share options exercised during the year was HK$2.07 (2020: HK$1.92). The options outstanding at the end of the year have a weighted average remaining useful life of 4.48 years (2020: 5.48 years) and the exercise prices range from HK$0.80 to HK$1.14 (2020: HK$0.80).

(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 year, no award was granted under the Share Award Scheme.

32. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**2,909**	14,931	**2,814**	14,430
More than one year, but not exceeding two years	**1,876**	1,202	**1,820**	1,190
More than two years, but not more than five years	**3,114**	–	**3,073**	–
	7,899	16,133	**7,707**	15,620
Less: Future finance charges	**(192)**	(513)	**n/a**	n/a
Present value of lease obligations	**7,707**	15,620	**7,707**	15,620
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(2,814)**	(14,430)
Amount due for settlement after 12 months			**4,893**	1,190

The weighted average incremental borrowing rate applied to lease liabilities is 2.02% (2020: 6.30%).

The carrying amounts of the Group's lease liabilities are denominated in the following currencies:

	2021	2020
	HK$'000	HK$'000
HKD	**6,135**	1,183
RMB	**1,095**	13,116
Others	**477**	1,321
	7,707	15,620

33. DEFERRED TAX

The followings are the deferred tax liabilities and assets recognised by the Group.

Deferred tax liabilities

	Fair value on intangible assets HK$'000	Temporary difference on intangible assets HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1 January 2020	1,290	2,245	2,295	5,830
Charge/(credit) to profit or loss for the year	(241)	(864)	4,359	3,254
Exchange differences	–	79	390	469
At 31 December 2020 and 1 January 2021	**1,049**	**1,460**	**7,044**	**9,553**
Credit to profit or loss for the year *(Note 12)*	**(241)**	**(72)**	**(171)**	**(484)**
Disposal of a subsidiary	**–**	**(1,247)**	**(21)**	**(1,268)**
Exchange differences	**–**	**18**	**202**	**220**
At 31 December 2021	**808**	**159**	**7,054**	**8,021**

Deferred tax assets

	Tax losses HK$'000
At 1 January 2020	1,892
Exchange differences	122
At 31 December 2020 and 1 January 2021	**2,014**
Disposal of a subsidiary	**(2,043)**
Exchange differences	**29**
At 31 December 2021	**–**

33. DEFERRED TAX (CONTINUED)

The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	2021 HK$'000	2020 HK$'000
Deferred tax assets	**–**	2,014
Deferred tax liabilities	**(8,021)**	(9,553)
	(8,021)	(7,539)

As at 31 December 2021, the Group has unused tax losses of approximately HK$73,546,000 (2020: HK$104,090,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$Nil (2020: HK$8,057,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$73,546,000 (2020: HK$96,033,000) due to the unpredictability of future profit streams. The unused tax losses of the Group have not yet been agreed by respective tax authorities. The expiry date of unrecognised tax losses are summarised as follows:

	2021 HK$'000	2020 HK$'000
On 31 December 2021	**–**	4,483
On 31 December 2022	**4,996**	4,854
On 31 December 2023	**7,709**	13,761
On 31 December 2024	**5,011**	21,977
On 31 December 2025	**3,736**	4,408
On 31 December 2026	**3,205**	–
On 31 December 2029	**–**	228
Carried forward indefinitely	**48,889**	46,322
	73,546	96,033

As at 31 December 2021, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries and a joint venture for which deferred tax liabilities have not been recognised is approximately HK$16,905,000 (2020: HK$15,835,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

34. TRADE PAYABLES

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

	2021 HK$'000	2020 HK$'000
0 to 30 days	**52,162**	46,786
31 to 60 days	**7,887**	22,977
Over 60 days	**5,217**	18,803
	65,266	88,566

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
HKD	**4,362**	4,300
RMB	**35,302**	61,657
USD	**22,742**	20,581
Others	**2,860**	2,028
	65,266	88,566

35. OTHER PAYABLES AND ACCRUALS

	2021 HK$'000	2020 HK$'000
Accrued staff costs	**38,939**	58,011
Other accrued expenses	**6,390**	12,446
Other payables	**12,812**	9,885
Provision for warranties *(Note (i))*	**2,285**	17,545
Contract liabilities *(Note (ii))*	**29,103**	38,174
	89,529	136,061

35. OTHER PAYABLES AND ACCRUALS (CONTINUED)

Notes:

(i) The movements in provision for warranties during the year are as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	**17,545**	–
Provision for the year	**685**	37,355
Provision utilised	**(15,333)**	(20,012)
Disposal of a subsidiary	**(695)**	–
Exchange differences	**83**	202
At 31 December	**2,285**	17,545

Provision for warranties represents the Group's best estimate to repair or replace electronic devices still under warranty period, based on historical experience of the level of repairs and replacements.

(ii) Contract liabilities relating to contracts with customers are advance payments made by customers. These arise as a result of advance payments made by customers.

There were no significant changes in the contract liabilities balances during the reporting period

The movements in contract liabilities during the year are as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	**38,174**	7,439
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the year	**(38,174)**	(7,439)
Increase in contract liabilities as a result of advance payments made by customers	**29,103**	38,174
At 31 December	**29,103**	38,174

36. BORROWINGS

	2021 HK$'000	2020 HK$'000
Bank loans, secured	**55,251**	52,032
Bank loans, unsecured	**–**	9,434
Other loan, unsecured	**–**	7,605
	55,251	69,071

The borrowings are repayable as follows:

	2021 HK$'000	2020 HK$'000
Within one year	**52,066**	59,521
More than one year, but not exceeding two years	**2,495**	3,322
More than two years, but not more than five years	**690**	6,228
	55,251	69,071
Portion of bank loan that is due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	**(3,185)**	(9,550)
	52,066	59,521
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(52,066)**	(59,521)
Amount due for settlement after 12 months	**–**	–

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
HKD	**41,797**	30,381
RMB	**13,454**	38,690
	55,251	69,071

36. BORROWINGS (CONTINUED)

The interest rates of the Group's borrowings at 31 December were as follows:

	2021	2020
Bank loans	**1.38% to 4.60%**	1.48% to 4.60%
Other loan	**n/a**	8%

Bank loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. Other loan is arranged at fixed rate and exposes the Group to fair value interest rate risk.

Bank loans of approximately HK$18,297,000 (2020: HK$14,381,000) are secured by corporate guarantee provided by the Company.

Bank loan of approximately HK$23,500,000 (2020: HK$16,000,000) is secured by corporate guarantees provided by the Company and two Hong Kong subsidiaries of the Company.

Bank loans of approximately HK$13,454,000 (2020: HK$17,823,000) are secured by corporate guarantees provided by two PRC subsidiaries of the Company.

Bank loans of HK$Nil (2020: HK$3,828,000) are secured by corporate guarantees provided by a key management personnel of a PRC subsidiary of the Company.

At 31 December 2021, the Group had HK$56,500,000 (2020: HK$24,000,000) of available undrawn borrowing facilities.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of a subsidiary

During the year, the Group disposed of 54.5% effective interest in Guangzhou Hypnus Healthcare Technology Co., Limited ("**GZ Hypnus**") at a consideration of RMB12,900,000 (equivalent to approximately HK$15,548,000).

Net assets of GZ Hypnus at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	2,555
Right-of-use assets	2,758
Other intangible assets	10,606
Deferred tax assets	2,043
Inventories	23,920
Trade receivables	1,052
Prepayment, deposit and other receivables	6,362
Bank and cash balances	217
Deferred tax liabilities	(1,268)
Lease liabilities	(2,804)
Trade payables	(2,205)
Other payables and accruals	(24,266)
Bank loans	(10,558)
Net assets disposed of	8,412
Non-controlling interests	9,061
Release of foreign currency translation reserve	343
Loss on disposal	(2,268)
Total consideration satisfied by cash	15,548
Net cash inflow arising on disposal	
Cash consideration received	12,001
Cash and cash equivalents disposed of	(217)
	11,784

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Major non-cash transactions

The sales proceeds from disposal of GZ Hypnus of RMB2,900,000 (equivalent to approximately HK$3,547,000) had not been received at the end of the reporting period. Those sales proceeds were fully received in January 2022.

Additions to right-of-use assets during the year of approximately HK$9,743,000 (2020: HK$6,134,000) were financed by lease liabilities.

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2021 HK$'000	Additions HK$'000	Disposal of a subsidiary HK$'000	Cash flows HK$'000	Interest expenses HK$'000	Exchange differences HK$'000	31 December 2021 HK$'000
Bank loans	**61,466**	**–**	**(10,558)**	**3,712**	**–**	**631**	**55,251**
Other loan	**7,605**	**–**	**–**	**(7,682)**	**–**	**77**	**–**
Lease liabilities	**15,620**	**9,743**	**(2,804)**	**(15,558)**	**586**	**120**	**7,707**
	84,691	**9,743**	**(13,362)**	**(19,528)**	**586**	**828**	**62,958**

	1 January 2020 HK$'000	Remeasurement HK$'000	Additions HK$'000	Cash flows HK$'000	Interest expenses HK$'000	Exchange differences HK$'000	31 December 2020 HK$'000
Bank loans	23,453	–	–	36,268	–	1,745	61,466
Other loan	7,145	–	–	–	–	460	7,605
Lease liabilities	22,203	(147)	6,134	(14,730)	1,243	917	15,620
	52,801	(147)	6,134	21,538	1,243	3,122	84,691

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(d) Total cash outflow for leases

Amounts included in the cash flow statements for leases comprise the following:

	2021 HK$'000	2020 HK$'000
Within operating cash flows	**2,247**	2,698
Within financing cash flows	**14,972**	13,487
	17,219	16,185

These amounts relate to the following:

	2021 HK$'000	2020 HK$'000
Lease rental paid	**17,219**	16,185

38. CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any significant contingent liabilities (2020: Nil).

39. CAPITAL COMMITMENTS

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

	2021 HK$'000	2020 HK$'000
Property, plant and equipment	**9,210**	17,987
Intangible assets	**–**	1,356
	9,210	19,343

40. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group regularly entered into short-term leases for office premises. As at 31 December 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 19.

As at 31 December 2021, the outstanding lease commitments relating to these office premises are approximately HK$213,000 (2020: HK$622,000).

41. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions and balances with its related parties:

	2021 HK$'000	2020 HK$'000
Year ended 31 December:		
Sales of goods to an associate	**2,366**	3,133
Purchases of goods from an associate	**242**	323
Purchases of goods from a joint venture	**–**	577
Purchases of goods from related companies *(Note)*	**9,106**	2,442
Catering service fee paid to a related company *(Note)*	**1,736**	1,467
Rental expenses paid to related companies *(Note)*	**11,452**	10,604
Electronic assembly service fee to a related company *(Note)*	**7,983**	14,301
Administrative service fee to a related company *(Note)*	**252**	252
Metal supplies and processing service fee to a related company *(Note)*	**9,322**	8,685
At 31 December:		
Trade receivables from an associate	**4,097**	1,740
Other payables to related companies *(Note)*	**7,345**	3,115
Other receivables from a related company *(Note)*	**84**	84

Note: Mr. Choi has beneficial interests in these related companies.

(b) The remuneration of directors and other members of key management during the year was as follows:

	2021 HK$'000	2020 HK$'000
Short-term benefits	**18,089**	28,120
Retirement benefits scheme contributions	**672**	525
Share-based payments	**530**	632
	19,291	29,277

42. PRINCIPAL SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2021 are as follows:

Name	Place of incorporation/ registration, operation and kind of legal entity	Issued share capital/ registered capital	Percentage of ownership interest/voting power/profit sharing	Principal activities
Directly held:				
Vincent Medical Manufacturing Holdings Limited	The BVI, limited liability company	US$1	100%	Investment holding
Vincent Medical Care Holdings Limited	The BVI, limited liability company	US$1	100%	Investment holding
Indirectly held:				
Dongguan Vincent Rehabilitation Devices Company Limited ^ 東莞永健康復器具有限公司	The PRC, wholly-foreign owned enterprise with limited liability	HK$8,000,000	100%	Manufacturing of medical devices
Inspired Medical Japan Co., Ltd.	Japan, limited liability company	JPY55,000,000	66.5%	Trading of medical devices
Rehab-Robotics Company Limited	Hong Kong, limited liability company	HK$31,900,000	100%	Development of "Hand of Hope" robotic hand training devices
Shenzhen Vincent Raya Medical Device Company Limited ^ 深圳永勝宏基醫療器械有限公司	The PRC, wholly-foreign owned enterprise with limited liability	RMB10,000,000	100%	Research and development of medical devices and investment holding
VHPL	Hong Kong, limited liability company	HK$100,000	100%	Trading of medical devices and investment holding
Vincent Inspired Medical Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
Vincent Medical Care Company Limited	Hong Kong, limited liability company	HK$1	100%	Trading of medical devices and investment holding
VMHK	Hong Kong, limited liability company	HK$14,889,321	100%	Trading of medical devices and investment holding
VMDG	The PRC, wholly-foreign owned enterprise with limited liability	HK$15,000,000	100%	Manufacturing of medical devices
Vincent Medical Avalon Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
Vincent Medical Celsius Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
Vincent Medical Fresca Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding

42. PRINCIPAL SUBSIDIARIES (CONTINUED)

Particulars of the subsidiaries as at 31 December 2021 are as follows (continued):

Name	Place of incorporation/ registration, operation and kind of legal entity	Issued share capital/ registered capital	Percentage of ownership interest/voting power/profit sharing	Principal activities
Vincent Medical Innovation Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
Vincent Medical Inovytec Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
Vincent Medical Respinova Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
Vincent Medical Retraction Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
Vincent Medical Technology (Guangdong) Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
Vincent Rehab Devices Company Limited	Hong Kong, limited liability company	HK$10	100%	Trading of medical devices and investment holding
Vincent Medical (Dongguan) Technology Company Limited) ^ 東莞永昇醫療科技有限公司	The PRC, wholly-foreign owned enterprise with limited liability	RMB10,000,000	100%	Research and development, and manufacturing of medical devices
Vincent Raya (Dong Guan) Medical Device Co., Ltd. ^ 東莞永勝宏基醫療器械有限公司	The PRC, wholly-foreign owned enterprise with limited liability	HK$2,100,000	100%	Trading of medical devices

^ For identification purposes only

The above list contains the particular of subsidiaries which principally affected the results, assets or liabilities of the Group. None of the subsidiaries has issued any debt securities.

43. EVENTS AFTER THE REPORTING PERIOD

With effect from 22 February 2022, the address of the Company's principal place of business in Hong Kong has been changed to Units 1604-07A, 16/F., Two Harbourfront, 22 Tak Fung Street, Hung Hom, Kowloon, Hong Kong.

Saved as disclosed above, there were no other significant events after the reporting period and up to the date of this report.

44. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation. The changes included (i) reclassification of certain items previously classified under administrative expenses to research and development expenses; and (ii) reclassification of deposits for purchases of property, plant and equipment and intangible assets from current assets to non-current assets. The new classification of the accounting items was considered to provide a more appropriate presentation of the results of the Group.

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is as follows.

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**777,720**	1,155,383	502,200	488,030	446,302
Profit before tax	**66,180**	284,084	18,294	38,131	19,617
Income tax expense	**(6,110)**	(36,649)	(5,437)	(3,928)	(8,163)
Profit for the year	**60,070**	247,435	12,857	34,203	11,454
Attributable to:					
Owners of the Company	**60,695**	216,865	11,525	30,943	13,155
Non-controlling interests	**(625)**	30,570	1,332	3,260	(1,701)
	60,070	247,435	12,857	34,203	11,454

	At 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and Liabilities					
Non-current assets	**205,400**	248,603	188,585	186,347	154,181
Current assets	**640,755**	698,264	381,734	350,930	370,978
Non-current liabilities	**(12,914)**	(10,743)	(17,358)	(5,082)	(2,395)
Current liabilities	**(232,808)**	(330,945)	(138,814)	(98,002)	(107,813)
Net assets	**600,433**	605,179	414,147	434,193	414,951
Attributable to:					
Owners of the Company	**598,361**	611,557	352,451	374,451	365,185
Non-controlling interests	**2,072**	(6,378)	61,696	59,742	49,766
	600,433	605,179	414,147	434,193	414,951