**Vincent Medical Holdings Limited**
**永勝醫療控股有限公司**
*(Incorporated in the Cayman Islands with limited liability)*
(Stock code: 1612)

# INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

## HIGHLIGHTS

✧ Revenue for the six months ended 30 June 2023 ("**1H2023**" or the "**Period**") increased by 28.7% to HK$361.2 million.

✧ Revenue of the imaging disposable products segment and respiratory products segment increased by 35.8% and 27.5%, respectively, as a result of resilient product demand and continuous product innovation.

✧ Gross profit for the Period increased by 2.2 times to HK$118.8 million.

✧ Gross profit margin improved by 19.8 percentage points to 32.9%, as a combination of increase in production efficiency, decrease in allowance for inventories and depreciation of Renminbi ("**RMB**").

✧ Supported by the gross profit margin improvement, the Group achieved a financial turnaround, from a consolidated net loss of HK$44.3 million for the six months ended 30 June 2022 ("**1H2022**"), to a consolidated net profit of HK$27.1 million for the Period. Basic earnings per share were HK4.10 cents.

✧ In view of the need to upgrade its operational infrastructure to enhance margins and support future collaborations, the Group bid and won the bid for the land use rights of a parcel of land located in Kaiping City, Jiangmen City, Guangdong Province, the People's Republic of China (the "**PRC**") during the Period, for establishing an integrated production facility with automated production lines.

✧ Despite the expected capital expenditure for the new integrated production facility, the Board has resolved to declare an interim dividend of HK1.25 cents per share for the Period (1H2022: Nil) payable on or around Friday, 29 September 2023.

## INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Vincent Medical Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2023, together with the comparative figures for the previous corresponding period as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*FOR THE SIX MONTHS ENDED 30 JUNE 2023*

| | | **Six months ended 30 June** | |
|---|---|---|---|
| | | **2023** | 2022 |
| | *Note* | ***HK$'000*** | *HK$'000* |
| | | **(unaudited)** | (unaudited) |
| **Revenue** | 4 | **361,235** | 280,731 |
| Cost of sales | | **(242,409)** | (243,944) |
| **Gross profit** | | **118,826** | 36,787 |
| Other income, other gains and losses | | **3,033** | 3,244 |
| Selling and distribution expenses | | **(18,781)** | (14,965) |
| Administrative expenses | | **(51,623)** | (50,388) |
| Research and development expenses | | **(18,147)** | (16,538) |
| **Profit/(loss) from operations** | | **33,308** | (41,860) |
| Finance costs | | **(952)** | (1,414) |
| Share of losses of associates | | **–** | (374) |
| Share of profits of joint ventures | | **13** | 52 |
| **Profit/(loss) before tax** | | **32,369** | (43,596) |
| Income tax expense | 5 | **(5,275)** | (658) |
| **Profit/(loss) for the period** | 6 | **27,094** | (44,254) |
| **Attributable to:** | | | |
| Owners of the Company | | **26,600** | (44,363) |
| Non-controlling interests | | **494** | 109 |
| | | **27,094** | (44,254) |
| **Earnings/(loss) per share** | 8 | | |
| Basic | | **HK4.10 cents** | (HK6.78 cents) |
| Diluted | | **n/a** | n/a |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2023*

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| **Profit/(loss) for the period** | **27,094** | (44,254) |
| **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**") | **(1,752)** | (918) |
| *Item that may be reclassified to profit or loss:* | | |
| Exchange differences on translating foreign operations | **(13,582)** | (17,757) |
| **Other comprehensive income for the period, net of tax** | **(15,334)** | (18,675) |
| **Total comprehensive income for the period** | **11,760** | (62,929) |
| **Attributable to:** | | |
| Owners of the Company | **11,598** | (62,129) |
| Non-controlling interests | **162** | (800) |
| | **11,760** | (62,929) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 30 JUNE 2023*

| | Note | **30 June 2023** *HK$'000* **(unaudited)** | 31 December 2022 *HK$'000* (audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **91,994** | 100,825 |
| Right-of-use assets | | **12,777** | 21,283 |
| Other intangible assets | | **5,930** | 7,712 |
| Investments in associates | | **–** | – |
| Investments in joint ventures | | **5,516** | 5,718 |
| Equity investments at FVTOCI | | **22,723** | 24,475 |
| Non-current deposits | | **23,783** | 16,086 |
| Deferred tax assets | | **1,350** | 1,342 |
| **Total non-current assets** | | **164,073** | 177,441 |
| **Current assets** | | | |
| Inventories | | **173,743** | 174,032 |
| Trade receivables | 9 | **166,381** | 159,304 |
| Contract assets | | **18,911** | 16,438 |
| Prepayments, deposits and other receivables | | **25,092** | 40,143 |
| Bank and cash balances | | **141,815** | 159,341 |
| **Total current assets** | | **525,942** | 549,258 |
| **TOTAL ASSETS** | | **690,015** | 726,699 |
| **EQUITY AND LIABILITIES** | | | |
| Share capital | | **6,533** | 6,533 |
| Reserves | | **500,963** | 491,478 |
| Equity attributable to owners of the Company | | **507,496** | 498,011 |
| Non-controlling interests | | **701** | 602 |
| **Total equity** | | **508,197** | 498,613 |

| | Note | **30 June 2023** | 31 December 2022 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| | | **(unaudited)** | (audited) |
| **Non-current liabilities** | | | |
| Lease liabilities | | **3,128** | 5,100 |
| Deferred tax liabilities | | **5,726** | 6,415 |
| **Total non-current liabilities** | | **8,854** | 11,515 |
| **Current liabilities** | | | |
| Trade payables | 10 | **42,024** | 42,491 |
| Other payables and accruals | | **85,847** | 97,244 |
| Lease liabilities | | **10,146** | 16,792 |
| Borrowings | | **12,169** | 38,500 |
| Current tax liabilities | | **22,778** | 21,544 |
| **Total current liabilities** | | **172,964** | 216,571 |
| **TOTAL EQUITY AND LIABILITIES** | | **690,015** | 726,699 |
| **Net current assets** | | **352,978** | 332,687 |
| **Total assets less current liabilities** | | **517,051** | 510,128 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 30 JUNE 2023*

### 1. BASIS OF PREPARATION

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

These condensed consolidated financial statements should be read in conjunction with the 2022 annual financial statements. Except as described below, the accounting policies (including the critical judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2022.

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

The Group has adopted Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases. For leasing transactions, the Group is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur after the beginning of the earliest period presented.

The Group previously accounted for deferred tax on leases applying the "integrally linked" approach, resulting in a similar outcome to the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the condensed consolidated statement of financial position because the balances qualify for offset under paragraph 74 of HKAS 12. There was also no impact on the opening retained earnings as at 1 January 2022 as a result of the change. The key impact for the Group relates to disclosure of the deferred tax assets and liabilities recognised. This disclosure will be provided in the annual financial statements.

The change in accounting policy will also be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2023.

In addition to the adoption of the above amendment to standards in the Period, the Group has adopted all other new and revised Hong Kong Financial Reporting Standards issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. They do not have a material effect on the Group's condensed consolidated interim financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

## 3. SEGMENT INFORMATION

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

| | **OEM** | **OBM** | **Total** |
|---|---|---|---|
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| | **(unaudited)** | **(unaudited)** | **(unaudited)** |
| **Six months ended 30 June 2023** | | | |
| Revenue from external customers | **229,626** | **131,609** | **361,235** |
| Segment profit | **38,132** | **3,720** | **41,852** |
| Six months ended 30 June 2022 | | | |
| Revenue from external customers | 187,647 | 93,084 | 280,731 |
| Segment profit/(loss) | 17,867 | (51,573) | (33,706) |

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

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Total profit or loss of reportable segments | **41,852** | (33,706) |
| Interest income | **341** | 144 |
| Interest expenses | **(952)** | (1,414) |
| Share-based payments | **(1,177)** | (1,301) |
| Share of losses of associates | **–** | (374) |
| Share of profits of joint ventures | **13** | 52 |
| Unallocated corporate income | **3,492** | 1,969 |
| Unallocated corporate expenses | **(11,200)** | (8,966) |
| Consolidated profit/(loss) before tax | **32,369** | (43,596) |

**Revenue from major customers:**

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| OEM segment | | |
| Customer A | **129,335** | 98,667 |
| Customer B *(Note)* | **n/a** | 33,010 |

*Note:*

Revenue from customer B represented less than 10% of the Group's revenue for the six months ended 30 June 2023.

## 4. REVENUE

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers.

In the following table, revenue is disaggregated by product category, geographical market and timing of revenue recognition.

| | Six months ended 30 June (unaudited) | | | | | |
|---|---|---|---|---|---|---|
| | OEM | | OBM | | Total | |
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **By product category** | | | | | | |
| Respiratory products | **28,177** | 34,088 | **127,407** | 87,955 | **155,584** | 122,043 |
| Imaging disposable products | **125,721** | 92,555 | **–** | – | **125,721** | 92,555 |
| Orthopaedic and rehabilitation products | **30,813** | 30,039 | **4,202** | 5,129 | **35,015** | 35,168 |
| Other products | **44,915** | 30,965 | **–** | – | **44,915** | 30,965 |
| | **229,626** | 187,647 | **131,609** | 93,084 | **361,235** | 280,731 |
| **By geographical market** | | | | | | |
| The United States (the "**US**") | **120,725** | 153,656 | **2,795** | 1,974 | **123,520** | 155,630 |
| The PRC | **–** | – | **82,116** | 38,630 | **82,116** | 38,630 |
| Spain | **59,646** | 4,646 | **378** | 463 | **60,024** | 5,109 |
| Japan | **6,379** | 6,330 | **18,949** | 20,568 | **25,328** | 26,898 |
| Costa Rica | **11,168** | 8,542 | **–** | – | **11,168** | 8,542 |
| The Netherlands | **10,105** | 7,735 | **535** | – | **10,640** | 7,735 |
| Australia | **8,487** | 40 | **406** | 542 | **8,893** | 582 |
| Sweden | **3,864** | 2,070 | **–** | – | **3,864** | 2,070 |
| Mexico | **–** | – | **3,761** | 869 | **3,761** | 869 |
| Others | **9,252** | 4,628 | **22,669** | 30,038 | **31,921** | 34,666 |
| | **229,626** | 187,647 | **131,609** | 93,084 | **361,235** | 280,731 |
| **By timing of revenue recognition** | | | | | | |
| Products transferred at a point in time | **103,905** | 95,092 | **131,609** | 93,084 | **235,514** | 188,176 |
| Products transferred over time | **125,721** | 92,555 | **–** | – | **125,721** | 92,555 |
| | **229,626** | 187,647 | **131,609** | 93,084 | **361,235** | 280,731 |

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

| | **30 June 2023** | 31 December 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| Receivables, which included in "trade receivables" | **166,381** | 159,304 |
| Contract assets | **18,911** | 16,438 |

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

## 5. INCOME TAX EXPENSE

| | **Six months ended 30 June** | |
|---|---|---|
| | **2023** | 2022 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Current tax - Hong Kong Profits Tax | | |
| Provision for the period | **2,091** | 251 |
| Under-provision in prior years | **299** | – |
| | **2,390** | 251 |
| Current tax - the PRC | | |
| Provision for the period | **2,289** | 66 |
| Under-provision in prior years | **288** | – |
| | **2,577** | 66 |
| Current tax - Others | | |
| Provision for the period | **870** | 1,425 |
| Under-provision in prior years | **–** | 959 |
| | **870** | 2,384 |
| Deferred tax | **(562)** | (2,043) |
| Income tax expense | **5,275** | 658 |

Under the two-tiered profits tax regime, the first HK$2.0 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered profits tax rate regime will continue to be taxed at a rate of 16.5% (six months ended 30 June 2022: 16.5%).

PRC Corporate Income Tax has been provided at tax rates ranging from 15% to 25% for the six months ended 30 June 2023 (six months ended 30 June 2022: 15% to 25%).

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

## 6. PROFIT/(LOSS) FOR THE PERIOD

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

| | **Six months ended 30 June** | |
|---|---|---|
| | **2023** | 2022 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Allowance for inventories (included in cost sales) | **2,486** | 43,187 |
| Amortisation | **1,764** | 1,758 |
| Cost of inventories sold | **239,118** | 200,757 |
| Depreciation of property, plant and equipment | **9,817** | 10,503 |
| Depreciation of right-of-use assets | **8,265** | 8,799 |
| Directors' emoluments | **3,507** | 3,528 |
| Equity-settled share-based payments | **1,177** | 1,301 |
| Exchange (gains)/losses, net (included in other gains and losses) | **(2,626)** | 1,615 |
| Gain on disposal of other intangible assets (included in other gains and losses) | **–** | (621) |
| Impairment of trade receivables (included in other gains and losses) | **800** | – |
| Staff costs including directors' emoluments | **96,692** | 96,759 |
| Write off of inventories (included in cost of sales) | **805** | – |
| Write off of property, plant and equipment (included in other gains and losses) | **7** | 86 |

## 7. DIVIDEND

The Board has resolved to declare an interim dividend of HK1.25 cents per share for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

In celebration of the Company's 25th anniversary, the Board has resolved to declare a special dividend of HK2.5 cents per share for the six months ended 30 June 2022.

## 8. EARNINGS/(LOSS) PER SHARE

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

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| **Earnings/(loss)** | | |
| Profit/(loss) attributable to owners of the Company, used in the basic and diluted earnings/(loss) per share calculation | **26,600** | (44,363) |
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share | **648,023** | 654,153 |
| Effect of dilutive potential ordinary shares arising from share options issued by the Company *(Note)* | **n/a** | n/a |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share | **n/a** | n/a |

*Note:*

During the six months ended 30 June 2023, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise prices of those options were higher than the average market price for shares. The effect of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2022.

## 9. TRADE RECEIVABLES

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

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

| | **30 June 2023** | 31 December 2022 |
|---|---|---|
| | ***HK\$'000*** | *HK\$'000* |
| | **(unaudited)** | (audited) |
| 0 to 30 days | **57,708** | 63,197 |
| 31 to 60 days | **42,916** | 41,475 |
| 61 to 90 days | **25,402** | 23,273 |
| Over 90 days | **40,355** | 31,359 |
| | **166,381** | 159,304 |

## 10. TRADE PAYABLES

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

| | **30 June 2023** | 31 December 2022 |
|---|---|---|
| | ***HK\$'000*** | *HK\$'000* |
| | **(unaudited)** | (audited) |
| 0 to 30 days | **22,563** | 24,012 |
| 31 to 60 days | **7,119** | 8,170 |
| Over 60 days | **12,342** | 10,309 |
| | **42,024** | 42,491 |

## MANAGEMENT DISCUSSION AND ANALYSIS

Entering 2023, the medical device industry was still affected by the financial strain over hospital systems worldwide, with medical institutions delaying and reducing medical investments and new product adoption, that has also brought notable disruptions to local medical distribution networks. Amid the uncertain market, a number of industry players are also undergoing reorganisations, in order to find focus on product development and efficiency in sales channel.

Despite the challenging market conditions and operating environment, the Group was able to leverage its established market presence and delivered organic growth during the Period. Supported by its expansive product portfolio and technological know-how, there was a steady demand for its respiratory products, particularly the inspired™ product line, highlighting the rising penetration of the Group's respiratory products in the PRC.

Meanwhile, the Group's strategic priority remains on driving sustainable revenue growth by expanding into high-growth businesses and markets. One of the key focuses is the imaging disposable products segment, which has showcased its potential with an uninterrupted revenue growth since 2020. By investing and upgrading its production capability, the Group also saw growing contributions from the segment, with segment revenue increasing by 35.8%.

With the increasing awareness about health and wellness, there is also a growing demand for healthcare and wellness devices and solutions. During the Period under review, the Group continued to build on its expertise in medical device manufacturing, expanding its manufacturing portfolio to healthcare and wellness products. So far, the Group is making meaningful progress, and saw increased revenue contribution in 1H2023.

## RESPIRATORY PRODUCTS SEGMENT

| | **Six months ended 30 June (unaudited)** | | |
|---|---|---|---|
| | **2023** | 2022 | Change |
| | ***HK$'000*** | *HK$'000* | |
| O2FLO high flow respiratory humidifier ("**O2FLO**") | **9,885** | 3,250 | +204.2% |
| O2FLO disposables | **5,028** | 2,878 | +74.7% |
| VHB series respiratory humidifier ("**VHB Humidifier**") | **19,836** | 8,539 | +132.3% |
| VHB Humidifier disposables | **44,812** | 27,884 | +60.7% |
| Other respiratory products | **47,846** | 45,404 | +5.4% |
| OEM respiratory products | **28,177** | 34,088 | –17.3% |
| Total | **155,584** | 122,043 | +27.5% |

Respiratory products segment reported a revenue of HK$155.6 million during the Period, accounting for 43.1% of the Group's revenue and representing an increase of 27.5% as compared to 1H2022 (1H2022: HK$122.0 million), primarily attributable to the 44.9% growth in sales from the inspired™ respiratory devices and their dedicated disposables. As the world shifts to the next gear in the post-pandemic era, market conditions for respiratory devices also recover steadily and has returned to a normal state. Along with improving operational efficiency, segment gross profit margin improved to 37.8% (1H2022: 33.0%).

For the inspired™ line of respiratory products, the Group continued to invest in clinical education and provide product training and support to its business partners, in an attempt to drive product adoption. During the Period, revenue generated from inspired™ respiratory products increased to HK$127.4 million (1H2022: HK$88.0 million).

Looking ahead, the Group is looking forward to the planned introductions of an extending range of product applications in new markets. The move should lay a solid foundation for its respiratory products segment, allowing it to continue its growth pattern in the pre-pandemic times.

**Other respiratory products**

Other respiratory products include respiratory filters, respiratory and anaesthesia circuits and other respiratory disposables. As the demand for such products continued to recover, its revenue increased by 5.4% to HK$47.8 million (1H2022: HK$45.4 million).

**OEM respiratory products**

Sales of OEM respiratory products decreased by 17.3% to HK$28.2 million (1H2022: HK$34.1 million). This was mainly driven by the challenges in the US market, with decrease in sales volume of existing products due to customers destocking.

Nonetheless, the Group continued to made progress in other markets, as the Group saw an upturn in orders towards the end of the Period for transport ventilators and its disposables.

## IMAGING DISPOSABLE PRODUCTS SEGMENT

The Group manufactures and sells imaging disposable products on an OEM basis to one of the world's leading solutions providers of diagnostic imaging. As a trusted partner, the Group supports its customer in the design and manufacturing of various contrast media injectors and disposable components, and remains an integral part of its growth strategy worldwide. Supported by the deepening collaboration with the customer, as well as the resumption of routine medical imaging diagnostic services across the globe, there was an increase in demand for imaging disposables, leading to an expanding contribution from the segment.

During the Period, revenue of the imaging disposable products segment reached HK$125.7 million, accounting for 34.8% of the Group's revenue, representing a 35.8% increase as compared to 1H2022 (1H2022: HK$92.6 million). Segment gross margin largely remained stable at 30.4% (1H2022: 31.3%).

## ORTHOPAEDIC AND REHABILITATION PRODUCTS SEGMENT

Sales of the orthopaedic and rehabilitation products segment demonstrated its resilience, with revenue slightly decreased from HK$35.2 million to HK$35.0 million, accounting for 9.7% of the Group's revenue. Segment margin strengthened from 24.0% to 37.0%, primarily attributable to price increases and favourable movement in foreign exchange rates.

## OTHER PRODUCTS

Other products include moulds, surgical disposables, surgical patient warming devices and their disposables, plastic disposable products and healthcare and wellness devices. During the Period, revenue from other products increased by 45.1% from HK$31.0 million to HK$44.9 million, primarily attributable to the increase in sales volume of surgical patient warming devices and their disposables, along with increased revenue contribution from healthcare and wellness devices.

## INVESTMENTS AND COLLABORATION

Despite the depreciation of Japanese Yen ("**JPY**"), Inspired Medical Japan Co., Limited, a company incorporated in Japan and an indirect non-wholly owned subsidiary of the Company, maintained its satisfactory business results during the Period. As the inspired™ product line continued to gain traction in the country, the team is also looking to expand its product offering through the distribution of other products, in order to further drive market penetration.

During the Period, Inovytec Medical Solutions Limited ("**Inovytec**") continued to drive wider adoption of its transport ventilator, and saw update of orders from the US towards the end of the Period. Being a shareholder and also its contract manufacturer, the Group remains optimistic over its long-term business prospect.

## OUTLOOK

Looking ahead, the Group will continue to drive product innovation and registration of its respiratory solutions. The Group will also ride on the high customer stickiness of its imaging disposable products segment, as well as the growing healthcare and wellness opportunities, to further diversify its business and deliver sustainable revenue growth. The Group remains cautiously optimistic for the rest of 2023, as it continues to navigate a mix of headwinds in the macroeconomic environment.

To achieve its strategic priority of long-term margin and earnings improvement, the Group is committed to investing in its infrastructure. The Group intends to build a new production facility in the Industrial Park in Cuishanhu New District, Kaiping City, Jiangmen City, one of the key cities in the Guangdong-Hong Kong-Macao Greater Bay Area. The groundbreaking ceremony took place on 30 June 2023, and the new production facility is expected to gradually commence operations in 2025. The addition of the new manufacturing and research and development ("**R&D**") facility will diversify the Group's production bases, alleviate capacity constraints, which in turn, allow quicker sales intake and yield greater automation that would empower the Group to deliver cost efficiency in the long-run, thus laying a solid foundation for future financial performance.

## FINANCIAL REVIEW

### REVENUE

Total revenue for the Period amounted to HK$361.2 million (1H2022: HK$280.7 million), representing an increase of 28.7%. This was mainly attributable to the 35.8% increase in revenue from the imaging disposable products segment, and the 27.5% increase in the respiratory products segment.

In terms of geographical market, the US and Europe accounted for 34.2% (1H2022: 55.4%) and 23.6% (1H2022: 9.7%) of total revenue, respectively. Sales generated from the PRC increased by 112.6% to HK$82.1 million (1H2022: HK$38.6 million) and accounted for 22.7% (1H2022: 13.8%) of total revenue.

### GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit increased by 223.0% to HK$118.8 million (1H2022: HK$36.8 million), mainly attributable to the increase in revenue and gross profit margin. Gross profit margin jumped from 13.1% to 32.9%, as a result of the decrease in allowance for inventories, improvement in operating efficiency and depreciation of RMB.

### OTHER INCOME, OTHER GAINS AND LOSSES

Other income, other gains and losses mainly comprises government subsidies, rental support for tenants at Song Shan Lake Technology Park, exchange differences and impairment/write off of assets. During the Period, the amount decreased from HK$3.2 million to HK$3.0 million.

### SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by 25.5% to HK$18.8 million (1H2022: HK$15.0 million), largely in line with the increase in revenue. As a percentage of revenue, such expenses slightly decreased to 5.2% (1H2022: 5.3%).

## ADMINISTRATIVE EXPENSES

Administrative expenses increased by 2.5% to HK$51.6 million (1H2022: HK$50.4 million), accounting for 14.3% of total revenue (1H2022: 17.9%).

## RESEARCH AND DEVELOPMENT EXPENSES

The Group continued to put considerable effort into technology innovation, process development, commercial manufacturing, and process restructuring in order to shorten the time-to-market of its technologies. In addition, in order to comply with the latest European Union Medical Device Regulation (the "**EU MDR**"), the Group allocated additional R&D resources during the Period to ensure that its technical documentation is ready to comply with the new EU MDR by 2027.

Research and development expenses for the Period amounted to HK$18.1 million (1H2022: HK$16.5 million), corresponding to 5.0% (1H2022: 5.9%) of the Group's revenue.

## INCOME TAX EXPENSE

During the Period, the Group recorded an income tax expense of HK$5.3 million (1H2022: HK$0.7 million), primarily attributable to the increase in income before tax.

## PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

As a result of the foregoing, the Group recorded a profit attributable to owners of the Company of HK$26.6 million (1H2022: loss attributable to owners of the Company of HK$44.4 million).

## PROPERTY, PLANT AND EQUIPMENT

The Group incurred capital expenditure of HK$3.8 million (1H2022: HK$4.6 million) during the Period, which mainly included the purchase and upgrade of machineries, tooling and equipment. As at 30 June 2023, property, plant and equipment was HK$92.0 million (31 December 2022: HK$100.8 million).

## RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

As at 30 June 2023, right-of-use assets and lease liabilities amounted to HK$12.8 million (31 December 2022: HK$21.3 million) and HK$13.3 million (31 December 2022: HK$21.9 million), respectively. The decrease was attributable to depreciation of right-of-use assets, lease rental paid and exchange differences.

## INVENTORIES

Inventories as at 30 June 2023 was HK$173.7 million (31 December 2022: HK$174.0 million), mainly consists of raw materials, work-in-progress and finished goods. The Group will continue to apply stringent policy in inventory control, anticipation of future demand and potential supply chain volatility.

## TRADE RECEIVABLES

Trade receivables as at 30 June 2023 was HK$166.4 million (31 December 2022: HK$159.3 million), reflecting stronger orders and revenue. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing its credit exposure.

## LIQUIDITY AND FINANCIAL RESOURCES AND BORROWINGS

During the Period, the Group continued to maintain a healthy financial position amid the fluctuating macroenvironment. Bank and cash balances as at 30 June 2023 was HK$141.8 million (31 December 2022: HK$159.3 million). This was a result of the net cash inflow from operating activities of HK$34.9 million, net cash outflow from investing activities of HK$10.9 million, net cash outflow from financing activities of HK$38.0 million, and the negative effect of foreign exchange rate changes of HK$3.5 million. Most of the bank and cash balances were denominated in Hong Kong dollars ("**HKD**"), US dollars ("**USD**") and RMB. As at 30 June 2023, total borrowings amounted to HK$12.2 million (31 December 2022: HK$38.5 million). The decrease in borrowings mainly represented net repayment during the Period. The net gearing ratio, which was calculated based on the amount of total borrowings divided by the total equity attributable to owners of the Company, was 0.02 (31 December 2022: 0.08). As at 30 June 2023, the Group had unutilised bank facilities of HK$100.4 million.

## HUMAN RESOURCES

As at 30 June 2023, the total number of full-time employees of the Group was 1,262 (31 December 2022: 1,226). The remuneration of employees was determined according to their experience, qualifications, result of operations of the Group and market condition. We offered senior management and key executives performance-based bonus and share options to reward and retain high-calibre employees. We also adopted commission and incentive plans to motivate and reward our sales and marketing team.

During the Period, staff costs including Directors' emoluments amounted to HK$96.7 million (1H2022: HK$96.8 million), representing 26.8% (1H2022: 34.5%) of the Group's revenue.

## CAPITAL STRUCTURE

As at 30 June 2023, the issued share capital of the Company was approximately HK$6.5 million (31 December 2022: approximately HK$6.5 million), comprising 653,336,332 shares of the Company (the "**Shares**") (31 December 2022: 653,336,332 Shares) of nominal value of HK$0.01 per Share.

## SIGNIFICANT INVESTMENT

As at 30 June 2023, the Company considered that the following equity investment at FVTOCI is significant in nature:

| Name of company | Principal business | Approximate percentage of shareholding | Total investment | Fair value of the equity investment | | Assets ratio defined under the Listing Rules | |
|---|---|---|---|---|---|---|---|
| | | | | **30 June 2023 (unaudited)** | 31 December 2022 (audited) | **30 June 2023 (unaudited)** | 31 December 2022 (audited) |
| Inovytec | An Israeli company that develops medical devices with a focus on routine and emergency respiratory and cardiac failures. | 13.68% | US$3.0 million (equivalent to HK$23.4 million) | **US$2.9 million (equivalent to HK$22.7 million)** | US$3.1 million (equivalent to HK$24.5 million) | **3.3%** | 3.4% |

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

## MATERIAL ACQUISITIONS AND DISPOSALS

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

## EVENTS AFTER THE REPORTING PERIOD

(a) On 28 June 2023, 廣東永勝醫療科技有限公司 (translated as "Guangdong Vincent Medical Technology Co., Limited", "**VM Guangdong**"), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company, has successfully won the bid for the land use rights of the land parcel situated in Area C, Tianhu 2nd Road North, Cuishanhu New District, Kaiping City, Jiangmen City, Guangdong Province, the PRC (the "**Land**") through listing-for-sale by the Bureau of Land and Resources of Kaiping (開平市自然資源局) at the consideration of RMB28.2 million (equivalent to approximately HK$30.5 million, the "**Consideration**"). The Group had paid RMB8.5 million (equivalent to approximately HK$9.2 million) as deposit for the listing-for-sale of the Land, which formed part of the payment of the Consideration in relation to the acquisition of the land use rights of the Land. For details, please refer to the Company's announcement dated 28 June 2023.

Subsequent to the date of the reporting period, VM Guangdong has entered into the relevant State-owned Construction Land Use Rights Grant Contract (國有建設用地使用權出讓合同) dated 5 July 2023 with the Bureau of Land and Resources of Kaiping in relation to the transfer of land use rights of the Land. The Group had settled the remaining balance of the Consideration of RMB19.7 million (equivalent to approximately HK$21.3 million) on 7 July 2023 and obtained the real estate property certificate of the Land on 13 July 2023.

(b) With effect from 25 July 2023, Dr. Leung Ming Chu ("**Dr. Leung**") has been appointed as a non-executive Director. Dr. Leung has entered into a service agreement dated 25 July 2023 with the Company in respect of her appointment as a non-executive Director for an initial term of three years commencing from 25 July 2023. For details, please refer to the Company's announcement dated 25 July 2023.

Saved as disclosed above, there were no other significant events after the reporting period up to the date of this announcement.

## CHARGES ON THE GROUP'S ASSETS

As at 30 June 2023, none of the assets of the Group were pledged.

## FOREIGN EXCHANGE EXPOSURE

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

## CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have other contingent liabilities.

## INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK1.25 cents per Share (the "**Interim Dividend**") for the Period (1H2022: Nil) to the shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company on Monday, 11 September 2023, being the record date for ascertaining the Shareholders' entitlement to the Interim Dividend. The Interim Dividend will be paid to the Shareholders on or around Friday, 29 September 2023.

The register of members of the Company will be closed from Thursday, 7 September 2023 to Monday, 11 September 2023, both days inclusive, during which period no transfer of the Shares will be registered. In order to establish entitlements to the Interim Dividend, the Shareholders must lodge all transfer forms accompanied by the relevant share certificates for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harbour Road, Hong Kong no later than 4:30 p.m. on Wednesday, 6 September 2023.

## CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the Corporate Governance Code (the "**CG Code**") as contained in Part 2 of Appendix 14 to the Listing Rules as its own code of corporate governance. The corporate governance principles of the Company emphasise a quality Board, sound internal controls and risk management, and transparency and accountability to all Shareholders. In the opinion of the Directors, the Company has complied with all the applicable code provision as set out in the CG Code throughout the Period.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") RESPONSIBILITY

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

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

## AUDIT COMMITTEE

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

The Group's unaudited consolidated interim results for the Period have been reviewed by the Audit Committee.

RSM Hong Kong, the Company's auditor, has reviewed the unaudited consolidated interim results of the Group for the six months ended 30 June 2023 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The auditor's independent review report will be included in the Company's interim report for the six months ended 30 June 2023 to the Shareholders.

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

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

## PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The interim report of the Company for the six months ended 30 June 2023 containing all the relevant information required by the Listing Rules and the relevant laws and regulations will be dispatched to the Shareholders and available on above websites in due course.

## APPRECIATION

The Board would like to thank all our stakeholders and business partners for their ongoing support, and our management and employees for their dedication and contributions to our progress.

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

Hong Kong, 23 August 2023

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