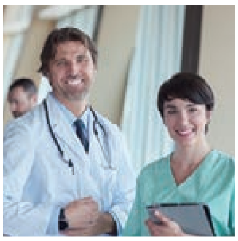
Vincent Medical

VINCENT MEDICAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1612



ANNUAL REPORT 2019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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. CHAN Ling Ming (Resigned on 13 June 2019)
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
Mr. CHAN Ling Ming (Ceased on 13 June 2019)
Prof. YUNG Kai Leung (Appointed on 13 June 2019)

Nomination Committee

Mr. CHOI Man Shing *(Chairman)*
Mr. MOK Kwok Cheung Rupert
Mr. CHAN Ling Ming (Ceased on 13 June 2019)
Prof. YUNG Kai Leung (Appointed on 13 June 2019)

Remuneration Committee

Mr. MOK Kwok Cheung Rupert *(Chairman)*
(Appointed as chairman on 13 June 2019)
Mr. CHOI Man Shing
Mr. CHAN Ling Ming (Ceased on 13 June 2019)
Prof. YUNG Kai Leung (Appointed on 13 June 2019)

Risk Management Committee

Mr. KOH Ming Fai *(Chairman)*
Mr. KWOK Kam Ming
Ms. HU Fang
Mr. ZHANG Changqing
Mr. LAI Hoi Ming (Appointed on 23 August 2019)

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

Flat B2, 7th Floor, Phase 2,
Hang Fung Industrial Building,
2G Hok Yuen Street,
Hung Hom, Kowloon, Hong Kong

AUDITOR

RSM Hong Kong
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) 2365 5688
Fax	:	(852) 2765 8428
Email	:	investors@vincentmedical.com

STOCK CODE

1612

COMPANY WEBSITE

www.vincentmedical.com

In this Annual Report (except the sections of "Independent Auditor's Report" and the audited consolidated financial statements set out on pages 79 to 163), 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 Wednesday, 20 May 2020 at 10:00 a.m. or any adjournment thereof
"Articles of Association"	the articles of association of the Company as amended from time to time
"Audit Committee"	the audit committee of the Company
"Avalon"	Avalon Photonics Holdings Limited, a limited liability company incorporated under the laws of the British Virgin Islands
"Board"	the board of the Directors
"Cayman Companies Law"	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"CE"	Conformité Européenne
"CEO"	Mr. To Ki Cheung, the chief executive officer of the Company
"CG Code"	the Corporate Governance Code and Corporate Governance Report 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 or supplemented 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 and the Shares of which are listed on the main board of the Stock Exchange
"Company Secretary"	Ms. Tsui Lai Ki Vicki, the company secretary of the Company
"connected person"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholders"	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
"CPAP"	continuous positive airway pressure
"Director(s)"	the director(s) of the Company

Definitions

"Dividend Policy"	the dividend policy as adopted by the Company on 12 December 2018
"DVRD"	東莞永健康復器具有限公司 (translated as "Dongguan Vincent Rehabilitation Devices Company Limited"), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
"FDA"	the Food and Drug Administration of the US
"Fresca"	Fresca Medical, Inc., a limited liability company incorporated under the laws of Delaware, the US
"Group"	the Company and its subsidiaries
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"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 and an indirect non-wholly owned subsidiary of the Company
"Independent Third Parties"	a person who, as far as the Directors are aware after having made all reasonable enquires, 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
"MHLW"	the Japan's Ministry of Health, Labour and Welfare
"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 Company
"OBM"	original brand manufacturing
"OEM"	original equipment manufacturing
"PAP"	positive airway pressure
"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 Company
"Retraction"	Retraction Limited, a limited liability company incorporated in Hong Kong
"Risk Management Committee"	the risk management committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Share Option Scheme"	the share option scheme as adopted by the Company on 24 June 2016
"Shareholder(s)"	holder(s) of the 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
"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 non-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 non-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 wholly-owned by VRHK
"VRDL"	VINCENT RAYA DEVELOPMENT LIMITED (永勝宏基發展有限公司), a limited liability company incorporated in Hong Kong and wholly-owned by VRI
"VRHK"	VINCENT RAYA CO., LIMITED (永勝宏基集團有限公司), a limited liability company incorporated in Hong Kong and wholly-owned by VRI
"VRI"	VINCENT RAYA INTERNATIONAL LIMITED, a limited liability 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

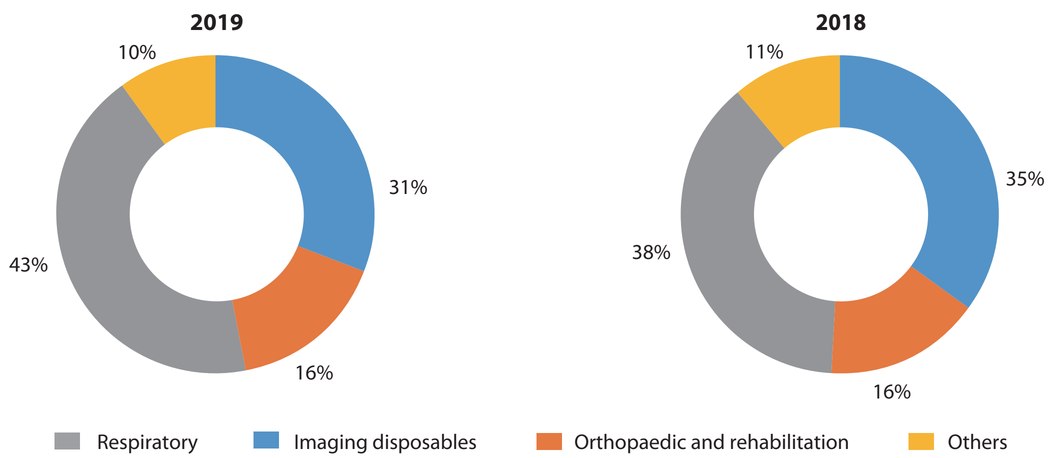
Definitions

"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
"100ecare"	廣州柏頤信息科技有限公司 (translated as "Guangzhou 100ecare Technology Co. Ltd."), a limited liability company established in the PRC
"%"	per cent.

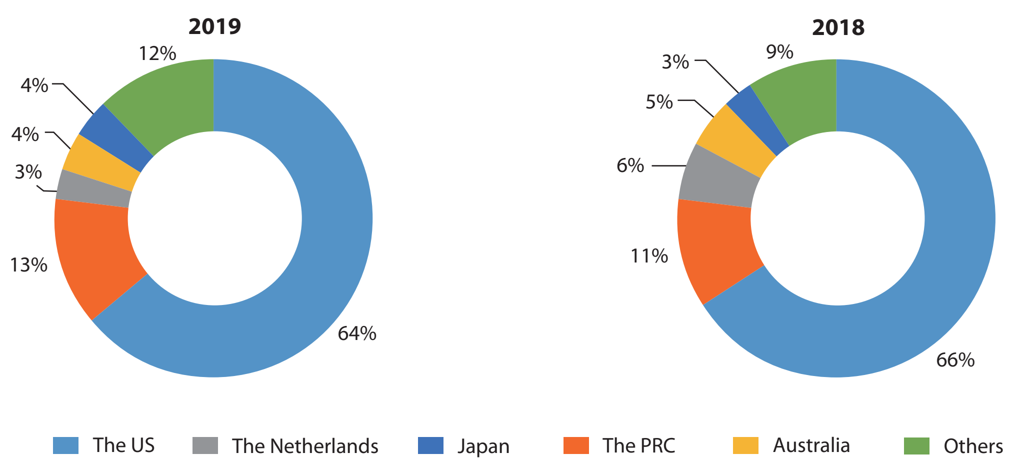
	For the year ended 31 December		
	2019	2018	Change
	HK$'000	HK$'000	
Revenue	**502,200**	488,030	2.9%
Gross profit	**162,007**	155,608	4.1%
Profit for the year	**12,857**	34,203	-62.4%
Profit attributable to owners of the Company	**11,525**	30,943	-62.8%
Basic earnings per share (HK cents)	**1.81**	4.85	-62.7%
Dividend per share (HK cents)	**1.10**	1.60	-31.3%

REVENUE ANALYSIS

By Product Category



By Geography



2019 Milestones

1 JAN

- Obtained Japan's Pharmaceuticals and Medical Devices Agency approval for Inspired® O_2B Electronic Air-Oxygen Blender
- The new facilities in Dongguan Songshan Lake Science and Technology Industrial Park officially in operation

2 FEB

- The Hand of Hope was chosen as one of the four robotic rehabilitation technologies by the "CUHK Jockey Club HOPE4Care Programme"
- The High Flow Oxygen Therapy Device (VUN-001) was qualified for priority approval for Class II medical device by Guangdong Provincial Medical Products Administration

5 MAY

- Obtained NMPA approval for Hypnus™ PAP 8 Series ventilator and its accessories

8 AUG

- Inspired® VHB200 Heated Humidifier was showcased in the 41st Annual Meeting, Japanese Society of Respiratory Care Medicine and officially launched to market by our partner

10
OCT

- Opened the Group's first overseas office in Tokyo, Japan
- Obtained MHLW approval for CALIMA™ Forced Air Warming System, and Heat and Moisture Exchange (HME) Filter

11
NOV

- Received CE mark approval for wide spectrum of Inspired® respiratory products under "Inspired®", including Sterile HME Filter, Nasal Cannulas, Electronic Air-Oxygen Blender (O_2B) and High Flow Heated Respiratory Humidifier (O_2FLO)

12
DEC

- Opened a new sales support office in Beijing, the PRC

Chairman's Statement

"We need to stay focused on our core competence in respiratory area. I firmly believe that we have the right strategy and talent in place to enable consistent growth in the future."

Dear Shareholders,

On behalf of the Board, I am pleased to present the audited results of the Group for the year ended 31 December 2019.

In 2018, I reported the consistent growth from both of our OEM and OBM businesses; however during the past financial year, the Group was unable to deliver growth in profit attributable to the Shareholders, largely due to the below-expectation performance from the investments we made in the past three years, leading to an impairment of HK$9.6 million. Nonetheless, our core operations continued to perform well, with the Group's total revenue for the year up by 2.9% to HK$502.2 million and gross profit up by 4.1% to HK$162.0 million. In view of the financial results and the Dividend Policy of paying out no less than 30% of the underlying earnings, the Board recommends the payment of a final dividend of HK1.10 cents per Share for 2019 (2018: HK1.60 cents), or HK$7.0 million (2018: HK$10.2 million) in total. This represents a 33.2% payout ratio (based on profit attributable to owners of the company of HK$11.5 million, adding back one-off impairment losses), which is in line with the Dividend Policy.

We believe our innovation and new product development has continued to fuel long-term growth. Few years ago, the Group has identified nasal high flow oxygen therapy as the up-and-coming opportunity given its many benefits from both clinical and health economics perspectives. With considerable investments on product development over the past three years, we are now ready to embrace the opportunity by introducing Inspired® O_2FLO Respiratory Unit, O_2B Electronic Air-Oxygen Blender, as well as a line of related disposable products to the market. In addition, we saw other major products launched in 2019, including Hypnus™ PAP 8 Series ventilator and Inspired® VHB200 Heated Humidifier. I feel incredibly proud of what the Group has accomplished in product development, and we remain optimistic in having additional launches planned for 2020.

The medical device industry has always been highly regulated with continuous changes. I am pleased to report that during the year, we have made considerable progress in product registration for our OBM segment especially in Japan, the 3rd largest medical device market after the US and the PRC. The establishment of our first overseas office in Tokyo represented a pivotal action to not only enhance our marketing efficiency and distribution reach, but also strengthen our regulatory affairs and service support capabilities, which is essential in further capturing such enormous market. Meanwhile, demand for medical device in the PRC has grown at a rapid rate in the past decade. In the next decade, both production and demand will continue to grow, and we will continue to focus on expanding our reach and penetrating further into the PRC market through closer collaboration with our existing customers. With the newly established sales support office in Beijing opened in December 2019, we can further strengthen our service capabilities in this fast-growing market.

Looking forward, we expect the Group's OEM segment to resume growth, as the raw material supply is expected to normalise in the second quarter of 2020 and additional orders from existing customers has gradually run in. For our OBM segment, we continue to expect a robust growth momentum through 2020 and onwards, as we will continue to prudently invest in R&D, network expansion, and new product promotional programs in order to drive the growth of our in-house brand Inspired®. We will also look to expand, train and strengthen our sales team to provide adequate product training and clearly explain the clinical advantages of our products to clients, further facilitating product adoption. Supported by the new products roll-out and the gradual expansion of markets of existing products, the Inspired® brand is expected to become more prominent in the global market.

We will continue with our long-term strategy of transforming into a comprehensive hospital and homecare respiratory medical device provider for both disposables and equipment. From the meaningful progress of R&D projects to the successful applications for product registration, we are looking forward to realising greater benefits from the resources devoted to R&D through further product development, regulatory approval and marketing. We will also take a more cautious approach in evaluating and monitoring the development of the invested companies, as prudent capital allocation remains a fundamental part of our strategy.

The coronavirus pandemic

The recent outbreak of the novel coronavirus ("**COVID-19**") has created both challenges and opportunities for the Group. As a medical device provider specialised in the respiratory area, the Group is committed to supporting the fight against this virus, and was able to respond quickly by resuming and ramping up its production, despite the disruption of raw material supply chain along with the labour shortage accompanied with the outbreak and Chinese New Year holiday. Being identified by certain world-leading medical device companies as a supplier of compatible humidification system and disposables that are used together with their respective hospital ventilators, the Group is seeing an increase in sales order and awareness of Inspired® products globally.

Specifically, in February 2020, the Group's O_2FLO Respiratory Unit (VUN-001) and its related disposables received approval from the NMPA, and has since being used on patients diagnosed with COVID-19 as part of the supportive care to help relieve symptoms.

The Board highly appreciate the efforts of our people and suppliers who have been working relentlessly to fulfill the urgent orders while maintaining daily operations. To help fight the pandemic, the Group donated devices used for treating patients with respiratory illnesses in February 2020 and other related disposables to designated hospitals in the PRC. Given the unpredictable nature of the virus, the Group will continue to fulfill its responsibility as a manufacturer of essential medical device by offering products to those who are in need, while generating values for all stakeholders.

The Group has carried out extensive work in coordinating with local government to ensure the health and safety of workers

As ever, I want to express my sincere gratitude towards everyone who contributed to Vincent Medical's continued success, including our Directors, management, partners and staff. I would also like to extend my appreciation to all our Shareholders for your trust and support.

Choi Man Shing
Chairman and Executive Director

Hong Kong, 20 March 2020

REVIEW OF OPERATIONS

OEM

During the year, the Group has put a lot of focus on further strengthening its relationships with key OEM customers especially on orders and product development. Specifically, the Group renewed the supply agreement with Bayer HealthCare LLC and Imaxeon Pty Ltd, the Group's largest revenue contributing customer, while also entered into a long-term supply agreement with Vyaire Medical, Inc., the Group's second-largest revenue contributing customer. Such increase in order book visibility provided reassurance to the Group's financial performance, guaranteeing the economies of scale at the Group's production facilities for margin protection. In addition, by leveraging customers' respective capabilities, the Group also explored various product co-development opportunities in the CT (Computed Tomography) scan and respiratory areas.

Revenue from the OEM segment amounted to HK$376.4 million (2018: HK$389.8 million), representing a decrease of 3.4% and accounted for 74.9% of the Group's total revenue (2018: 79.9%). The decrease was primarily due to the temporary shortage of certain raw materials caused by quality issues of suppliers, which affected the production of imaging disposable products in the second half of 2019. However, higher revenue contribution from respiratory products and orthopaedic and rehabilitation products was able to partially offset the decrease in revenue from imaging disposable products and other products. Despite the lower production volume of imaging disposable products, segment gross profit margin remained stable at 30.1% (2018: 30.4%).

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

By product category

	For the year ended 31 December				
	2019		2018		
	HK$'000	***% of segment revenue***	*HK$'000*	*% of segment revenue*	Change
Imaging disposable products	**157,149**	**41.8%**	170,548	43.8%	–7.9%
Respiratory products	**97,815**	**26.0%**	95,664	24.5%	+2.2%
Orthopaedic and rehabilitation products	**70,910**	**18.8%**	69,828	17.9%	+1.5%
Other products (includes infusion regulators, moulds, surgical tools and plastic disposable products)	**50,509**	**13.4%**	53,752	13.8%	–6.0%
Total	**376,383**	**100.0%**	389,792	100.0%	–3.4%

Notwithstanding the trade tension between the US and the PRC during the year, OEM sales to the US increased by 0.7% to HK$313.6 million. Sales to Australia decreased by 28.4%, primarily due to the shift in procurement practices from Australia to the US by a key customer. Lower sales of respiratory products in Europe led to the decrease of 31.0% of sales in the region.

The table below sets forth the revenue breakdown of the Group's OEM segment by location of customers:

By geography

	For the year ended 31 December				
	2019		2018		
	HK$'000	***% of segment revenue***	*HK$'000*	*% of segment revenue*	Change
The US	**313,563**	**83.3%**	311,317	79.9%	+0.7%
Australia	**18,186**	**4.8%**	25,405	6.5%	–28.4%
Europe	**22,408**	**6.0%**	32,487	8.3%	–31.0%
Japan	**13,890**	**3.7%**	12,679	3.3%	+9.6%
Others (including Israel, Hong Kong, etc.)	**8,336**	**2.2%**	7,904	2.0%	+5.5%
Total	**376,383**	**100.0%**	389,792	100.0%	–3.4%

OBM

In 2019, the Group continued with its long-term strategy to grow its OBM business, gradually transforming into a comprehensive respiratory medical device provider for both disposables and equipment. The regulatory approval of our key devices during the year, including Hypnus™ PAP 8 Series ventilators, single use CPAP Patient Interface and Nasal Cannula, O_2FLO Respiratory Unit, O_2B Electronic Air-Oxygen Blender (both devices developed for the growing high flow oxygen therapy market) and the humidification systems under different jurisdictions, represents a strong testament to the Group's R&D capability. The additions to its product range have further solidified the Group's market position in respiratory solutions, particularly in high flow oxygen therapy.

Under the orthopaedic and rehabilitation product segment, the Hand of Hope, the Group's interactive intention-driven hand training robotic system for neuromuscular rehabilitation of the hand and forearm, was chosen as one of the four evidence-based advanced rehabilitation technologies by the "CUHK Jockey Club HOPE4Care Programme", a three-year projects co-organised by the Hong Kong Jockey Club Charities Trust and the Chinese University of Hong Kong. A total of 40 sets of the Hand of Hope will be deployed to 40 local elderly day care or rehabilitation centres in Hong Kong from 2019 to 2021.

As a result of the satisfactory product development, the OBM segment continued its robust performance during the year, recording a 28.1% growth in revenue to HK$125.8 million (2018: HK$98.2 million). This was boosted by the additional revenue contributions from new respiratory devices mainly launched during the previous two years, which accounted for 28.3% of segment revenue for the year (2018: 17.0%). Segment gross profit margin increased from 37.8% to 38.7%, mainly attributable to product mix enhancement with higher sales from electronic device which has partially compensated for the decrease in profit margins of disposables in the PRC market.

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

By product category

	For the year ended 31 December				
	2019		2018		
	HK$'000	***% of segment revenue***	*HK$'000*	*% of segment revenue*	Change
Respiratory products	**114,546**	**91.0%**	88,203	89.8%	+29.9%
Orthopaedic and rehabilitation products	**11,271**	**9.0%**	10,035	10.2%	+12.3%
Total	**125,817**	**100.0%**	98,238	100.0%	+28.1%

While the PRC market continued to be the major market for the OBM segment, with sales grew by 23.6% to HK$66.4 million (2018: HK$53.7 million) and accounted for 52.7% of segment revenue, the international market (ex-China) also experienced significant growth of 33.5% with revenue reached HK$59.4 million (2018: HK$44.5 million).

The jump in sales to Europe by 59.8% to HK$16.7 million was attributable to new customer wins and product range expansion after obtaining the CE mark approval for certain products. The Group has also identified Japan, being one of the largest medical device markets in the world, as a key growth area. During the year, the Group successfully obtained the approval from the MHLW for several Inspired® devices and became the supplier of several key medical device conglomerates in Japan for respiratory devices, disposables and surgical equipment. Sales to the Japanese market jumped by 189.8% to HK$6.4 million in 2019.

Observing such encouraging development in Japan, the Group established its first overseas office in Tokyo with the aim to further enhance its marketing efficiency and distribution reach, as well as to strengthen its regulatory affairs and service support capabilities, which is essential to further capture such enormous market. Currently, the team in Japan is in discussion with potential partners to distribute a wider variety of products to the Japanese market. In January 2020, the Group partnered with a top-notch distributor for the CALIMA™, a forced air warming system for surgical patient that the Group owns the license to manufacture and sell in certain countries, for nationwide exclusive distribution of the devices and the disposables (single use patient blanket) in Japan.

Despite the emphasis to develop the international market, the Group sees the importance to maintain its stable relationship with key distributors in the PRC. In December 2019, the Group opened a new office in Chaoyang District, Beijing, in order to actively manage its network of distributors, as well as to better serve its distributors and hospitals in Beijing-Tianjin-Hebei region, Inner Mongolia, Shanxi and Shandong provinces by providing adequate training on the use of products.

The table below sets forth the revenue breakdown of the Group's OBM segment by location of customers:

By geography

	For the year ended 31 December				
	2019		2018		
	HK$'000	***% of segment revenue***	*HK$'000*	*% of segment revenue*	Change
The PRC	**66,356**	**52.7%**	53,671	54.6%	+23.6%
Europe	**16,692**	**13.3%**	10,448	10.6%	+59.8%
Japan	**6,408**	**5.1%**	2,211	2.3%	+189.8%
North America	**12,128**	**9.6%**	10,852	11.0%	+11.8%
India	**3,017**	**2.4%**	2,626	2.7%	+14.9%
Others	**21,216**	**16.9%**	18,430	18.8%	+15.1%
Total	**125,817**	**100.0%**	98,238	100.0%	+28.1%

Investments and collaboration

In 2019, Ventway Sparrow (the ultra-light weight transport and emergency turbine ventilator developed by Inovytec continued to record growing sales in Europe. The device was also submitted for FDA approval, and is expected to receive clearance in the first half of 2020. In addition, SALI® (a full critical first-aid solution that provides treatment, real-time monitoring and communication to local emergency dispatch) has been fully integrated into the public emergency dispatch communication systems in Marburg, Germany, and was chosen to be part of a national project led by the Emergency Healthcare Services in Romania.

Meanwhile, Fresca continued to make progress on its core technology, and has completed a clinical study with 42 patients in the sleep lab and tested its system performance under the supervision of a well-known researcher/scientist and sleep expert, Dr. Mark Goetting. The result was encouraging, as it has confirmed that the Fresca Somnera™ System treats sleep apnea effectively, and is also safe and comfortable to wear throughout the night. There was also continuous refinement in the breathing hardware and software for the second FDA 510(k) submission and certification body submission in Japan. With the support of the Group, Fresca continued to make progress in manufacturing setup and transfer.

100ecare introduced a series of new products and solutions in 2019 to cope with the growing need for elderly healthcare services and recorded a revenue growth of 31.9% to RMB16.6 million. Their solutions incorporate wearable devices, sensors and modern communications and information technologies that enable continuous and remote monitoring of elderly health and well-being.

During the year, the Group continue to monitor the operations of its associates and joint ventures and assessed their future cash flows in light of factors including (i) the uncertainties arising from the delay in product development; (ii) the uncertainties arising from the change in requirement of medical device certification as a result of change in regulations; and (iii) the change of the Company's operational strategies.

As at 31 December 2019, sales performance of Retraction's REVEEL™ retractor did not meet the original forecasted figure, whereas its product registration also experienced delay due to unforeseeable challenges in clinical trial requirements. Hence, the management has adjusted the expected revenue of REVEEL™, the single product that Retraction is selling in the market. For Avalon's LED-based wearable phototherapy device, its sales performance also did not meet the original forecasted figure for 2019 due to the delay in product registration of the second generation of the device and the lower-than-expected market demand for the existing device in the PRC market. This has led to the conclusion by the management that the expected cash flows and revenue generated from Retraction and Avalon will not meet the original expected level, and that the estimated future growth in revenue from Retraction and Avalon operation will be slower than previously expected. According to the relevant accounting standard, impairment shall be made accordingly. Based on the results of reassessment and the valuation report, impairment of HK$5.7 million and HK$2.2 million were made for investments in Retraction and Avalon, respectively.

FINANCIAL REVIEW

REVENUE

Driven by higher sales in the OBM segment, the Group's total revenue increased by 2.9% to HK$502.2 million for 2019 (2018: HK$488.0 million). Revenue from the US market remained relatively stable at HK$319.4 million, while revenue from the PRC market increased by 23.6%. The OEM segment and OBM segment contributed 74.9% (2018: 79.9%) and 25.1% (2018: 20.1%) to the Group's total revenue, respectively.

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit rose by 4.1% to HK$162.0 million (2018: HK$155.6 million). Gross profit margin increased by 0.4 percentage points from 31.9% to 32.3%. This was primarily attributable to the depreciation of RMB and higher sales contribution from the OBM segment, which has more than offset the increased labour and production costs.

OTHER INCOME, OTHER GAINS AND LOSSES

Other income mainly included the subsidies of HK$0.6 million (2018: HK$1.3 million) from the Enterprise Support Scheme under the Innovation and Technology Fund of the Government of the Hong Kong Special Administrative Region and the subsidies of HK$2.4 million (2018: HK$2.5 million) from "Guan-Rong Plan" of Dongguan Songshan Lake Science and Technology Industrial Park (the "**Songshan Lake**"). In 2019, other income also included rental refund of HK$1.35 million (2018: HK$ Nil) for the premises in Songshan Lake.

Other gains and losses mainly included exchange loss of HK$0.7 million (2018: HK$1.1 million), impairment of goodwill of HK$1.7 million (2018: HK$2.6 million) and impairment of investments of HK$7.9 million (2018: HK$ Nil). Other gains and losses for 2018 also included write back of other payables of HK$3.9 million.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by 15.9% to HK$32.1 million (2018: HK$27.7 million). This was primarily due to an increase in demand for premium delivery services from customers and the increased marketing expenses for the launch of new products. Selling and distribution expenses as a percentage of revenue was 6.4% (2018: 5.7%).

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 14.3% to HK$101.8 million (2018: HK$89.1 million), primarily due to an increase in R&D expenses to progress the Group's R&D product pipeline and support new launches of Inspired® products, the relocation of sales and R&D offices to the Songshan Lake and the general increase in average salary and number of staff.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

The Group shared losses of associates amounted to HK$1.1 million (2018: HK$2.8 million) and losses of joint ventures amounted to HK$1.4 million (2018: HK$1.6 million), reflected mainly by the share of results of Retraction, 100ecare and Avalon.

INCOME TAX EXPENSE

Income tax expense increased by 38.5% to HK$5.4 million (2018: HK$3.9 million) which was mainly due to over-provision in prior years of HK$3.1 million for the Hong Kong Profits Tax and the PRC Enterprise Income Tax in 2018.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Despite the increase in total revenue and gross profit by 2.9% and 4.1%, respectively, profit attributable to owners of the Company decreased by 62.8% to HK$11.5 million (2018: HK$30.9 million). This was mainly due to (i) the absence of one-off write back of other payables for 2019 (2018: HK$3.9 million); (ii) recognition of impairment of investments and goodwill of HK$9.6 million (2018: HK$2.6 million); and (iii) increase in selling and distribution expenses and administrative expenses.

PROPERTY, PLANT AND EQUIPMENT

During 2019, the Group purchased additional automation machinery and equipment and expanded and upgraded the production areas to increase the overall production capacity. As at 31 December 2019, property, plant and equipment increased by 28.2% to HK$68.7 million (2018: HK$53.6 million).

RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

As at 31 December 2019, right-of-use assets and lease liabilities amounted to HK$21.4 million (2018: HK$ Nil) and HK$22.2 million (2018: HK$ Nil), respectively. The increase was primarily attributable to the adoption of new accounting standard effective from 1 January 2019.

INVENTORIES

Inventories as at 31 December 2019 increased by HK$22.9 million to HK$118.5 million (2018: HK$95.6 million). Management considers this inventory level to be adequate in relation to the projected sales.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

As at 31 December 2019, investments in associates amounted to HK$5.2 million (2018: HK$12.0 million), consisted of the Group's investments in Retraction and another associate. The decrease was mainly due to the recognition of impairment loss of HK$5.7 million for investment in Retraction during the year (2018: HK$ Nil).

As at 31 December 2019, investments in joint ventures amounted to HK$17.0 million (2018: HK$20.8 million), consisted of the Group's investments in 100ecare and Avalon. The decrease was mainly due to the recognition of impairment loss of HK$2.2 million for investment in Avalon during the year (2018: HK$ Nil).

For details, please refer to the paragraph headed "Significant Investments" below.

HUMAN RESOURCES

As at 31 December 2019, the total number of full-time employees of the Group was 1,149 (2018: 1,103). The remuneration of employees was determined according to their experience, qualifications, result of operations of the Group and market condition. We offer senior management performance-based bonus and share option schemes to reward and retain a high caliber management team.

During the year, staff costs including Directors' emoluments (excluding capitalised salaries and wages of R&D staff) amounted to HK$151.8 million (2018: HK$125.5 million), representing 30.2% (2018: 25.7%) of the Group's revenue. The increase was mainly due to an increase in the number of employees, salary adjustment and the increase in overtime wages.

LIQUIDITY AND FINANCIAL RESOURCES AND BORROWINGS

Bank and cash balances for 2019 decreased by 13.8% to HK$69.9 million (2018: HK$81.1 million). This was a result of the net cash inflow from operating activities of HK$31.2 million, net cash outflow from investing activities of HK$33.8 million, net cash outflow from financing activities of HK$5.4 million and negative effect of foreign exchange rate changes of HK$3.2 million. Most of the bank and cash balances were denominated in HKD, USD and RMB.

Net cash outflow from investing activities for 2019 mainly arose from the purchase of property, plant and equipment of HK$31.1 million and additions to other intangible assets of HK$2.8 million, while net cash outflow from financing activities mainly arose from final dividend paid for 2018 of HK$10.2 million and lease payment of HK$9.8 million, net off by net cash inflow of HK$13.4 million from borrowings and capital contribution of HK$1.2 million from non-controlling shareholders.

As at 31 December 2019, total borrowings amounted to HK$30.6 million (2018: HK$17.2 million). The increase was primarily due to new bank loans of HK$16.0 million raised during the year. The net gearing ratio, which was calculated on the basis of the amount of total borrowings divided by the total equity attributable to owners of the Company, was 0.09 (2018: 0.05). As at 31 December 2019, the Group had unutilised bank facilities of HK$25.0 million.

CAPITAL EXPENDITURE AND COMMITMENTS

During the year, the total investment in property, plant and equipment was HK$31.1 million (2018: HK$21.4 million), in which 57.4% was used for purchasing additional production equipment and the remaining balance for procurement of other fixed assets.

As at 31 December 2019, the Group had contracted capital commitments of HK$13.1 million for procurement of property, plant and equipment and other intangible assets, which was mainly financed with internal resources.

CAPITAL STRUCTURE

As at the date of this Annual Report, the issued share capital of the Company was approximately HK$6.4 million, comprising 637,650,000 Shares of nominal value of HK$0.01 per Share.

SIGNIFICANT INVESTMENTS

As at 31 December 2019, the Company considered that the significant investments were as follows:

Equity investments at fair value through other comprehensive income

Name of company	Principal business	Approximate percentage of shareholding	Total investment	Fair value of the equity investment		Assets ratio defined under the Listing Rules	
				2019	2018	**2019**	2018
Inovytec	An Israeli medical device company specialises in the development, production and marketing of medical devices for out-of-hospital critical care, respiratory, cardiac, central nervous system and trauma emergencies.	13.68%	US$3.0 million (equivalent to HK$23.4 million)	**US$1.9 million (equivalent to HK$15.1 million)**	US$2.0 million (equivalent to HK$15.9 million)	**2.6%**	3.0%
Fresca	A US-based sleep solution and connected health company that is developing a system for the treatment of obstructive sleep apnea.	17.5%	US$3.0 million (equivalent to HK$23.4 million)	**US$1.1 million (equivalent to HK$8.6 million)**	US$2.7 million (equivalent to HK$20.8 million)	**1.5%**	3.9%

Investment in an associate

Name of company	Principal business	Approximate percentage of shareholding	Total investment	Carrying amount of investment		Assets ratio defined under the Listing Rules	
				2019	2018	**2019**	2018
Retraction	A HK-based company specialises in design, development and commercialisation of retractors for minimally invasive surgeries.	40%	US$1.5 million (equivalent to HK$11.7 million)	**HK$1.6 million *(Note 1)***	HK$7.9 million	**0.3%**	1.5%

Investments in joint ventures

Name of company	Principal business	Approximate percentage of shareholding	Total investment	Carrying amount of investment		Assets ratio defined under the Listing Rules	
				2019	2018	**2019**	2018
Avalon	A HK-based medical technology company that designs and develops phototherapy device.	20%	US$1.7 million (equivalent to HK$13.3 million)	**HK$7.6 million *(Note 2)***	HK$11.3 million	**1.3%**	2.1%
100ecare	A PRC-based company specialises in design, development and sale of wearable smart devices, and operate a cloud-based platform targeting the elderly population in the PRC.	10%	RMB8.0 million (equivalent to HK$9.2 million)	**RMB8.4 million (equivalent to HK$9.4 million) *(Note 3)***	RMB8.3 million (equivalent to HK$9.5 million)	**1.6%**	1.8%

Notes:

1. During the year, the Group shared a loss of HK$0.6 million and recognised impairment loss of HK$5.7 million in the consolidated statement of profit or loss.

2. During the year, the Group shared a loss of HK$1.5 million and recognised impairment loss of HK$2.2 million in the consolidated statement of profit or loss.

3. During the year, the Group shared a profit of HK$0.1 million in the consolidated statement of profit or loss.

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

As at 31 December 2019, the carrying amount of investment in Retraction was decreased to HK$1.6 million (2018: HK$7.9 million) and an impairment loss of HK$5.7 million was recorded during the year (2018: HK$ Nil). Also, the carrying amount of investment in Avalon was decreased to HK$7.6 million (2018: HK$11.3 million) and an impairment loss of HK$2.2 million was recorded during the year (2018: HK$ Nil). In view of the above and the business prospects of Retraction and Avalon, the Company no longer considers that these investments are significant in nature after 31 December 2019.

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 2019, 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 OEM segment. 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 2019, the Group did not have other contingent liabilities.

EXECUTIVE DIRECTORS

Mr. Choi Man Shing (蔡文成), aged 67, 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 41 years of management experience in the manufacturing industry in Hong Kong and the PRC.

Mr. To Ki Cheung (陶基祥), aged 53, is an executive Director and CEO of the Company. He currently serves as the general manager of the Group and 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 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 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.

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 46, is an executive Director of the Company and the chairman of the Risk Management Committee. He currently serves as the assistant general manager 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 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 was 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 49, is an executive Director of the Company. He currently serves as the engineering manager of the Group and a director of one of the subsidiaries of the Company. 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 22 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 a member of the committee 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 58, 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 33 years of experience in business advisory work and cross-border investments. During the period from 1986 to 2004, Mr. Guo worked in various organizations 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.

Since 2015, Mr. Guo has acted as the senior investment consultant of Dong Yin Development (Holdings) Limited, an indirect substantial Shareholder interested in 33,000,000 Shares of the Company, representing approximately 5.18% of the issued share capital of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Mok Kwok Cheung Rupert (莫國章), aged 61, 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 35 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 61, 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 34 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 70, 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 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 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. Lai Hoi Ming (黎海明), aged 38, is the financial controller of the Group. He is also a member of the Risk Management Committee. Mr. Lai joined the Group in July 2018 and is primarily responsible for managing all finance, accounting 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 15 years of experience in finance and accounting.

Ms. Tsui Lai Ki Vicki (徐麗琪), aged 44, is the Company Secretary of the Group. 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 15 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 Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in United Kingdom. Ms. Tsui holds a bachelor degree in accountancy.

Mr. Wong Yuk Ming David (黃育明), aged 49, is the group sales and marketing manager of the Group. He joined the Group in December 2016 and is primarily responsible for the overall sales and marketing of the Group. 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 term from 2014 to 2015 and from 2017 to 2018. He also serves as a professional assessor and a member of the accreditation committee for the Hong Kong Institute of Engineers.

Mr. Wong has over 15 years of experience in developing, manufacturing and global distribution of medical devices. His previous experience has been specialised in laparoscopy and endoscopy surgical instrumentation with a strong clinical network. Mr. Wong has refocused the company's brand identity, portfolio of respiratory products, sales channels and established the strategic path of co-operation with multinational corporations.

Ms. Tsui Wing Kwan (徐詠琨), aged 39, is the corporate development and investor relations manager 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 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 13 years of experience in financial communications, investor relations and corporate finance.

Mr. Liang Kar Kaan (梁家侃), aged 53, is the operations manager of the Group. He joined the Group in August 2018 and is primarily responsible for managing and leading the production operations. 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 23 years of experience in operations management.

Ms. Fong Yee Wa Eva (方依華), aged 46, is the purchasing and supply chain manager of the Group. She joined the Group in February 2019 and is primarily responsible for managing the Group's the material purchasing and supply chain. She obtained a bachelor of science in accountancy and finance from the University of London in August 2003 and a bachelor's degree in management studies from the University of Hong Kong in December 2004. Prior to joining the Group, Ms. Fong worked in an injection plastics machine Hong Kong listed company as the group purchasing and sales administration manager. She is a senior professional with over 24 years of global and mainland China experience in marketing, project management, sales administration and purchasing and supply chain. She also achieved senior professional recognition in medical devices, injection plastics machine, aerospace, semiconductor and electronics industries.

Mr. Zhang Changqing (張長青), aged 48, is the sales and marketing manager 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 14 years of experience in trading of medical devices since he joined the Group as marketing manager in March 2004.

Mr. Xu Jiebing (徐結兵), aged 45, is the 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) in July 1995 and from the online course of business administration of Xiamen University* (廈門大學) 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).

* *For identification purpose only.*

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 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in manufacturing and sale of medical devices focusing on respiratory products, imaging contrast media power injector disposables, and orthopaedic and rehabilitation products for the customers in the OEM segment and developing, manufacturing and sale of our own "Inspired®" brand of respiratory equipment and disposable products and orthopaedic and rehabilitation products (also under "Hand of Hope" and "Hypnus™" brands) in the OBM segment.

The principal activities of the principal subsidiaries of the Company 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 10 to 12 and "Management Discussion & Analysis" on pages 13 to 22 of this Annual Report.

PRINCIPAL RISKS AND UNCERTAINTIES

The business operations and results of the Group may be affected by various factors, some of which are external causes and some are inherent to the business. The Board is aware that the Group is exposed to the following principal risks and uncertainties facing by the Company's business:

(a) Customer Concentration

The Group generated 61.4% 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.

(b) 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 operation.

(c) 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 labour, especially skilled labour in the PRC. 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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 have 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 leverage 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 purchase 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 select 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 are 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 conference calls. 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 48 to 64 and the "Environmental, Social and Governance Report" on pages 65 to 78 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 84 and 85 of this Annual Report.

A final dividend in respect of the year ended 31 December 2019 of HK1.10 cents per Share has been proposed by the Board. The proposed final dividend amounted to a total of HK$7.0 million with dividend payout ratio of 33.2% has to be approved by the Shareholders in the AGM to be held on 20 May 2020. These proposed dividends are not reflected as dividend payable in the consolidated statement of financial position as at 31 December 2019, but will be reflected as an appropriation of retained profits for the year ending 31 December 2020.

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 recommendation of the payment of any 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 operation, 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.

RESERVES

Movements in the reserves of the Company and of the Group during the year are set out in Note 30(b) to the consolidated financial statements and the consolidated statement of changes in equity on page 87 of this Annual Report.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves available for distribution to the Shareholders amounted to HK$141.8 million comprising amount from share premium account.

Under the Cayman Companies Law 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.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Wednesday, 20 May 2020, the register of members of the Company will be closed from Friday, 15 May 2020 to Wednesday, 20 May 2020, 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, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 14 May 2020.

For determining the entitlement to the proposed final dividend (subject to the approval of the Shareholders at the AGM), the register of members of the Company will be closed from Wednesday, 27 May 2020 to Friday, 29 May 2020, both days inclusive, during which period no transfer of the Shares will be registered. In order to qualify for the proposed final dividend as stated, all transfers forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 26 May 2020.

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 164 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 29 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

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.

MAJOR CUSTOMERS AND SUPPLIERS

For the year, the aggregate sales attributable to the Group's five largest customers was 61.4% (2018: 66.9%). The sales attributable to the Group's largest customer during the year was 32.5% (2018: 36.2%).

The aggregate purchases attributable to the Group's five largest suppliers during the year was 21.0% (2018: 23.5%). The purchases attributable to the Group's largest supplier during the year was 8.4% (2018: 7.6%).

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. Chan Ling Ming (resigned on 13 June 2019)
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. Choi Man Shing and Mr. To Ki Cheung, both executive Directors, and Prof. Yung Kai Leung, an independent non-executive Director, 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 23 to 26 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.

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 2019, 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	385,191,890 *(Note 2)*	60.41%
Mr. To Ki Cheung	Beneficial owner	19,024,110 *(Note 3)*	2.98%
Mr. Koh Ming Fai	Beneficial owner	6,970,000 *(Note 4)*	1.09%
Mr. Fu Kwok Fu	Beneficial owner	6,970,000 *(Note 5)*	1.09%
Prof. Yung Kai Leung	Beneficial owner	1,200,000	0.19%

Notes:

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

(2) These interests represented:

- (a) 3,002,000 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) 16,497,778 Shares held by Mr. To Ki Cheung, the CEO and executive Director of the Company;

(b) 526,332 options granted to Mr. To Ki Cheung, 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

(c) 2,000,000 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) 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

(c) 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) 4,941,166 Shares held by Mr. Fu Kwok Fu, an executive Director;

(b) 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

(c) 1,500,000 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 637,650,000 Shares in issue as at the date of this Annual Report.

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2019, 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, 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 AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2019, 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 and the underlying 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 and underlying Shares

Name of Shareholder	Capacity/Type of interest	Number of Shares (L) *(Note 1)*	Approximate percentage of shareholding *(Note 5)*
Ms. Liu Pui Ching	Interest of spouse/interest of controlled corporations	385,191,890 *(Note 2)*	60.41%
VRI	Beneficial owner/interest of a controlled corporation	382,189,890 *(Note 3)*	59.94%
China Orient Asset Management Corporation	Interest of controlled corporations	33,000,000 *(Note 4)*	5.18%
Dong Yin Development (Holdings) Limited	Interest of a controlled corporation	33,000,000 *(Note 4)*	5.18%
Bright Way Enterprise Inc.	Beneficial owner	33,000,000 *(Note 4)*	5.18%

Notes:

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

(2) These interests represented:

(a) 3,002,000 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) China Orient Asset Management Corporation holds 100% interest of Dong Yin Development (Holdings) Limited, which in turns holds 100% interest of Bright Way Enterprise Inc. Therefore, each of China Orient Asset Management Corporation and Dong Yin Development (Holdings) Limited is deemed to be interested in the same 33,000,000 Shares held by Bright Way Enterprise Inc..

(5) Approximate percentage calculated based on the 637,650,000 Shares in issue as at the date of this Annual Report.

Save as disclosed above, as at 31 December 2019, 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.

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 6 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 2019, none of the share options under the Pre-IPO Share Option Scheme were exercised and a total of 724,000 share options were lapsed as a result of voluntary resignation of the relevant option holders. As at 31 December 2019, the maximum number of Shares which might be issued upon exercise of all outstanding options granted under the Pre-IPO Share Option Scheme was 16,064,000 Shares, representing approximately 2.5% of the Company's issued share capital as at 31 December 2019.

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 2019	Number of Shares underlying the share options granted: Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2019
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**	**–**	**–**	**1,584,000**
Consultant							
In aggregate	17 June 2016	25% of options will vest on each of 13 July 2017, 2018, 2019 and 2020 respectively	25% of options will be exercisable from each of 13 July 2017, 2018, 2019 and 2020 respectively to 16 June 2026	**528,000**	**–**	**–**	**528,000**
Senior management and other employees							
In aggregate	17 June 2016	25% of options will vest on each of 13 July 2017, 2018, 2019 and 2020 respectively	25% of options will be exercisable from each of 13 July 2017, 2018, 2019 and 2020 respectively to 16 June 2026	**14,676,000**	**–**	**(724,000)**	**13,952,000**
Total				**16,788,000**	**–**	**(724,000)**	**16,064,000**

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 "**Eligible Participant(s)**") by granting options to them as incentives or rewards. HK$1.00 is payable by an 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 6 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 Share Option Scheme shall not in aggregate exceed 63,800,000 Shares, being 10% of the total number of Shares in issue at the time dealings in the Shares first commenced on the Stock Exchange. The total number of Shares issued and to be issued upon the exercise of the options granted or to be granted under the Share Option Scheme and any other schemes of the Company (including exercised, cancelled and outstanding options) to each Eligible Participant in any 12 consecutive months up to and including the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

Pursuant to the Share Option Scheme, on 25 March 2019, the Company conditionally granted the options to subscribe for an aggregate of 4,600,000 Shares to a total of 6 grantees, including a consultant, executives and officers of the Group, at exercise price of HK$0.80 per Share which was determined by the Board and at least be the highest of (i) the closing price of HK$0.74 per Share as stated in the Stock Exchange's daily quotations sheet on 25 March 2019; (ii) the average closing price of HK$0.74 per Share as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding 25 March 2019; and (iii) the nominal value of the Share of HK$0.01 each. The closing price per Share as stated in the Stock Exchange's daily quotations sheet for the trading day immediately preceding 25 March 2019 is HK$0.74.

For the year ended 31 December 2019, none of the share options under the Share Option Scheme were exercised and a total of 1,700,000 share options were lapsed as a result of voluntary resignation of the relevant option holders. As at 31 December 2019, the maximum number of Shares which might be issued upon exercise of all outstanding options granted under the Share Option Scheme was 15,400,000 Shares, representing approximately 2.4% of the Company's issued share capital as at 31 December 2019.

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

Grantee	Date of grant	Vesting schedule	Exercise period	Outstanding as at 1 January 2019	Number of Shares underlying the share options granted: Granted during the year	Number of Shares underlying the share options granted: Lapsed during the year	Outstanding as at 31 December 2019
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	–	–	2,000,000
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	1,500,000	–	–	1,500,000
In aggregate				**5,000,000**	**–**	**–**	**5,000,000**
Consultant							
In aggregate	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	**–**	**300,000**	**–**	**300,000**
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	7,500,000	–	(200,000)	7,300,000
	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	–	4,300,000	(1,500,000)	2,800,000
In aggregate				**7,500,000**	**4,300,000**	**(1,700,000)**	**10,100,000**
Total				**12,500,000**	**4,600,000**	**(1,700,000)**	**15,400,000**

Further details of the share options are set out in Note 32 to the consolidated financial statements of this Annual Report.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save for the Directors' material interests in transactions, arrangements or contracts and the related party transactions as disclosed in Notes 15(b) 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 the year or at the end of the year.

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(b) 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.

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 48 to 64 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 20 May 2020 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 and the metal supplies and processing service fee to a related company were continuing connected transactions contemplated under the Lease Agreements and the Plastic and Metal Services Agreement mentioned in paragraphs (a) and (c) of the paragraph headed "Continuing Connected Transactions" below respectively.

As mentioned in Note 41, the purchases of goods from a related company and the catering 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 ended 31 December 2019, 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 Group as tenants, have entered into the following lease agreements (the "**Leasing Agreements**"):

	HK lease agreement	First PRC lease agreement	Second PRC lease agreement	Third PRC lease agreement	Fourth PRC lease agreement
Tenant	VMHK	VMDG	VRMD	VMDG	DVRD
Landlord	VRDL *(Note 1)*	VRDG *(Note 1)*	VRDG *(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	Factory 1 of Zone B industrial complex located at 45-46 Qiaolong Shabu Industrial Zone, Tangxia Town, Dongguan City, the PRC	Factory 2 of Zone B industrial complex located at 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.	4,230.00 sq.m.	4,960.00 sq.m.
Term	1 January 2019 to 31 December 2021	1 January 2019 to 31 December 2021	1 January 2019 to 31 December 2021	1 July 2017 to 31 December 2019	1 September 2017 to 31 December 2019
Rent payable	HK$42,000 per calendar month *(Note 2)*	RMB526,800 per calendar month *(Note 3)*	RMB28,500 per calendar month *(Note 3)*	RMB70,000 per calendar month *(Note 3)*	RMB81,000 per calendar month *(Note 3)*
Annual caps	HK$504,000	RMB6,321,600	RMB342,000	RMB840,000	RMB972,000
Use of property	Office	Production plant, warehouse, sterilization room, offices, staff quarters and canteen	Warehouse	Warehouse	Production plant and 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, VRMD and DVRD paid RMB7,161,600, RMB342,000 and RMB972,000 to VRDG pursuant to all PRC lease agreements.

As the third PRC lease agreement and the fourth PRC lease agreement were expired on 31 December 2019, the Group has entered into the third PRC lease renewal agreement and the fourth PRC lease renewal agreement with VRDG on 20 December 2019 to continue to lease the respective leased properties for a term of two years from 1 January 2020 to 31 December 2021. For details, please refer to the Company's announcement dated 20 December 2019.

(b) Bayer Supplier Agreement

VMHK and VMDG (collectively the "**Suppliers**") have entered into the following supplemental agreement with Bayer Medical Care, Inc. or Bayer HealthCare LLC (with effect from 1 January 2019) and Imaxeon Pty Ltd. (the "**Bayer Companies**") to renew the supply agreement (the "**Bayer Supply Agreement**"), pursuant to which the Suppliers would manufacture and supply certain components, assemblies and related services to the Bayer Companies, for an initial term from 1 January 2018 to 31 December 2019:

Bayer Supply Agreement and Supplemental Agreement	
Parties *(Note 1)*	Suppliers *(Note 2)*: (1) VMHK (2) VMDG Customers: (1) Bayer HealthCare LLC *(Note 3)* (2) Imaxeon Pty Ltd.
Effective period	The Supplemental Agreement is for an initial term from 1 January 2018 to 31 December 2019 (the "**Initial Term**"). Thereafter, the Bayer Companies shall have the right to renew the Supplemental Agreement for one successive year period by giving the Suppliers written notice of such renewal at least 90 days prior to the expiration of the Initial Term. The Supplemental Agreement may be terminated in whole or in part at any time upon 60 days prior written notice by the Bayer Companies to the Suppliers.
Principal terms	The Suppliers would manufacture, assemble, test, package and sterilise (where applicable) and sell to the Bayer Companies plastic injection moulded components and assemblies (the "**Products**"). Certain components necessary for the manufacture of the Products (the "**Components**") are provided to the Suppliers from the Bayer Companies. In consideration for the performance by the Suppliers under the Bayer Supply Agreement, the Bayer Companies agree to lease equipment relating to the manufacture and supply of the Products, such as a syringe assembly line, a packaging line, moulding tools and other equipment and tools needed for the manufacture and supply of the Products (the "**Equipment**"), to the Suppliers. The Suppliers will be responsible for the maintenance and service of the Equipment. The Bayer Companies will pay and settle the invoices for the Products supplied under the Bayer Supply Agreement within 45 days of each monthly statement.
Pricing basis	The price of each of the Products are agreed on the basis of the Suppliers' cost plus a profit margin, which margin varied and will continue to vary according to the requirements and specifications of each of the Products (the "**Pricing Basis**").

Bayer Supply Agreement and Supplemental Agreement	
	The price of each of the Products is negotiated between the Bayer Companies and the Group on an arm's length basis and determined based on the Pricing Basis, in the ordinary course of business, on normal commercial terms or on terms no less favourable to the Company than those provided to Independent Third Parties. When determining the price for each of the Products, the Directors take into account (i) the complexity and technicality of the relevant project; and (ii) the estimated cost to the Group of leasing the Equipment from an Independent Third Party or purchasing the Equipment from an Independent Third Party and amortising the cost of such Equipment over the Equipment's estimated useful life. Specifically, the price of each of the Products are prepared by the sales teams of the Group and subject to the review and pre-approval of an executive Director (who does not have any material interests in the transactions). The executive Director will compare the gross profit margin of sales to the Bayer Companies to those of sales to other Independent Third Party customers of the OEM business segment, given that the Bayer Companies are the Company's customers of the same business segment. In any event, the profit margin of the transaction under the Bayer Supply Agreement should be no less favourable than those applicable to the sales of other products by the Group to other Independent Third Party customers of the OEM business segment. The Bayer Companies and the Suppliers acknowledge and agree that the Suppliers are responsible for the sterilization of the Products and that the purchase price includes any sterilisation costs associated with the Products. The Bayer Companies and the Suppliers acknowledge and agree that the Suppliers shall deliver to the Bayer Companies sterilised Products.
Termination	The Bayer Supply Agreement may be terminated in whole or in part at any time upon 60 days prior written notice by the Bayer Companies to the Suppliers.
Annual caps	Annual caps for the Products supplied by the Suppliers to the Bayer Companies for the year ended/ending 31 December: 2019: HK$220 million 2020: HK$242 million Annual caps for the purchase of the Components from the Bayer Companies for the year ended/ending 31 December: 2019: HK$4.8 million 2020: HK$5.3 million

Notes:

(1) Bayer Medical Care, Inc. holds 19.9% of the shares in VMHK, and therefore it is a connected person of the Company at the subsidiary level. As both Bayer Medical Care, Inc. and the Bayer Companies are indirect wholly-owned subsidiaries of Bayer AG, the Bayer Companies are the connected persons of the Company at the subsidiary level under the Listing Rules.

(2) VRHK was one of parties entered into the Bayer Supply Agreement on 1 August 2013 and subsequently removed as a party to the Bayer Supply Agreement effective from 7 June 2016 pursuant to the supplemental agreement dated 7 June 2016.

(3) Bayer HealthCare LLC has accepted and assumed all obligations of Bayer Medical Care, Inc. under the Bayer Supply Agreement.

During the year, the Suppliers manufactured the Products and supplied to the Bayer Companies amounted to HK$163.4 million pursuant to the Bayer Supply Agreement. The Suppliers also purchased the Components from the Bayer Companies amounted to HK$3.0 million pursuant to the Bayer Supply Agreement.

As the Initial Term of the Bayer Supply Agreement was expired on 31 December 2019, the Suppliers has entered into the supplemental agreement with the Bayer Companies on 20 December 2019 to renew the Bayer Supply Agreement, pursuant to which the Suppliers agree to continue to manufacture and supply certain components, assemblies and related services to the Bayer Companies for a further term until 31 July 2022. For details, please refer to the Company's announcement dated 20 December 2019.

(c) Plastic and Metal Services Agreement

The Group have 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 *(Note 1)*	VMDG as purchaser VRDG as supplier
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.
Principal terms	Either party to the Plastic and Metal Services Agreement may terminate the agreement by giving the other party not less than three months' notice.
Annual cap	For the year ended/ending 31 December 2019: HK$8,000,000 2020: HK$8,800,000 2021: HK$9,600,000

Note:

(1) 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 HK$6.4 million to VRDG pursuant to the Plastic and Metal Services 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 transaction 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

Since the COVID-19 outbreak in January 2020, governments worldwide are implementing aggressive measures to reduce the intensity of the pandemic. The Group is closely monitoring the development and is evaluating its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on its financial statements as a result of the pandemic. For additional information regarding the impact of the COVID-19 outbreak on the Group, please refer to the paragraph headed " The coronavirus pandemic" in the section "Chairman's Statement" on pages 10 to 12 of this Annual Report.

Saved as disclosed 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, 20 March 2020

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 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. 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.

3. BOARD OF DIRECTORS

3.1 Responsibilities of the Board

The Board 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 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.

Four Board committees, namely, the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee, have also been established to oversee particular aspects of the Group's affairs. Details of these four Board committees are set out from pages 54 to 57 below.

The Directors can seek independent professional advice for performing their duties at the expense of the Company.

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. The Board is provided with monthly operating information which contains the up-to-date performance of the Group and information of the Company 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.

3.2 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 focuses 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.

3.3 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 2019 are listed below:

	Number of meeting attended/held in 2019					
Name of Director	Board meetings	Audit Committee meetings	Nomination Committee meeting	Remuneration Committee meeting	Risk Management Committee meetings	General meeting
Executive Directors						
Mr. Choi Man Shing *(Chairman)*	5/5	N/A	1/1	1/1	N/A	1/1
Mr. To Ki Cheung *(CEO)*	5/5	N/A	N/A	N/A	N/A	1/1
Mr. Koh Ming Fai	5/5	N/A	N/A	N/A	2/2	0/1
Mr. Fu Kwok Fu	5/5	N/A	N/A	N/A	N/A	1/1
Non-executive Director						
Mr. Guo Pengcheng	5/5	N/A	N/A	N/A	N/A	0/1
Independent Non-executive Directors						
Mr. Chan Ling Ming (resigned on 13 June 2019)	1/1	1/1	1/1	1/1	N/A	0/1
Mr. Mok Kwok Cheung Rupert	5/5	3/3	1/1	1/1	N/A	1/1
Mr. Au Yu Chiu Steven	5/5	3/3	N/A	N/A	N/A	1/1
Prof. Yung Kai Leung	5/5	2/2	0/0	0/0	N/A	0/1

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

Biographical details of each of the Directors are set out in the "Biographical Details of Directors and Senior Management" section on pages 23 to 26 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).

3.4 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.

3.5 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. The Board diversity policy has been put on the Company's website.

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. Regular review of this Board diversity policy is the responsibility of the Nomination Committee.

The following tables further illustrate the diversity of the Board members as at the date of this Annual Report:

	Age Group			Educational Background		
Name of Director	41-50	51-60	61-70	Accounting	Engineering	Other
Mr. Choi Man Shing			✓			✓
Mr. To Ki Cheung		✓		✓		
Mr. Koh Ming Fai	✓				✓	
Mr. Fu Kwok Fu	✓				✓	
Mr. Guo Pengcheng		✓			✓	
Mr. Mok Kwok Cheung Rupert			✓		✓	
Mr. Au Yu Chiu Steven			✓	✓		
Prof. Yung Kai Leung			✓		✓	

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 of medical devices
Mr. Fu Kwok Fu	Manufacturing 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

3.6 Directors Nomination Policy and Procedures

Directors 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.

3.7 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 various Board committees, the independent non-executive Directors have made important contributions to the 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.

3.8 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 for making contributions to the Company. During the year, the Company has organised a directors' training with the topic of "Market Misconduct and Case Study" at the Company's expense to all Directors and encouraged the Directors to view the training webcast launched by the Stock Exchange. Also, the Directors attended the external seminars and read materials on topics relevant to their duties as Directors. The Directors have provided the Company with their respective training records on an annual basis pursuant to the CG Code, and such records are maintained by the Company Secretary.

3.9 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.

4. BOARD COMMITTEES

The Board has established four Board committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee to oversee specific aspects of the Company's affairs and help it in the execution of its responsibilities. The Board committees are provided with sufficient resources to discharge their duties. The list of members of the four Board committees as at the date of this Annual Report are as follows:

	Board Committees' Composition			
Name of Board committee member	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Risk Management Committee**
Executive Directors				
Mr. Choi Man Shing *(Chairman)*	–	Chairman	Member	–
Mr. To Ki Cheung *(CEO)*	–	–	–	–
Mr. Koh Ming Fai	–	–	–	Chairman
Mr. Fu Kwok Fu	–	–	–	–
Non-executive Director				
Mr. Guo Pengcheng	–	–	–	–
Independent non-executive Directors				
Mr. Mok Kwok Cheung Rupert	Member	Member	Chairman	–
Mr. Au Yu Chiu Steven	Chairman	–	–	–
Prof. Yung Kai Leung	Member	Member	Member	–
Name of Employees				
Mr. Kwok Kam Ming *(Quality assurance manager)*	–	–	–	Member
Ms. Hu Fang *(Sales and marketing manager)*	–	–	–	Member
Mr. Zhang Changqing *(Sales and marketing manager)*	–	–	–	Member
Mr. Lai Hoi Ming *(Group financial controller)*	–	–	–	Member

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. Independent non-executive Directors play an important role in these committees, ensuring that independent and objective views are expressed.

4.1 Audit Committee

The Company established the Audit Committee with its written terms of reference in compliance with the Listing Rules. The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

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

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

(ii) oversee the integrity of the financial statements of the Company;

(iii) select and assess the independence and qualifications of the Company's external auditor; and

(iv) ensure effective communication between the Directors, internal 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 2018;
- reviewed the unaudited interim financial statements for the six months ended 30 June 2019;
- made recommendations to the Board for approval the above-mentioned financial statements respectively;
- reviewed and approved the audit 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 2019 has been reviewed by the Audit Committee.

4.2 Nomination Committee

The Company established the Nomination Committee with its written terms of reference in compliance with the Listing Rules. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

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.

4.3 Remuneration Committee

The Company established the Remuneration Committee with its written terms of reference in compliance with the Listing Rules. The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

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; and

- considered the grant of share options under the Share Option Scheme and recommended to the Board for approval.

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	4
HK$1,000,001 to HK$1,500,000	6

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.

4.4 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 *(Sales and marketing manager)*	2/2
Mr. Zhang Changqing *(Sales and marketing manager)*	2/2
Mr. Lai Hoi Ming *(Group Financial Controller) (Appointed on 23 August 2019)*	1/1

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.

Details of its main responsibilities within risk management and internal control structural framework are set out in the section entitled "Risk Management and Internal Control" below.

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

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

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

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

(v) review the Company's compliance with the CG Code and its disclosure requirements in this Annual Report.

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

6. RISK MANAGEMENT AND INTERNAL CONTROL

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.

6.1 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.

6.2 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 an 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.

6.3 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.

7. 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 2019 and the review of the interim results for the six months ended 30 June 2019 amounted to HK$1.7 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 HK$0.3 million.

8. 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. 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 Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group which give a true and fair view of the state of affairs of the Group. In preparing such consolidated financial statements, it is fundamental that appropriate accounting policies are selected and applied consistently. The statement of the external auditor of the Company about its reporting responsibilities on the consolidated financial statements is set out in the independent auditor's report on pages 79 to 83 of this Annual Report.

9. COMPANY SECRETARY

The Company Secretary, Ms. Tsui Lai Ki Vicki, is responsible 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 details of the matters considered and decisions reached by the Board or the Board committees. All draft and final minutes of the Board and the Board committees' meetings are sent to the Directors and committee members, respectively, for their comments and 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 and corporate governance developments relating to the Group and that the Board takes these into consideration when making decisions for the Group.

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 as required in the Listing Rules and other applicable laws, rules and regulations.

Furthermore, the Company Secretary advises the Directors on their obligations, among others, for disclosure of interests and dealings in the Group's securities, connected transactions and inside information and ensures 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. All members of the Board have accessed to the advice and service of the Company Secretary. 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 taken no less than 15 hours of relevant professional training to update her skills and knowledge.

10. COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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 as shareholders 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 basis to ensure its 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. Under the Investor Relations page, viewers can find the financial reports, announcements and circulars of the Company published on the website of the Stock Exchange.

The general meeting is an effective platform that allows effective communication between the Board members, the senior management and the Shareholders. 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 Wednesday, 22 May 2019 at 10:00 a.m. at Suites 903-905, 9th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong. All the resolutions proposed at that meeting were approved by the Shareholders by poll. Details of the poll results are available under the "Investor Relations" section of the website of the Company and the Stock Exchange, respectively.

Mechanisms for enabling the Shareholders' participation in general meetings of the Company will be reviewed on a regular basis by the Board to encourage the highest level of participation. The 2020 AGM will be held at 17th Floor, Leighton, 77 Leighton Road, Causeway Bay, Hong Kong on Wednesday, 20 May 2020 at 10:00 a.m..

11. 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.

12. SHAREHOLDERS' RIGHTS

12.1 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.

12.2 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 Law 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 Flat B2, 7/F., Phase 2, Hang Fung Industrial Building, 2G Hok Yuen Street, Hung Hom, Kowloon, Hong Kong (For the attention to the Company Secretary)
Telephone:	(852) 2365 5688
Fax:	(852) 2765 8428
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.

INTRODUCTION

The Group adheres firmly to the core values of providing innovative, quality and reliable medical devices. The Group has longed for pursuing of sustainability, constantly incorporating environmental and societal initiatives in business. To acknowledge the significance of corporate environmental and social responsibilities of the Group, the Board launched its fourth Environment, Social and Governance Report (the "**Report**") with pleasure to demonstrate sustainability performance of the Group. The Report is compliant with the requirements as set out in the Environmental, Social and Governance Reporting Guide stated in Appendix 27 to the Listing Rules, and the Group reports its commitments and practices on the environmental, social and governance performance for the year ended 31 December 2019.

REPORTING SCOPE

The scope of the Report covers all operating sites of the Group including the head office in Hong Kong and operating facilities in Dongguan, Shenzhen and Guangzhou, in which those areas are financially significance and operational influence on the Group and its stakeholders. By business nature, the production lines in Dongguan, Shenzhen, and Guangzhou are mainly for the medical devices focusing on respiratory products, imaging disposable products, and orthopaedic and rehabilitation products for the customers in the OEM segment and our own "Inspired®" brand of respiratory products and orthopaedic and rehabilitation products (also under "Hand of Hope" and "Hypnus™" brands) in the OBM segment. In the reporting period, the Group's office in Japan was in operation. Environmental KPIs of the Japan office was not considered as it had only four (4) staff who were working in the sales and marketing department. The impact on the business was insignificant.

STAKEHOLDERS ENGAGEMENT

The Group firmly believes that it is important to understand the stakeholders' needs and expectations. Better still, stakeholders' opinion can help the Group identifies as well as prioritises development strategies. Therefore, communication channels have been set up to engage with different stakeholders on a regular basis.

ENVIRONMENT

The Group is aware that the existing business is depleting the resources of the future generation, which poses environmental impacts in certain extents. 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. The Group had complied with all environmental laws and regulations and was prohibited to all relevant illegal and violating activities. During the reporting period, there was no environmental non-compliance resulting in fines or prosecution. For continuous improvement purpose, the Group will continue to seek ways to use resources in a more efficient and environmental friendly manner.

EMISSIONS

The primary greenhouse gases ("**GHG**") emissions of the Group are generated from purchased electricity and fossil fuel consumed by company vehicles. In 2019, the Group continued its pursuit of sustainability by monitoring (Scope 3) GHG emission on business travel.

		Total emissions		
Indicator *(Note1)*	**Units**	**2019**	**2018**	**Change**
Total GHG emission (Scope 1, 2 and 3)	CO_2e tonnes	**11,248**	11,100	+1.3%
Scope 1 *(Note 2)*	CO_2e tonnes	**35**	14	+150.0%
Scope 2 *(Note 3)*	CO_2e tonnes	**10,949**	10,855	+0.9%
Scope 3 *(Note 4)*	CO_2e tonnes	**264**	231	+14.3%
Intensity of total GHG emission (per building area)	CO_2e tonnes/m^2	**0.33**	0.32	+3.1%
Air pollutants *(Note 5)*				
Nitrogen Oxides (NO_x)	kg	**19.31**	8.62	+124.0%
Sulfur Oxides (SO_x)	kg	**0.23**	0.09	+155.6%
Particulate Matter (PM)	kg	**1.60**	0.75	+113.3%

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 direct emissions 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.

The total GHG emission in the reporting period was slightly higher than that in 2018. It was because Scopes 1 and 3 emissions were increased significantly by 150.0% and 14.3%, respectively. The significant increase in Scope 1 was mainly due to the higher transportation needs as compared to 2018, resulting in a higher fuel consumption of vehicles as well as a sharp increase in air emissions. The travelling miles also rose sharply due to frequent travel to visit customers and participated in a number of medical exhibition in 2019.

Because of the business nature, the Group does not emit a significant amount of exhaust gas throughout the operation. The only possible source of exhaust gas emitted from the operating sites would be mobile vehicles. They emit a large amount of PM, NO_x, and SO_x. The Group strived to control the emissions, such as to conduct proper engine repair and maintenance on a regular basis. In the future, the Group is seeking initiatives to adopt cleaner alternatives to diesel vehicles where practicable, promote eco-driving habits as well as install devices that trap pollutants.

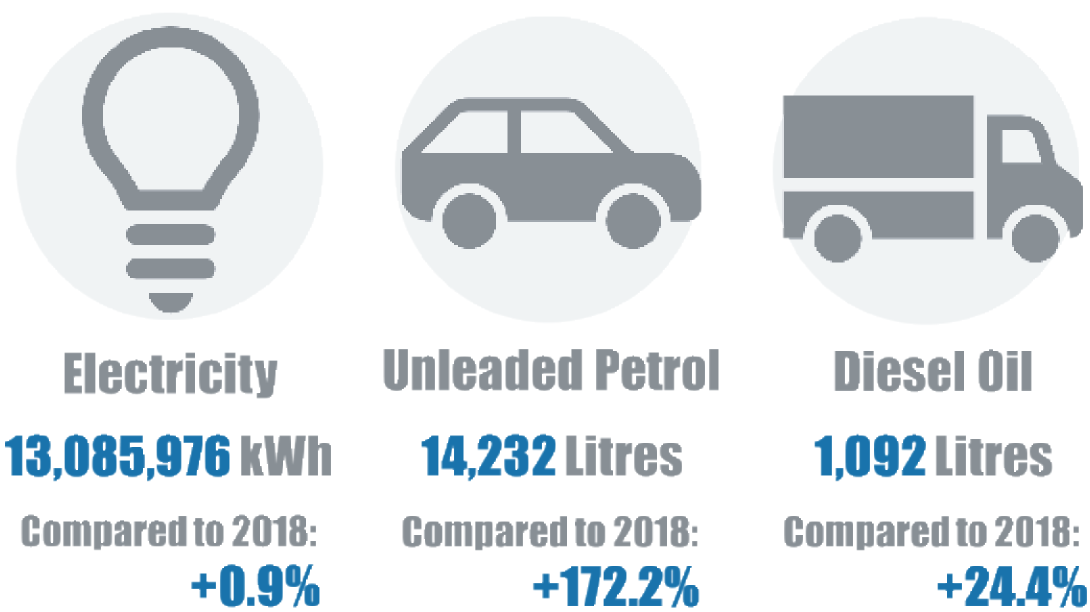
USE OF RESOURCES

Energy Consumption

It is unavoidable to consume energy in daily operation, yet the Group takes energy saving as a long-term objective and strives to reduce energy consumption every year. Because of that, the Group has implemented the following measures to lower energy consumption:

- Established an energy management centre to analyse and monitor energy usage regularly;
- Installed a solar-powered water heating system in office and dormitory;
- Replaced conventional lightings with LED lights or T5 fluorescent tube;
- Purchased two environmentally friendly electrical forklifts;
- Limited unnecessary use of company vehicles;
- Turned off lighting, personal computer and air-conditioners during non-office hours;
- Switched off idling engines;
- Used video conferencing or phone calls for meeting;
- Maintained indoor room temperature at 24 to 26 Degree Celsius at the office; and
- Placed energy-saving reminders at pantry, office and dormitory.

		Total emissions		
Indicator	**Units**	**2019**	**2018**	**Change**
Total energy consumption	kWh	**13,089,576**	12,977,584	+0.9%
Intensity of total energy use (per building area)	kWh/m^2	**381**	378	+0.8%
Total electricity purchased	kWh	**13,085,976**	12,973,984	+0.9%
Total solar energy generated	kWh	**3,600**	3,600	–
Unleaded petrol consumption	Litres	**14,232**	5,228	+172.2%
Diesel oil consumption	Litres	**1,092**	878	+24.4%



Water Consumption

Due to the business nature, water consumption of the Group is mainly from office and household use. Production of medical devices do not substantially consume a large amount of water, but the Group is devoted to reducing the use of water. Reminders are placed at pantries and toilets to remind employees to save water. Moreover, the Group has adopted water flow controllers and water-efficient taps to lower water consumption.

Indicator	Units	Total emissions 2019	2018	Change
Total water consumption	m^3	**116,036**	113,744	+2.0%
Water consumption intensity (per building area)	Litres/m^2	**3.38**	3.32	+1.8%

In addition to water consumption, wastewater handling is also a concern in the operation of the Group. The Group has installed a system to separate rainwater and sewage. The Group treats all wastewater adequately and manages the treatment plant in accordance with the local regulations. Also, the Group conducts regular monitoring and inspections to ensure that the wastewater discharge is within the discharge caps as set out by the local government. If applicable, the Group takes corrective and preventative actions in response to abnormal situations.

Waste and Packaging Materials Management

The business of the Group entails the use of natural resources. The Group, therefore, actively encourages employees to reduce waste at the source. For example, the Group implemented an Office Automation (OA) System and the SAP system, set duplex-printing as default and communicated among employees via electronic means to minimise paper usage. It is encouraging to see a downward trend in total waste disposal in 2019 when compared to 2018.

Indicator	Units	Total emissions 2019	2018	Change
Hazardous waste *(Note)*	Tonnes	**0.3**	0.3	0%
Intensity of hazardous waste (per building area)	Tonnes/m^2	**Insignificant (<0.00001)**	Insignificant (<0.00001)	0%
Non-hazardous waste	Tonnes	**180**	198	–9.1%
Intensity of non-hazardous (per building area)	Tonnes/m^2	**0.0053**	0.0058	–8.6%

Note:

Hazardous waste in 2019 was an estimation. The waste has not collected by the registered recycler yet.

The Group also strictly follows the guidelines and regulations to handle, manage and discharge hazardous waste. For instance, waste is sorted according to the National Hazardous Waste List and stored properly in designated container with cover, and is placed in designated area to avoid leakage and misuse. All hazardous waste such as wasted organic solvent like thinner, waste oil, spent compact fluorescent lamps, exhausted cartridges and toners are collected and recycled by licensed contractors. These contractors shall not only obtain the Hazardous Waste Operation Permit and the Road Transportation Operation Permit issued by the authorities but also shall demonstrate their abilities to handle hazardous waste and follow laws and regulations to avoid secondary environmental pollution.

Non-Hazardous Waste

180 Tonnes

Compared to 2018:

-9.1%

Hazardous Waste

0.3 Tonnes

Compared to 2018:

0%

For packaging materials, proper packaging is essential in keeping products in good quality without damage, the Group mainly employs paper boxes and plastic in the delivery and transportation process. Whenever possible, the Group reuses all the materials. The Group gets rid of plastic in phases because plastic has a detrimental effect on the environment. Hence, the alternative is being adopted. The Group uses fabric as alternative to lessen the amount of plastic waste. In 2019, 907 tonnes of packaging materials had been used, which dropped by 20.7% and the intensity of the total packaging material per production volume was 0.00002 tonnes/piece.

	Total discharge (in tonnes)		
Category of packaging materials	**2019**	**2018**	**Change**
Carton boxes	**784**	990	–20.8%
Plastic	**116**	147	–21.1%
Paper	**7**	7	0%
Total	**907**	1,144	–20.7%

THE ENVIRONMENT AND NATURAL RESOURCES

Environmental Education

The Group relies on the employees' support for environmental protection. Newcomers are aware of the Group's environmental policies towards water, energy and waste through training. Refresher training covering the topics of environment, health and safety as well as smoking cessation is also provided to employees so to refresh and reinforce the knowledge. The Group and employees work diligently to protect the environment by actions as well as foster the community to adopt environmental initiatives. Employees and their families are welcome to join the clean-up campaign and other activities organised by the Group during the year.

Employees participated in cleaning activity in 2019

SOCIAL

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.

Employment

The Group formulated fair and equal employment and recruitment procedures according to the relevant labour law in Hong Kong and the PRC to hire and promote employees. The Group appreciates cultural diversity in the workplace. Hence, recruitment is based on candidates' experiences, abilities and business needs, regardless of race, gender, age, marital status, pregnancy, family status, sexual orientation, religion and nationality. All talented employees can be promoted and obtained relevant training to meet business needs and personal career development. During the reporting period, there was no case of non-compliance regarding compensation and dismissal, recruitment and promotion, equal opportunities, diversity, as well as discrimination.

Benefits and Welfares

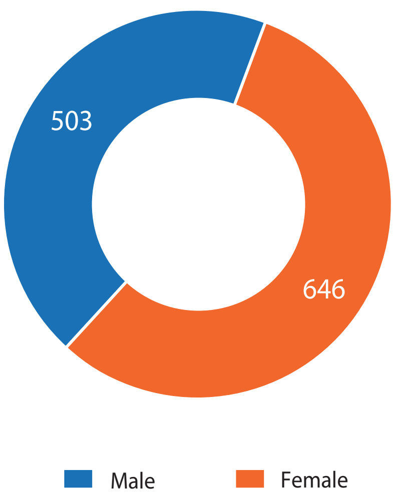
The Group covers "Five Social Insurances and One Housing Fund" for employees in the PRC. Also, the Group offers the Mandatory Provident Fund (MPF) scheme to employees in Hong Kong as required. All employees are entitled to various statutory holidays and paid leave such as marriage leave and maternity leave. To better understand the employees' opinion, the Group has formed a labour union whereby all employees are welcome to join. They can also share their ideas through monthly meeting with the Group's representatives, emails, hotlines or WeChat.

Additionally, the local government offers assistance in providing school places for employees' descendants coming from other cities. In addition, the Group also provides welfares to the employees. For instance, organising team-building activities and distributing gifts, food or beverages during the festivals like the Mid-Autumn Festival and Lunar New Year.

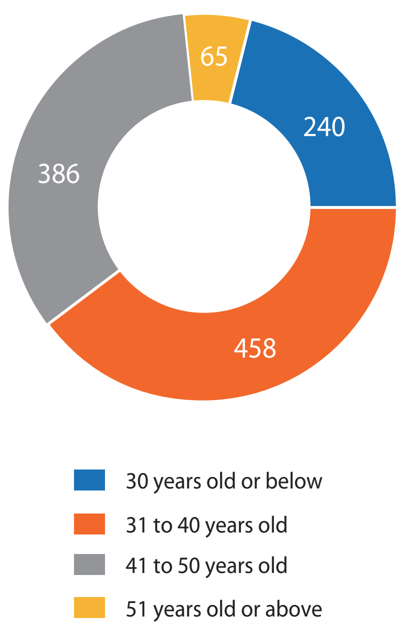
In addition to the benefit and welfares mentioned above, the Group benchmark employees' salary against industry norms and standards to maintain a competitive remuneration package to recruit talented employees. The Group also realises the importance of work-life balance, so that additional welfares are offered such as social activities and entertainment facilities. The Group plants greenery in the operating site in Dongguan in an eco-friendly manner and provides recreational facilities. At 31 December 2019, the Group had a total of 1,149 employees, in which general staff (including supervisor) accounted for around 96.6% (1,110 employees) and all are full-time staff. The remaining 39 employees were management so to ensure high quality of products and services.

For the distribution of employees as at 31 December 2019 based on gender, age, geographical region and employee category, please refer to the below charts:

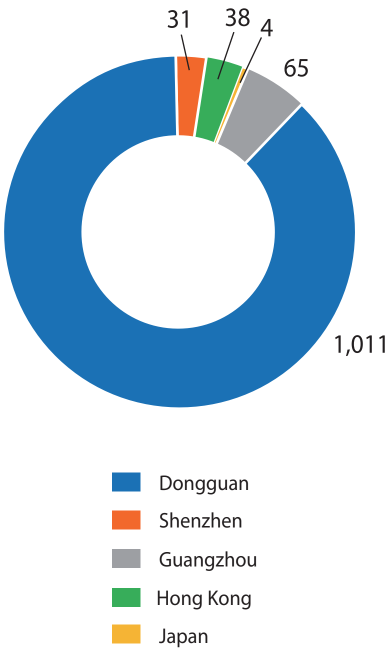
By gender



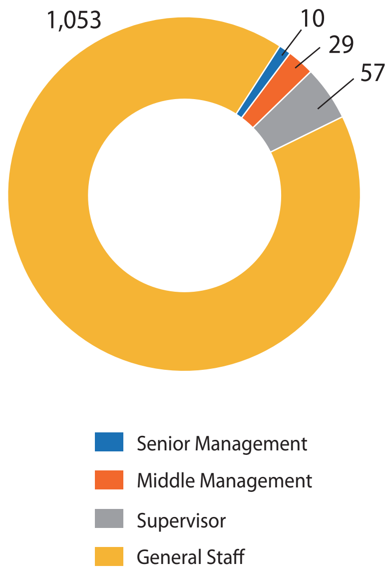
By age group



By geographical region



By employee category



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%. The Group interviewed each individual to understand their reasons for resigning and address their opinions whenever applicable.

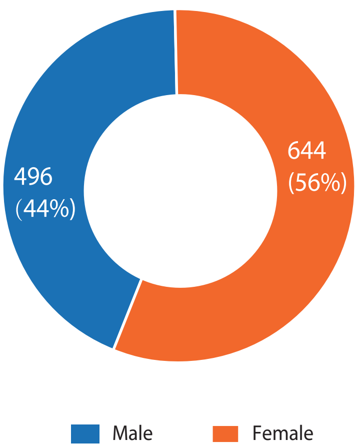
Training and Development

The Group actively encourages its employees to attend training to equip themselves for the change and challenge the Group is facing nowadays. Human resources department stipulates a training schedule for employees. Training topics not only cover technical know-how but also include laws and compliance, product safety and responsibility in the training plan. In 2019, there were 22,796 training hours offered to almost all employees (99%). During the reporting period, the Group hired a consultancy company to organise a 2-day team building event for the executive Directors and senior management so as to improve the current practices to meet the Company's vision and mission with a strategic growth-mindset.

Executive Directors and senior management participated in a 2-day team building event in 2019

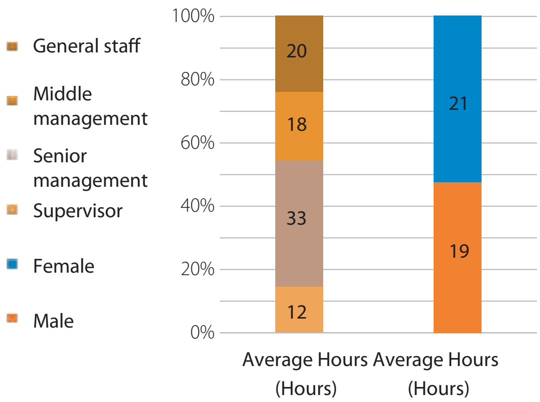
There were five (5) employees did not attend training due to the fact that they were always out of town for work. Also, four (4) employees in the Japan office started to work in Oct 2019, and they have not yet attended the training.

Total employees trained by gender



Each employee received an average of 19 training hours in the reporting period. Average training hours by employee category is shown below:

Average training hours by employee category



Total employees trained	Number of employees	Number of hours	Average hours
General Staff	1,048	21,348.5	20
Supervisor	57	685.5	12
Middle Management	26	465	18
Senior Management	9	297	33

The Group adopts an appraisal so to review employees' performance and discuss their needs and expectations to meet the business growth of the Group annually. 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.

Occupational Health and Safety

Employees are an essential part of the Group. In view of the need to eliminate potential hazards and lessen the danger 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. The Group formulates relevant controls and preventive accordingly afterwards. For example, the Group established a noise control policy and schedule fire drill annually. In addition, the Group offered suitable and adequate personal protective equipment (PPE), regular safety checks and inspection towards machines so to ensure all devices are in proper functioning.

Furthermore, the Group's products are under strict hygiene standards, and the production facilities are maintained at high level of sanitation and environmental hygiene. All employees are required to conduct a medical check-up regularly to ensure that they are physically fit for work. For those who failed, the check-up will be suspended from their existing works or arranged to a suitable job duty. The Group installed a new ventilation system to improve indoor air quality and last but not least regular cleaning at production sites are scheduled.

There were no work-related fatalities in the Group in the past three years. While the Group had injuries occurred in the operating site during the reporting period of which a total of 44 days (2018: 51 days) were lost due to such events. 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. Placing warning signs at prominent area and offering PPE onsite are ways to minimise the possibility of employees injury. More importantly, the Group understands education and training are effective ways of preventing accidents. Therefore, all newcomers must attend safety training such as emergency handling, cardiopulmonary resuscitation (CPR) and disease prevention trainings. These measures aimed to assure all employees are fully aware of the working procedures and the corresponding safety and health measures.

Labour Practices

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. The Group also wholeheartedly believes the importance of work-life balance result in low productivity and high risks of accidents. 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.

OPERATING PRACTICES

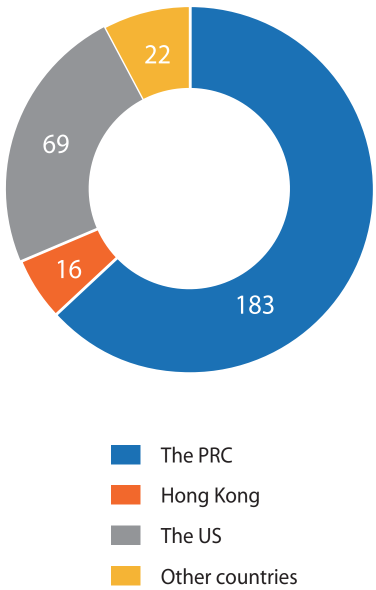
Supply Chain Management

Trust, cooperation, honesty and mutual respect are the cornerstone of the Group's operation. It 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 make 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 below), is disseminated to the suppliers and contractors.

Five Elements of Suppliers Code of Conduct

The Group sets a detailed supply chain management procedure to guide employees concerning 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 criteria; quality and on-time delivery are also key performance indicators. For the services suppliers, the Group will also examine the suppliers' ability to handle abnormality. Priority will be 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 of standards, achievements on environmental protection and social responsibilities. Suppliers are required to submit quality management system certificates, certificating document for qualified products when necessary for verification. Qualified suppliers are registered in "Approved Vendor List" once approved by the department manager. The 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.

Distribution of Suppliers by geographical region (as at 31 December 2019)



Furthermore, the Group will consider products and services that is eco-friendly when selecting suppliers. As a result, choosing environmentally conscious suppliers and contractors are of great importance to the Group. During the reporting period, the Group implemented a cost down plan so as to minimise packaging material usage by cutting or redesigning the packaging. Also, the Group purchases packaging materials on-demand, minimising the total amount of materials consumed.

PRODUCT RESPONSIBILITY

Quality Assurance

Defective products can cause irreversible and harmful consequences for patients. As a result, the Group takes particularly good care of product quality. The Group not only fully complied with the related laws and regulations, but also it successfully attained Certifications on Medical Device Quality Management System ISO 13485. The Group strives to review necessary processes for improvement, strengthen the risk management framework and quality control system. Ultimately, this enables the Group to adopt a proactive and structural approach to risk management from the conceptual stage to after-sales services.

Given the significance of quality assurance of the medical devices, the Group has got to be meticulous in raw materials selection, manufacturing, and exporting. Quality System Procedure is adopted to guide employees properly performs 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 report are well-documented and filed.

Notably, some of the products must be manufactured under a high sanitary environment. The Group maintains a standard level of hygiene and strive to control any destabilising factors. As such, the Group is equipped with specialised production equipments. 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 to operate. The Group also emphasises to employees the importance of keeping good personal hygiene.

Product Recall and Complaint Handling

Customer feedback is the engine of value creation for the business of the Group. The Group has stipulated a procedure to standardise customer complaint handling. In 2019, the Group manufactured more than 61.0 million of products. In one hand, 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 year. In the reporting period, there were 160 complaints and 150 of the complaints were addressed properly. The Group will continue to work diligently to deal with the complaints.

On the other hand, however, the Group still received clients' enquiries about the quality of the products quite often throughout the year. The Group believes that showing respect for customers' opinions and treating them are beneficial to business growth. Therefore, every enquiry will be addressed in a timely manner and recorded in detail in accordance with the prescribed procedures. An investigation will be carried out immediately and come up with improvements and suggestions for the captioned problem.

Intellectual Property Rights

The Group respects the privacy of personal data and of course, intellectual property rights. Product design and development have great value to the business. "Inspired®", "Hand of Hope" and "Hypnus™" are self-owned OBM business brands. Unauthorised use of a brand name can harm business and brand image. As a precaution, therefore, the Group applied trademarks for its designs and products. As at 31 December 2019, the Group cumulatively has 71 trademarks and owns 109 intellectual property rights. The Group is willing to communicate with business partners about intellectual property rights protection and acknowledge laws and regulations can protect the Group's rights.

Data Privacy

In addition to intellectual property rights protection, 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 is established in the Group to guide employees to handle personal data. Besides, the Group refuses to use any outdated and unauthorised software to avoid data leakage and enhance cybersecurity. Designated personnel are also assigned to take care of personal data and confidential information. Privacy awareness and refresher training are provided quarterly to the employees. IT department encrypted the data regularly and organised cybersecurity training to enhance the employees' awareness. Under no circumstances, the Group can disclose personal data and confidential information to the third parties or the public without clients' consent.

ANTI-CORRUPTION

Integrity can affect brand image and performance profoundly. Rigid laws as well as compliances bound the Group. The Group has to enforce the PRC and Hong Kong laws and regulations in the business operation as updated from time to time. Any form of bribery, extortion, fraud and money laundering are prohibited, and anti-corruption policies are applied to all employees with no exception.

The Audit Committee and the Risk Management Committee as well as the internal audit division are responsible in monitoring the overall performance. A couple of refresher training is scheduled, especially for those employees with high risk in corruption, to enhance their awareness on anti-corruption. In the reporting period, all employees received two hours of anti-corruption training. 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. In the reporting period, there was no suspected case of bribery, extortion, fraud and money laundering.

Community Investment

The Group recognises that its operation may cause inconvenience to the communities where the Group operates. Similar to last year, the Group, as a medical device manufacturer, acknowledges the important of good health, therefore, the Group specifies its focus areas of contribution on the underprivileged people and constantly encourages employees to take part in community service. Intending to that the Group forms a corporate volunteer team and in collaboration with local charities organising activities such as blood donation activity and cleaning activities. In the reporting period, the Group offered approximately 1,712 hours in-kind supports to the needy.

Employees participated in blood donation activity in 2019

RSM

TO THE MEMBERS 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 84 to 163, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 2019, 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 Hong Kong 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 judgement, 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
Impairment assessment of goodwill and other intangible assets in relation to Rehab-Robotics Company Limited ("RRCL") and Guangzhou Hypnus Healthcare Technology Co., Limited ("GZ Hypnus")	
Refer to Notes 20 and 21 to the consolidated financial statements, Note 4(y) of significant accounting policies and Note 5(c) of key sources of estimation uncertainties. The Group has goodwill and other intangible assets with carrying amounts of approximately HK$9,591,000 (before impairment) and approximately HK$10,795,000 respectively as at 31 December 2019 in relation to RRCL acquired in December 2015. The Group has goodwill and other intangible assets with carrying amounts of approximately HK$970,000 (before impairment) and approximately HK$14,738,000 respectively as at 31 December 2019 in relation to GZ Hypnus acquired in August 2017. RRCL and GZ Hypnus incurred losses for the year ended 31 December 2019. This has increased the risk that the carrying amounts of goodwill and other intangible assets may be impaired. Management performed an impairment assessment of goodwill and other intangible assets in RRCL and GZ Hypnus and concluded that an impairment loss on goodwill and other intangible assets of approximately HK$1,670,000 and HK$Nil should be recognised respectively. This conclusion was based on a value in use model that required significant management judgement with respect to the discount rate and the assumptions underlying the forecast cash flows.	Our procedures in relation to management's impairment assessment included: – Assessing the integrity of the valuation model; – Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; – Reconciling input data to supporting evidence, including approved budgets and considering the accuracy of previous management budgets; and – Evaluating the appropriateness of the discount rate by benchmarking to external sources of market data with the assistance of our internal valuation experts.

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 Hong Kong 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 judgement 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 the 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, 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, related safeguards.

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

From the matters communicated with the 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 Mr. Liu Eugene.

RSM Hong Kong
Certified Public Accountants

Hong Kong, 20 March 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	8	502,200	488,030
Cost of sales		(340,193)	(332,422)
Gross profit		162,007	155,608
Other income, other gains and losses	9	(4,447)	4,443
Selling and distribution expenses		(32,119)	(27,708)
Administrative expenses		(101,836)	(89,058)
Profit from operations		23,605	43,285
Finance costs	11	(2,857)	(810)
Share of losses of associates		(1,068)	(2,782)
Share of losses of joint ventures		(1,386)	(1,562)
Profit before tax		18,294	38,131
Income tax expense	12	(5,437)	(3,928)
Profit for the year	13	12,857	34,203
Attributable to:			
Owners of the Company		11,525	30,943
Non-controlling interests		1,332	3,260
		12,857	34,203
Earnings per share	17		
Basic		HK1.81cents	HK4.85 cents
Diluted		n/a	n/a

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Profit for the year	**12,857**	34,203
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Fair value changes of equity investments at fair value through other comprehensive income ("**FVTOCI**")	**(21,105)**	(19,081)
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(4,939)**	(9,328)
Exchange differences reclassified to profit or loss on deemed disposal of an associate	**–**	1,516
Share of other comprehensive income of associates and joint ventures	**40**	(170)
	(4,899)	(7,982)
Other comprehensive income for the year, net of tax	**(26,004)**	(27,063)
Total comprehensive income for the year	**(13,147)**	7,140
Attributable to:		
Owners of the Company	**(13,904)**	5,662
Non-controlling interests	**757**	1,478
	(13,147)	7,140

Consolidated Statement of Financial Position

At 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	68,732	53,594
Right-of-use assets	19	21,408	–
Goodwill	20	–	1,670
Other intangible assets	21	31,123	31,987
Investments in associates	22	5,204	12,024
Investments in joint ventures	23	17,027	20,833
Equity investments at FVTOCI	24	43,199	64,304
Deferred tax assets	34	1,892	1,935
Total non-current assets		188,585	186,347
Current assets			
Inventories	25	118,544	95,550
Trade receivables	26	112,707	109,953
Contract assets	8	12,991	17,177
Prepayments, deposits and other receivables	27	67,541	47,109
Bank and cash balances	28	69,951	81,141
Total current assets		381,734	350,930
TOTAL ASSETS		570,319	537,277
EQUITY AND LIABILITIES			
Share capital	29	6,377	6,377
Reserves	31(a)	346,074	368,074
Equity attributable to owners of the Company		352,451	374,451
Non-controlling interests		61,696	59,742
Total equity		414,147	434,193
Non-current liabilities			
Lease liabilities	33	11,528	–
Deferred tax liabilities	34	5,830	5,082
Total non-current liabilities		17,358	5,082
Current liabilities			
Trade payables	35	43,277	40,814
Other payables and accruals	36	41,899	31,398
Lease liabilities	33	10,675	–
Borrowings	37	30,598	17,244
Current tax liabilities		12,365	8,546
Total current liabilities		138,814	98,002
TOTAL EQUITY AND LIABILITIES		570,319	537,277
Net current assets		242,920	252,928
Total assets less current liabilities		431,505	439,275

Approved by the Board of Directors on 20 March 2020 and are signed on its behalf by:

CHOI Man Shing **TO Ki Cheung**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	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 2018	6,380	161,747	5,797	12,094	(612)	–	179,779	365,185	49,766	414,951
Adjustments on initial application of										
– HKFRS 9	–	–	–	–	–	12,758	–	12,758	–	12,758
– HKFRS 15	–	–	–	–	–	–	3,976	3,976	988	4,964
Restated balance at 1 January 2018	6,380	161,747	5,797	12,094	(612)	12,758	183,755	381,919	50,754	432,673
Total comprehensive income for the year	–	–	–	–	(6,200)	(19,081)	30,943	5,662	1,478	7,140
Repurchase of shares	(3)	(225)	–	–	–	–	–	(228)	–	(228)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	50	50
Share-based payments	–	–	2,717	–	–	–	–	2,717	–	2,717
Dividend paid	–	(9,565)	–	–	–	–	–	(9,565)	–	(9,565)
Capitalisation of loan from non-controlling shareholders	–	–	–	–	–	–	–	–	1,406	1,406
Loss on deemed acquisition of non-controlling interests	–	–	–	–	–	–	(2,359)	(2,359)	2,359	–
Purchases of non-controlling interests	–	–	–	–	71	–	(3,766)	(3,695)	3,695	–
Changes in equity for the year	(3)	(9,790)	2,717	–	(6,129)	(19,081)	24,818	(7,468)	8,988	1,520
At 31 December 2018	6,377	151,957	8,514	12,094	(6,741)	(6,323)	208,573	374,451	59,742	434,193
At 1 January 2019	6,377	151,957	8,514	12,094	(6,741)	(6,323)	208,573	374,451	59,742	434,193
Total comprehensive income for the year	–	–	–	–	(4,324)	(21,105)	11,525	(13,904)	757	(13,147)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	1,197	1,197
Share-based payments	–	–	2,106	–	–	–	–	2,106	–	2,106
Dividend paid *(Note 16)*	–	(10,202)	–	–	–	–	–	(10,202)	–	(10,202)
Changes in equity for the year	–	(10,202)	2,106	–	(4,324)	(21,105)	11,525	(22,000)	1,954	(20,046)
At 31 December 2019	6,377	141,755	10,620	12,094	(11,065)	(27,428)	220,098	352,451	61,696	414,147

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**18,294**	38,131
Adjustments for:		
Amortisation	**3,577**	1,751
Depreciation of property, plant and equipment	**14,477**	13,086
Depreciation of right-of-use assets	**10,499**	–
Finance costs	**2,857**	810
Interest income	**(374)**	(182)
Impairment of goodwill	**1,670**	2,600
Impairment of investment in an associate	**5,649**	–
Impairment of investment in a joint venture	**2,236**	–
Impairment of trade receivables	**93**	192
(Reversal of allowance)/allowance for inventories	**(419)**	2,697
Share of losses of associates	**1,068**	2,782
Share of losses of joint ventures	**1,386**	1,562
Share-based payments	**2,106**	2,717
Write back of other payables	**–**	(3,859)
Write off of inventories	**2,864**	359
Write off of property, plant and equipment	**54**	328
Write off of trade receivables	**–**	72
Operating profit before working capital changes	**66,037**	63,046
Increase in inventories	**(25,444)**	(14,191)
(Increase)/decrease in trade receivables	**(2,847)**	5,226
Decrease in contract assets	**4,186**	645
Increase in prepayments, deposits and other receivables	**(20,162)**	(5,283)
Increase/(decrease) in trade payables	**2,463**	(2,462)
Increase/(decrease) in other payables and accruals	**9,866**	(11,557)
Cash generated from operations	**34,099**	35,424
Income tax paid	**(662)**	(199)
Interest paid	**(471)**	(152)
Interest on lease liabilities	**(1,751)**	–
Net cash generated from operating activities	**31,215**	35,073

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	104	182
Purchases of property, plant and equipment	(31,097)	(21,361)
Purchases of equity investments at FVTOCI	–	(21,987)
Additions to other intangible assets	(2,801)	(7,855)
Capital injection/acquisition of associates	–	(10,242)
Net cash used in investing activities	(33,794)	(61,263)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of shares	–	(228)
Borrowings raised	16,047	11,406
Repayment of borrowings	(2,634)	(2,195)
Principal elements of lease payment	(9,817)	–
Capital contribution from non-controlling shareholders	1,197	50
Dividend paid to owners of the Company	(10,202)	(9,565)
Net cash used in financing activities	(5,409)	(532)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,988)	(26,722)
Effect of foreign exchange rate changes	(3,202)	(5,130)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	81,141	112,993
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	69,951	81,141
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	69,951	81,141

1. GENERAL INFORMATION

Vincent Medical Holdings Limited (the "**Company**") was incorporated as an exempted company in the Cayman Islands under the Companies Law 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, 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 ("**Ms. Liu**") 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 Hong Kong 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 HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases-Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

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

(a) Application of new and revised HKFRSs (continued)

HKFRS 16 Leases (continued)

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact or leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. 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 applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 6.9%.

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

(a) Application of new and revised HKFRSs (continued)

HKFRS 16 Leases (continued)

(b) Lessee accounting and transitional impact (continued)

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

(iii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(iv) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

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 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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

(a) Application of new and revised HKFRSs (continued)

HKFRS 16 Leases (continued)

(b) Lessee accounting and transitional impact (continued)

The following table reconciles the operating lease commitments as disclosed in Note 37 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	HK$'000
Operating lease commitment disclosed at 31 December 2018	36,417
Discounted using the incremental borrowing rate at 1 January 2019	(3,695)
Less: Recognition exemption for leases of low-value assets	(7)
Less: Recognition exemption for leases with less than 12 months of leases term at transition	(2,362)
Lease liabilities recognised as at 1 January 2019	30,353
Of which are:	
Current lease liabilities	9,680
Non-current lease liabilities	20,673
	30,353

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of consolidated financial position at 31 December 2018.

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

(a) Application of new and revised HKFRSs (continued)

HKFRS 16 Leases (continued)

(b) Lessee accounting and transitional impact (continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	Carrying amount as at 31 December 2018 HK$'000	Recognition of leases HK$'000	Carrying amount as at 1 January 2019 HK$'000
Assets			
Right-of-use assets	–	30,353	30,353
Liabilities			
Lease liabilities	–	30,353	30,353

(c) Impact of the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element (Note 38(a)). These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement (Note 38(b)).

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

(a) Application of new and revised HKFRSs (continued)

HKFRS 16 Leases (continued)

(c) Impact of the financial results and cash flows of the Group (continued)

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17:

	2019				2018
	Amounts reported under HKFRS 16 HK$'000	Add back: HKFRS 16 depreciation and interest expense HK$'000	Deduct: Estimated amounts related to operating leases as if under HKAS 17 *(Note)* HK$'000	Hypothetical amounts for 2019 as if under HKAS 17 HK$'000	Compared to amounts reported for 2018 under HKAS 17 HK$'000
Financial results for year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Profit from operations	23,605	10,499	(11,434)	22,670	43,285
Finance costs	(2,857)	1,751	–	(1,106)	(810)
Profits before tax	18,294	12,250	(11,434)	19,110	38,131
Profit for the year	12,857	12,250	(11,434)	13,673	34,203

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

(a) Application of new and revised HKFRSs (continued)

HKFRS 16 Leases (continued)

(c) Impact of the financial results and cash flows of the Group (continued)

	2019			2018
	Amounts reported under HKFRS 16 HK$'000	Estimated amounts related to operating leases as if under HKAS 17 *(Note)* HK$'000	Hypothetical amounts for 2019 as if under HKAS 17 HK$'000	Compared to amounts reported for 2018 under HKAS 17 HK$'000
Line items in the consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash generated from operations	34,099	(11,568)	22,531	35,424
Interest element of lease rentals paid	(1,751)	1,751	–	–
Net cash generated from operating activities	31,215	(9,817)	21,398	35,073
Capital element of lease rentals paid	(9,817)	9,817	–	–
Net cash (used in)/generated from financing activities	(5,409)	9,817	4,408	(532)

Note:

The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there was no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

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

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2019. 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 Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform	1 January 2020

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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).

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Associates (continued)

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.

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. 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.

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 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%

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (continued)

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

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

Policy applicable from 1 January 2019

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leases (continued)

The Group as a lessee (continued)

Policy applicable from 1 January 2019 (continued)

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.

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 Group presents right-of-use assets that do not meet the definition of investment properties and lease liabilities separately in the consolidated statement of financial position.

Policy prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, except for the property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(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.

(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(z) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 cash flow statement. 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.

(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 stated 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Share-based payments

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) 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.

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)

(y) 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.

(z) Impairment of financial assets and contracts assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 6(b) details how the Group determines whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets.

Impairment on other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

(aa) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) 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) Equity pick up of entity of 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. Ltd. ("**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.

*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.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

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) Property, plant and equipment and depreciation

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.

The carrying amount of property, plant and equipment as at 31 December 2019 was approximately HK$68,732,000 (2018: HK$53,594,000).

(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$5,437,000 (2018: HK$3,928,000) was charged to profit or loss based on the estimated profit.

(c) Impairment of goodwill and other intangible assets

Determining whether goodwill and other intangible assets are impaired requires an estimation of the value in use of the CGU to which goodwill and 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.

The carrying amounts of goodwill and other intangible assets as at 31 December 2019 were HK$Nil (2018: HK$1,670,000) and HK$31,123,000 (2018: HK$31,987,000) respectively after an impairment loss of approximately HK$1,670,000 (2018: HK$2,600,000) was recognised during the year. Details of the impairment loss calculation are provided in Note 20 to the consolidated financial statements.

(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 2019, the carrying amount of trade receivables and contract assets was approximately HK$125,698,000 (2018: HK$127,130,000) (net of allowance for doubtful debts of approximately HK$285,000 (2018: HK$192,000)).

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$419,000 was reversed (2018: HK$2,697,000 was made).

(f) Fair value 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.

As at 31 December 2019, the carrying amount of these equity investments was approximately HK$43,199,000 (2018: HK$64,304,000).

(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 2019, the carrying amount of the investments in associates and joint ventures was approximately HK$5,204,000 (2018: HK$12,024,000) (net of accumulated impairment losses of approximately HK$5,649,000 (2018: HK$Nil)) and HK$17,027,000 (2018: HK$20,833,000) (net of accumulated impairment losses of approximately HK$2,236,000 (2018: HK$Nil)), respectively.

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.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 2019, there were 2 (2018: 2) 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 59% (2018: 65%) of the Group's total trade receivables and contract assets as at 31 December 2019.

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.

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.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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 expected credit losses 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 2019 and 2018, the loss allowance provision for these balances was not material.

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

	2019 **HK$'000**	2018 HK$'000
At 1 January	**192**	110
Impairment losses recognised for the year	**93**	192
Amounts written off during the year	**–**	(110)
At 31 December	**285**	192

(ii) Other receivables

The Group has assessed that the expected credit losses for other receivables are not material under the 12-month expected losses method. No loss allowance provision was recognised during the year.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 2019				
Trade payables	**43,277**	**–**	**–**	**43,277**
Other payables and accruals	**31,359**	**–**	**–**	**31,359**
Borrowings	**30,598**	**–**	**–**	**30,598**
Lease liabilities	**11,747**	**10,875**	**1,067**	**23,689**
At 31 December 2018				
Trade payables	40,814	–	–	40,814
Other payables and accruals	25,529	–	–	25,529
Borrowings	17,244	–	–	17,244

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 2019	**3,239**	**3,239**	**6,524**	**–**	**13,002**
At 31 December 2018	2,123	2,123	5,485	–	9,731

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 value 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.

(e) Categories of financial instruments at 31 December 2019

	2019 HK$'000	2018 HK$'000
Financial assets:		
Financial assets at amortised cost	**188,250**	196,023
Financial assets measured at FVTOCI		
– equity instruments	**43,199**	64,304
Financial liabilities:		
Financial liabilities at amortised cost	**105,234**	83,587

(f) Fair values

The carrying amount 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 VALUES 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.

Disclosures of level in fair value hierarchy at 31 December 2019:

Description	Fair value measurement using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2019 HK$'000
Recurring fair value measurement:				
Financial assets at FVTOCI				
– Unlisted equity securities	–	–	43,199	43,199

Description	Fair value measurement using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2018 HK$'000
Recurring fair value measurement:				
Financial assets at FVTOCI				
– Unlisted equity securities	–	–	64,304	64,304

7. FAIR VALUES MEASUREMENT (CONTINUED)

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

	2019 HK$'000	2018 HK$'000
At 1 January	64,304	–
Initial application of HKFRS 9	–	61,398
Purchases	–	21,987
Total gains or losses recognised in other comprehensive income	(21,105)	(19,081)
At 31 December	43,199	64,304

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.

Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2019:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including Level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller 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 input	Fair value 2019 HK$'000	Fair value 2018 HK$'000
Unlisted equity securities classified as financial assets at FVTOCI	Discounted cash flows	Weighted average cost of capital	34% – 50% (2018: 34% – 50%)	Decrease	43,199	64,304
		Discount for lack of marketability	20% – 25% (2018: 20% – 25%)	Decrease		
		Long-term growth rate	2% (2018: 2%)	Increase		
Unlisted equity securities classified as financial assets at FVTOCI	Cost approach	n/a	n/a	n/a	–	n/a

During the year, there were no changes in the valuation techniques used, except for an equity investment at FVTOCI of which a cost approach (2018: discounted cash flows) has been used for the valuation due to the uncertainties of the future business operation of the entity.

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	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
By product category						
Respiratory products	**97,815**	95,664	**114,546**	88,203	**212,361**	183,867
Imaging disposable products	**157,149**	170,548	**–**	–	**157,149**	170,548
Orthopaedic and rehabilitation products	**70,910**	69,828	**11,271**	10,035	**82,181**	79,863
Other products	**50,509**	53,752	**–**	–	**50,509**	53,752
	376,383	389,792	**125,817**	98,238	**502,200**	488,030
By geographical market						
The United States	**313,563**	311,317	**5,800**	8,296	**319,363**	319,613
The People's Republic of China (the "**PRC**")	**–**	–	**66,356**	53,671	**66,356**	53,671
Japan	**13,890**	12,679	**6,408**	2,211	**20,298**	14,890
Australia	**18,186**	25,405	**1,852**	1,001	**20,038**	26,406
The Netherlands	**15,387**	27,599	**–**	–	**15,387**	27,599
Others	**15,357**	12,792	**45,401**	33,059	**60,758**	45,851
	376,383	389,792	**125,817**	98,238	**502,200**	488,030
By timing of recognition						
Products transferred at a point in time	**219,234**	219,244	**125,817**	98,238	**345,051**	317,482
Products transferred over time	**157,149**	170,548	**–**	–	**157,149**	170,548
	376,383	389,792	**125,817**	98,238	**502,200**	488,030

8. REVENUE (CONTINUED)

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

	2019 HK$'000	2018 HK$'000
Receivables, which included in "trade receivables"	**112,707**	109,953
Contract assets	**12,991**	17,177

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

	2019 HK$'000	2018 HK$'000
Other income		
Government subsidies *(Note)*	**2,954**	3,781
Interest income – bank deposits	**104**	182
Interest income – other receivables	**270**	–
Sundry income	**2,603**	900
	5,931	4,863
Other gains and losses		
Exchange losses, net	**(676)**	(1,087)
Impairment of goodwill	**(1,670)**	(2,600)
Impairment of investment in an associate	**(5,649)**	–
Impairment of investment in a joint venture	**(2,236)**	–
Impairment of trade receivables	**(93)**	(192)
Write back of other payables	**–**	3,859
Write off of property, plant and equipment	**(54)**	(328)
Write off of trade receivables	**–**	(72)
	(10,378)	(420)
Total	**(4,447)**	4,443

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®", "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, write back of other payables, 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.

Information about reportable segment profit or loss:

	OEM HK$'000	OBM HK$'000	Total HK$'000
Year ended 31 December 2019			
Revenue from external customers	**376,383**	**125,817**	**502,200**
Segment profit/(loss)	**58,566**	**(24,131)**	**34,435**
Depreciation and amortisation	**14,725**	**13,828**	**28,553**
Impairment of goodwill	**–**	**1,670**	**1,670**
Impairment of trade receivables	**52**	**41**	**93**
Year ended 31 December 2018			
Revenue from external customers	389,792	98,238	488,030
Segment profit/(loss)	69,781	(23,852)	45,929
Depreciation and amortisation	7,936	6,901	14,837
Impairment of goodwill	–	2,600	2,600
Impairment of trade receivables	166	26	192
Write off of trade receivables	72	–	72

10. SEGMENT INFORMATION (CONTINUED)

Reconciliation of reportable segment revenue and profit or loss:

	2019 HK$'000	2018 HK$'000
Revenue		
Total revenue of reportable segments	502,200	488,030
Profit or loss		
Total profit or loss of reportable segments	34,435	45,929
Interest income	374	182
Interest expenses	(2,857)	(810)
Share-based payments	(2,106)	(2,717)
Share of losses of associates	(1,068)	(2,782)
Share of losses of joint ventures	(1,386)	(1,562)
Write back of other payables	–	3,859
Impairment of investment in an associate	(5,649)	–
Impairment of investment in a joint venture	(2,236)	–
Corporate income	2,603	900
Corporate expenses	(3,816)	(4,868)
Consolidated profit before tax	18,294	38,131

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	
	2019 HK$'000	2018 HK$'000
The United States	319,363	319,613
The PRC	66,356	53,671
Japan	20,298	14,890
Australia	20,038	26,406
The Netherlands	15,387	27,599
Others	60,758	45,851
	502,200	488,030

10. SEGMENT INFORMATION (CONTINUED)

Geographical information: (continued)

	Non-current assets	
	2019 **HK$'000**	2018 HK$'000
Hong Kong	**27,644**	39,590
The PRC	**109,370**	76,425
Spain	**3,556**	4,093
Japan	**2,924**	–
	143,494	120,108

Revenue from major customers:

	2019 **HK$'000**	2018 HK$'000
OEM segment		
Customer A	**163,403**	176,557
Customer B	**79,287**	89,146

11. FINANCE COSTS

	2019 **HK$'000**	2018 HK$'000
Interest expenses on lease liabilities *(Note 19)*	**1,751**	–
Interest on borrowings	**1,106**	810
	2,857	810

12. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**2,715**	4,523
Over-provision in prior years	**(30)**	(1,311)
	2,685	3,212
Current tax – the PRC		
Provision for the year	**1,787**	1,721
Under/(over)-provision in prior years	**138**	(1,781)
	1,925	(60)
Deferred tax *(Note 34)*	**827**	776
Income tax expense	**5,437**	3,928

Under the two-tiered profits tax regime, profits tax rate for the first HK$2 million of assessable profits of qualifying corporations established in Hong Kong will be lowered to 8.25%, and profits above that amount will be subject to the tax 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%.

^ *For identification purpose only*

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:

	2019 HK$'000	2018 HK$'000
Profit before tax	**18,294**	38,131
Tax at Hong Kong Profits Tax rate of 16.5% (2018: 16.5%)	**3,019**	6,292
Tax effect of share of losses of associates	**176**	459
Tax effect of share of losses of joint ventures	**228**	258
Tax effect of income that is not taxable	**(25,715)**	(27,766)
Tax effect of expenses that are not deductible	**26,816**	26,137
Tax effect of temporary difference not recognised	**426**	(404)
Tax effect of tax loss not recognised	**5,572**	4,801
Tax effect of utilisation of tax losses not previously recognised	**(69)**	–
Tax effect of change of tax rate	**(628)**	(165)
Effect of different tax rates of subsidiaries	**(839)**	(645)
Tax concession	**(3,449)**	(1,635)
Others	**(208)**	(312)
Under/(over)-provision in prior years	**108**	(3,092)
Income tax expense	**5,437**	3,928

13. PROFIT FOR THE YEAR

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

	2019 HK$'000	2018 HK$'000
Amortisation	3,577	1,751
Auditor's remuneration	1,595	1,605
Cost of inventories sold	340,193	332,422
Depreciation of property, plant and equipment	14,477	13,086
Depreciation of right-of-use assets	10,499	–
Equity-settled share-based payments	2,106	2,717
Impairment of goodwill (included in other gains and losses)	1,670	2,600
Impairment of investment in an associate (included in other gains and losses)	5,649	–
Impairment of investment in a joint venture (included in other gains and losses)	2,236	–
Impairment of trade receivables (included in other gains and losses)	93	192
Operating leases charges – land and buildings	–	13,265
Research and development expenditure	29,742	25,960
(Reversal of allowance)/allowance for inventories (included in cost of inventories sold)	(419)	2,697
Write back of other payables (included in other gains and losses)	–	(3,859)
Write off of inventories (included in cost of inventories sold)	2,864	359
Write off of property, plant and equipment (included in other gains and losses)	54	328
Write off of trade receivables (included in other gains and losses)	–	72

Cost of inventories sold include staff costs of approximately HK$84,295,000 (2018: HK$72,639,000), depreciation of property, plant and equipment of approximately HK$9,833,000 (2018: HK$9,085,000), depreciation of right-of-use assets of approximately HK$4,573,000 (2018: HK$Nil), amortisation of approximately HK$767,000 (2018: HK$Nil), and operating lease charges of HK$Nil (2018: HK$5,688,000), which are included in the amounts disclosed separately.

Research and development expenditure include staff costs of approximately HK$13,771,000 (2018: HK$9,798,000), depreciation of approximately HK$554,000 (2018: HK$345,000) and operating lease charges of HK$Nil (2018: HK$1,186,000), which are included in the amounts disclosed separately.

14. EMPLOYEE BENEFITS EXPENSE

	2019 HK$'000	2018 HK$'000
Salaries, bonuses and allowances	133,583	108,798
Retirement benefits scheme contributions	7,862	6,994
Other benefits	8,350	6,952
Equity-settled share-based payments	2,051	2,717
	151,846	125,461

(a) Pensions – defined contribution plans

Contributions of approximately HK$157,000 (2018: HK$179,000) were payable to the fund at the year-end. The amount of forfeited contributions utilised for the year ended 31 December 2019 was approximately HK$208,000 (2018: HK$69,000).

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2018: 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 (2018: two) individuals during the year was as follows:

	2019 HK$'000	2018 HK$'000
Salaries and allowances	2,060	2,028
Bonuses	321	–
Retirement benefits scheme contributions	95	60
Equity-settled share-based payments	198	175
	2,674	2,263

The emoluments fell within the following band:

	2019	2018
Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	2	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								
	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	*(Note i)* Estimated money value of other benefits HK$'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$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Total HK$'000
Name of director									
Mr. Choi	–	1,147	137	–	106	–	–	–	1,390
Mr. To Ki Cheung	–	1,363	159	191	63	–	–	–	1,776
Mr. Koh Ming Fai	–	1,112	129	151	51	–	–	–	1,443
Mr. Fu Kwok Fu	–	985	109	151	46	–	–	–	1,291
Mr. Chan Ling Ming *(Note (ii))*	89	–	–	–	–	–	–	–	89
Mr. Mok Kwok Cheung Rupert	201	–	–	–	–	–	–	–	201
Mr. Au Yu Chiu Steven	201	–	–	–	–	–	–	–	201
Mr. Guo Pengcheng	201	–	–	–	–	–	–	–	201
Prof. Yung Kai Leung	201	–	–	–	–	–	–	–	201
Total for 2019	893	4,607	534	493	266	–	–	–	6,793
Name of director									
Mr. Choi	–	1,140	–	–	105	–	–	–	1,245
Mr. To Ki Cheung	–	1,307	–	178	61	–	–	–	1,546
Mr. Koh Ming Fai	–	1,063	–	149	49	–	–	–	1,261
Mr. Fu Kwok Fu	–	892	–	149	41	–	–	–	1,082
Ms. Liu *(Note (iii))*	–	–	–	–	–	–	–	–	–
Mr. Chan Ling Ming	189	–	–	–	–	–	–	–	189
Mr. Mok Kwok Cheung Rupert	189	–	–	–	–	–	–	–	189
Mr. Au Yu Chiu Steven	189	–	–	–	–	–	–	–	189
Mr. Guo Pengcheng	189	–	–	–	–	–	–	–	189
Prof. Yung Kai Leung	189	–	–	–	–	–	–	–	189
Total for 2018	945	4,402	–	476	256	–	–	–	6,079

Notes:

(i) Estimated money values of other benefits include rent paid, share options, insurance premium, etc.

(ii) Resigned on 13 June 2019.

(iii) Retired on 24 May 2018.

Neither the chief executive nor any of the directors waived any emoluments during the year (2018: 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) 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 (Dongguan) Electronics Co., Ltd. 永勝（東莞）電子有限公司	Purchases of goods	624	Mr. Choi has beneficial interest in the contracting party
	Catering service fee	1,020	
	Rental expenses	9,610	
	Metal supplies and processing service fee	6,410	
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

	2019 HK$'000	2018 HK$'000
2018 final dividend of HK1.60 cents (2018: 2017 final dividend of HK1.50 cents) per ordinary share	10,202	9,565

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2019 of HK1.10 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 20 May 2020.

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:

	2019 HK$'000	2018 HK$'000
Earnings		
Profit attributable to owners of the Company	**11,525**	30,943

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**637,650**	637,653
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 per share	**637,650**	637,653

Note:

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2019 and 2018.

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 2018	13,257	51,123	29,151	28,657	1,797	2,174	126,159
Additions	1,714	5,817	289	2,059	1,084	10,398	21,361
Write off	(22)	(1)	(1,609)	–	–	(33)	(1,665)
Transfer from inventories	–	925	–	–	–	–	925
Transfer	–	–	5,958	218	–	(6,176)	–
Exchange differences	(546)	(2,502)	(1,457)	(1,340)	(91)	(224)	(6,160)
At 31 December 2018 and 1 January 2019	14,403	55,362	32,332	29,594	2,790	6,139	140,620
Additions	1,926	11,681	607	6,184	227	10,472	31,097
Write off	(57)	(350)	(34)	–	–	–	(441)
Transfer from/(to) inventories	(10)	74	–	–	–	–	64
Transfer	190	4,087	10,909	205	–	(15,391)	–
Exchange differences	(292)	(1,412)	(874)	(723)	(54)	(60)	(3,415)
At 31 December 2019	16,160	69,442	42,940	35,260	2,963	1,160	167,925
Accumulated depreciation							
At 1 January 2018	8,972	31,190	23,467	14,343	997	–	78,969
Charge for the year	1,775	5,831	3,315	1,852	431	–	13,204
Write off	(18)	–	(1,319)	–	–	–	(1,337)
Exchange differences	(365)	(1,603)	(1,118)	(678)	(46)	–	(3,810)
At 31 December 2018 and 1 January 2019	10,364	35,418	24,345	15,517	1,382	–	87,026
Charge for the year	1,728	6,025	4,040	2,368	426	–	14,587
Write off	(52)	(318)	(17)	–	–	–	(387)
Transfer to inventories	(5)	–	–	–	–	–	(5)
Exchange differences	(202)	(855)	(586)	(357)	(28)	–	(2,028)
At 31 December 2019	11,833	40,270	27,782	17,528	1,780	–	99,193
Carrying amount							
At 31 December 2019	4,327	29,172	15,158	17,732	1,183	1,160	68,732
At 31 December 2018	4,039	19,944	7,987	14,077	1,408	6,139	53,594

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year the Group changed the estimated useful lives of certain plant and machinery purchased during the year from 5 years to 10 years. As a result of this change in accounting estimate, the depreciation charge decreased by approximately HK$558,000 for the year, will decrease by approximately HK$1,551,000 for each of the following 4 years, and also will increase by approximately HK$1,551,000 for each of the next following 5 years.

19. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
At 1 January 2019 *(Note 3)*	30,353
Additions	2,337
Depreciation	(10,633)
Exchange differences	(649)
At 31 December 2019	21,408

Lease liabilities of approximately HK$22,203,000 are recognised with related right-of-use assets of approximately HK$21,408,000 as at 31 December 2019.

	2019 HK$'000
Depreciation expenses on right-of-use assets	10,499
Interest expense on lease liabilities (included in finance costs)	1,751
Expenses relating to short-term lease (included in cost of inventories sold, selling and distribution expenses and administrative expenses)	2,668
Expenses relating to leases of low value assets (included in selling and distribution expenses and administrative expenses)	163

Details of total cash outflow for leases are set out in Note 38(b).

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, 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.

20. GOODWILL

	2019 HK$'000	2018 HK$'000
Cost		
At 1 January and 31 December	10,561	10,561
Accumulated impairment loss		
At 1 January	8,891	6,291
Impairment loss recognised in the year	1,670	2,600
At 31 December	10,561	8,891
Carrying amount		
At 31 December	–	1,670

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2019 HK$'000	2018 HK$'000
Development of "Hand of Hope" robotic hand training devices		
Rehab-Robotics Company Limited ("**RRCL**")	–	700
Manufacturing and trading of "Hypnus™" branded continuous positive airway pressure ("CPAP") equipment		
Guangzhou Hypnus Healthcare Technology Co., Limited ("**GZ Hypnus**")	–	970
	–	1,670

20. GOODWILL (CONTINUED)

The recoverable amounts of the CGUs have been determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 2% (2018: 3%) and 1% (2018: 2%) for development of "Hand of Hope" robotic hand training devices business and manufacturing and trading of "Hypnus™" branded CPAP equipment respectively. These rates do not exceed the average long-term growth rate for the relevant markets.

The pre-tax rate used to discount the forecast cash flows from the Group's development of "Hand of Hope" robotic hand training devices business and manufacturing and trading of "Hypnus™" branded CPAP equipment are 27.6% (2018: 26.8%) and 27.8% (2018: 24.5%) respectively.

At 31 December 2019, before impairment testing, goodwill of approximately HK$700,000 was allocated to RRCL under the development of "Hand of Hope" robotic hand training devices business. Due to the delay in customer orders for "Hand of Hope" and the delay in development of new version of "Hand of Hope", the Group has revised its cash flows forecast for this CGU. The recoverable amount of this CGU was reduced by approximately HK$700,000 and an impairment loss on goodwill of approximately HK$700,000 was recognised.

At 31 December 2019, before impairment testing, goodwill of approximately HK$970,000 was allocated to GZ Hypnus under the manufacturing and trading of "Hypnus™" branded CPAP equipment. During the year, after review of the sales progress of the "Hypnus™" branded CPAP equipment and the fact that the number of units sold is less than the expected level as new version of CPAP equipment takes time to penetrate into the competitive market, the Group has revised its cash flows forecast for this CGU. The recoverable amount of this CGU was reduced by approximately HK$970,000 and an impairment loss on goodwill of approximately HK$970,000 was recognised.

21. 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 2018	14,953	7,909	4,136	2,793	29,791
Additions	–	2,745	–	5,965	8,710
Exchange differences	–	(433)	–	(167)	(600)
At 31 December 2018 and 1 January 2019	**14,953**	**10,221**	**4,136**	**8,591**	**37,901**
Additions	**–**	**1,067**	**–**	**2,466**	**3,533**
Exchange differences	**–**	**(222)**	**–**	**(158)**	**(380)**
At 31 December 2019	**14,953**	**11,066**	**4,136**	**10,899**	**41,054**
Accumulated amortisation					
At 1 January 2018	3,228	230	–	–	3,458
Amortisation for the year	1,610	738	–	140	2,488
Exchange differences	–	(32)	–	–	(32)
At 31 December 2018 and 1 January 2019	**4,838**	**936**	**–**	**140**	**5,914**
Amortisation for the year	**1,610**	**985**	**–**	**1,470**	**4,065**
Exchange differences	**–**	**(36)**	**–**	**(12)**	**(48)**
At 31 December 2019	**6,448**	**1,885**	**–**	**1,598**	**9,931**
Carrying amount					
At 31 December 2019	**8,505**	**9,181**	**4,136**	**9,301**	**31,123**
At 31 December 2018	10,115	9,285	4,136	8,451	31,987

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 5.38 years (2018: 6.38 years).

Patents and trademarks

The patents are mainly used for the manufacturing and trading of "Hypnus™" branded CPAP equipment. The average remaining amortisation period of the patents is 8.18 years (2018: 9.18 years).

The trademarks are mainly used for trading of medical devices in Japan. The average remaining amortisation period of the trademarks is 5 years (2018: Nil).

21. OTHER INTANGIBLE ASSETS (CONTINUED)

License right

On 8 September 2017, the Group entered into a license agreement, 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 territory as specified in the license agreement after obtaining the relevant products registration.

As at 31 December 2019, the products registration is in progress. Amortisation of license right will be commenced 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.

22. INVESTMENTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Unlisted investments:		
Share of net assets	3,551	4,679
Goodwill	7,302	7,345
	10,853	12,024
Impairment losses	(5,649)	–
	5,204	12,024

Details of the Group's associates as at 31 December 2019 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% (2018: 40%)	Design, development and commercialisation of retractors for minimally invasive surgery
Celsius	Spain	9,000 ordinary shares and 1,000 preference shares	10% (2018: 10%)	Design, development and commercialisation of air and fluid warning systems

22. 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	
	2019	2018	**2019**	2018
Principal place of business/country of incorporation	**Hong Kong**	Hong Kong	**Spain**	Spain
% of ownership interests/voting rights held by the Group	**40%/40%**	40%/40%	**10%/10%**	10%/10%
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 31 December:				
Non-current assets	**4,858**	5,970	**22,303**	26,320
Current assets	**1,871**	2,251	**5,415**	8,888
Non-current liabilities	**(743)**	(880)	**(3,402)**	(6,680)
Current liabilities	**(1,865)**	(1,634)	**(5,286)**	(4,562)
Net assets	**4,121**	5,707	**19,030**	23,966
Group's share of net assets	**1,648**	2,282	**1,903**	2,397
Goodwill	**–**	5,649	**1,653**	1,696
Group's share of carrying amount of interests	**1,648**	7,931	**3,556**	4,093
Year ended 31 December:				
Revenue	**3,063**	1,173	**9,642**	6,768
Loss for the year	**(1,586)**	(4,678)	**(4,341)**	(775)
Other comprehensive income	**–**	–	**10**	(402)
Total comprehensive income	**(1,586)**	(4,678)	**(4,331)**	(1,177)
Dividends received from associates	**–**	–	**–**	–

During the year, after review of the sales progress of Retraction and the fact that the number of units sold is less than the expected level due to the delay in product registration in certain countries, the Group carried out reviews of the recoverable amount of Retraction. The review led to the recognition of an impairment loss of approximately HK$5,649,000. The recoverable amount of approximately HK$1,648,000 for Retraction has been determined on the basis of the fair value less costs of disposal using discounted cash flows method by an independent external valuation expert. The pre-tax discount rate used was 22.0%.

23. INVESTMENTS IN JOINT VENTURES

	2019 HK$'000	2018 HK$'000
Unlisted investments:		
Share of net assets	**7,935**	9,351
Goodwill	**11,328**	11,482
	19,263	20,833
Impairment losses	**(2,236)**	–
	17,027	20,833

Details of the Group's joint ventures as at 31 December 2019 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 RMB10,022,898	10% (2018: 10%)	Design, development, sales and operation of wearable devices
Avalon	The BVI	50,000 ordinary shares of US$1 each	20% (2018: 20%)	Investment holding
Avalon Photonics (HK) Limited ("**Avalon HK**") *(Note)*	Hong Kong	10,000 ordinary shares	20% (2018: 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% (2018: 20%)	Manufacturing of kanga-care products

Note:

Avalon HK and Avalon PRC are the wholly-owned subsidiaries of Avalon.

23. 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	
	2019	2018	**2019**	2018
Principal place of business/country of incorporation	**The PRC**	The PRC	**The BVI**	The BVI
% of ownership interests/voting rights held by the Group	**10%/10%**	10%/10%	**20%/20%**	20%/20%
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 31 December:				
Non-current assets	**12,514**	10,734	**19,896**	22,848
Current assets	**13,301**	15,350	**11,214**	13,785
Non-current liabilities	**–**	–	**(3,838)**	(2,063)
Current liabilities	**(429)**	(1,400)	**(301)**	(161)
Net assets	**25,386**	24,684	**26,971**	34,409
Group's share of net assets	**2,539**	2,468	**5,396**	6,883
Goodwill	**6,856**	7,010	**2,236**	4,472
Group's share of carrying amount of interests	**9,395**	9,478	**7,632**	11,355
Cash and cash equivalents included in current assets	**6,418**	9,062	**5,025**	7,854
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	**18,780**	14,767	**60**	459
Depreciation and amortisation	**(1,211)**	(1,068)	**(2,467)**	(2,477)
Interest income	**201**	121	**11**	13
Income tax expense	**–**	–	**–**	–
Profit/(loss) for the year	**1,408**	356	**(7,631)**	(7,988)
Other comprehensive income	**–**	–	**196**	(650)
Total comprehensive income	**1,408**	356	**(7,435)**	(8,638)
Dividends received from joint ventures	**–**	–	**–**	–

As at 31 December 2019, the bank and cash balances of the Group's joint ventures in the PRC denominated in RMB amounted to approximately HK$6,989,000 (2018: HK$10,102,000). 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. INVESTMENTS IN JOINT VENTURES (CONTINUED)

During the year, after review of the sales progress of Avalon and its subsidiaries ("**Avalon Group**") and the fact that the number of units sold is less than the expected level due to the delay in product registration in certain countries and the lower-than-expected market demand for the existing products in the PRC market, the Group carried out reviews of the recoverable amount of Avalon Group. The review led to the recognition of an impairment loss of approximately HK$2,236,000. The recoverable amount of approximately HK$7,632,000 for Avalon Group has been determined on the basis of their value in use using discounted cash flows method by an independent external valuation expert. The pre-tax discount rate used was 33.9%.

24. EQUITY INVESTMENTS AT FVTOCI

	2019 HK$'000	2018 HK$'000
Unlisted equity securities	**43,199**	64,304
Analysed as:		
Non-current assets	**43,199**	64,304

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.

25. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	**73,796**	59,418
Work in progress	**26,708**	23,089
Finished goods	**18,040**	13,043
	118,544	95,550

26. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**112,992**	110,145
Less: allowance for doubtful debts	**(285)**	(192)
	112,707	109,953

26. TRADE RECEIVABLES (CONTINUED)

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:

	2019 HK$'000	2018 HK$'000
0 to 30 days	26,905	49,235
31 to 60 days	24,548	25,258
61 to 90 days	28,712	20,005
Over 90 days	32,542	15,455
	112,707	109,953

As of 31 December 2019, trade receivables of approximately HK$35,236,000 (2018: HK$34,427,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2019 HK$'000	2018 HK$'000
Overdue by:		
Up to 3 months	27,745	29,204
Over 3 months	7,491	5,223
	35,236	34,427

Overdue balances related to a number of independent customers that have good track record with the Group. The Group does not hold any collateral over these balances.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HKD	386	474
RMB	15,046	12,440
USD	97,275	97,039
	112,707	109,953

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Deposit for an investment	7,837	–
Deposits for license and distribution rights	13,427	–
Deposits for purchases of property, plant and equipment	10,939	13,043
Deposits for purchases of goods	15,239	19,161
Prepaid expenses	6,120	4,432
Rental and other deposits	2,091	4,168
Other receivables	11,888	6,305
	67,541	47,109

28. BANK AND CASH BALANCES

The carrying amounts of the Group's bank and cash balances are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HKD	14,266	23,395
RMB	13,069	14,294
USD	40,123	39,952
Others	2,493	3,500
Total	69,951	81,141

As at 31 December 2019, the bank and cash balances of the Group denominated in RMB and kept in the PRC amounted to approximately HK$11,106,000 (2018: HK$10,178,000). 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.

29. SHARE CAPITAL

	2019 HK$'000	2018 HK$'000
Authorised		
10,000,000,000 ordinary shares of HK$0.01 each	100,000	100,000
Issued and fully paid		
637,650,000 ordinary shares of HK$0.01 each	6,377	6,377

A summary of the movements in the issued share capital of the Company is as follows:

	Number of shares	Nominal value of shares issued HK$'000
At 1 January 2018	638,000,000	6,380
Repurchase of shares	(350,000)	(3)
At 31 December 2018 and 31 December 2019	**637,650,000**	**6,377**

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 2019 amounted to approximately HK$352,451,000 (2018: HK$374,451,000), 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 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 2019, over 25% (2018: over 25%) of the shares were in public hands.

30. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		152,793	152,793
Current assets			
Due from subsidiaries		33,601	8,697
Prepayments, deposits and other receivables		238	238
Bank and cash balances		1,124	1,547
Total current assets		34,963	10,482
TOTAL ASSETS		187,756	163,275
EQUITY AND LIABILITIES			
Share capital	29	6,377	6,377
Reserves	30(b)	138,628	123,951
Total equity		145,005	130,328
Current liabilities			
Due to subsidiaries		41,746	32,231
Other payables and accruals		1,005	716
Total current liabilities		42,751	32,947
TOTAL EQUITY AND LIABILITIES		187,756	163,275

Approved by the Board of Directors on 20 March 2020 and are signed on its behalf by:

CHOI Man Shing **TO Ki Cheung**

30. 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	Merger reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2018	161,747	5,797	–*	(30,137)	137,407
Loss for the year	–	–	–	(6,383)	(6,383)
Repurchase of shares	(225)	–	–	–	(225)
Dividend paid	(9,565)	–	–	–	(9,565)
Share-based payments	–	2,717	–	–	2,717
At 31 December 2018 and 1 January 2019	151,957	8,514	–*	(36,520)	123,951
Profit for the year	–	–	–	22,773	22,773
Dividend paid	(10,202)	–	–	–	(10,202)
Share-based payments	–	2,106	–	–	2,106
At 31 December 2019	141,755	10,620	–*	(13,747)	138,628

* Represent the amount less than HK$1,000

31. 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 Law 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) to the consolidated financial statements.

31. RESERVES (CONTINUED)

(b) Nature and purpose of reserves (continued)

(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.

32. SHARE OPTIONS

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 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.

32. SHARE OPTIONS (CONTINUED)

Pre-IPO share option scheme adopted on 17 June 2016 (continued)

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.

Details of the movement of share options during the year are as follows:

	2019		2018	
	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	**16,788,000**	**0.80**	17,908,000	0.80
Lapsed during the year	**(724,000)**	**0.80**	(1,120,000)	0.80
Outstanding at the end of the year	**16,064,000**	**0.80**	16,788,000	0.80
Exercisable at the end of the year	**12,048,000**	**0.80**	8,394,000	0.80

The options outstanding at the end of the year have a weighted average remaining useful life of 6.46 years (2018: 7.46 years) and the exercise price is HK$0.8 (2018: HK$0.8).

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.

32. SHARE OPTIONS (CONTINUED)

Share option scheme adopted on 24 June 2016 (continued)

The estimated fair value of the options at the date of grant on 28 May 2018 was approximately HK$2,654,000.

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.

The estimated fair value of the options at the date of grant on 25 March 2019 was approximately HK$982,000.

The fair value was calculated using the binomial option pricing model. The fair value calculated was inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option. The inputs into the model were as follows:

Weighted average share price	HK$0.74
Weighted average exercise price	HK$0.80
Expected volatility *(Note 1)*	33.90%
Risk free rate	2.03%
Expected divided yield *(Note 2)*	2.14%

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.

Details of the movement of share options during the year are as follows:

	2019		2018	
	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	**12,500,000**	**0.80**	–	n/a
Granted during the year	**4,600,000**	**0.80**	14,300,000	0.80
Lapsed during the year	**(1,700,000)**	**0.80**	(1,800,000)	0.80
Outstanding at the end of the year	**15,400,000**	**0.80**	12,500,000	0.80
Exercisable at the end of the year	**3,075,000**	**0.80**	–	n/a

The options outstanding at the end of the year have a weighted average remaining useful life of 6.48 years (2018: 7.48 years) and the exercise price is HK$0.8 (2018: HK$0.8).

33. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Within one year	**11,747**	–	**10,675**	–
In the second to fifth years, inclusive	**11,942**	–	**11,528**	–
After five years	**–**	–	**–**	–
	23,689	–	**22,203**	–
Less: Future finance charges	**(1,486)**	–	**n/a**	–
Present value of lease obligations	**22,203**	–	**22,203**	–
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(10,675)**	–
Amount due for settlement after 12 months			**11,528**	–

The carrying amounts of the Group's lease liabilities are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HKD	**1,169**	–
RMB	**19,018**	–
Others	**2,016**	–
	22,203	–

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Further details on the impact of the transition to HKFRS 16 are set out in Note 3.

34. 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 2018	1,772	623	–	2,395
Charge/(credit) to profit or loss for the year	(241)	1,415	1,596	2,770
Exchange differences	–	(41)	(42)	(83)
At 31 December 2018 and 1 January 2019	**1,531**	**1,997**	**1,554**	**5,082**
Charge/(credit) to profit or loss for the year *(Note 12)*	**(241)**	**284**	**784**	**827**
Exchange differences	**–**	**(36)**	**(43)**	**(79)**
At 31 December 2019	**1,290**	**2,245**	**2,295**	**5,830**

Deferred tax assets

	Tax losses HK$'000
At 1 January 2018	–
Credit to profit or loss for the year	1,994
Exchange differences	(59)
At 31 December 2018 and 1 January 2019	**1,935**
Exchange differences	**(43)**
At 31 December 2019	**1,892**

34. DEFERRED TAX (CONTINUED)

The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	2019 HK$'000	2018 HK$'000
Deferred tax assets	**1,892**	1,935
Deferred tax liabilities	**(5,830)**	(5,082)
	(3,938)	(3,147)

As at 31 December 2019, the Group has unused tax losses of approximately HK$89,298,000 (2018: HK$73,202,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$7,570,000 (2018: HK$7,740,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$81,728,000 (2018: HK$65,462,000) 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:

	2019 HK$'000	2018 HK$'000
On 31 December 2021	**4,212**	4,306
On 31 December 2022	**4,560**	8,006
On 31 December 2023	**12,928**	14,547
On 31 December 2024	**20,648**	–
On 31 December 2029	**821**	–
Carried forward indefinitely	**38,559**	38,603
	81,728	65,462

As at 31 December 2019, 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$9,525,000 (2018: HK$8,203,000). 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.

35. TRADE PAYABLES

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

	2019 HK$'000	2018 HK$'000
0 to 30 days	**24,508**	25,821
31 to 61 days	**7,795**	6,303
Over 60 days	**10,974**	8,690
	43,277	40,814

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HKD	**5,640**	4,014
RMB	**27,115**	29,006
USD	**10,022**	7,071
Others	**500**	723
	43,277	40,814

36. OTHER PAYABLES AND ACCRUALS

	2019 HK$'000	2018 HK$'000
Accrued staff costs	**19,446**	17,941
Other accrued expenses	**6,324**	6,405
Other payables	**8,690**	3,156
Receipt in advance	**7,439**	3,896
	41,899	31,398

37. BORROWINGS

	2019 HK$'000	2018 HK$'000
Bank loans, secured	**23,453**	9,255
Other loan, unsecured	**7,145**	7,989
	30,598	17,244

The borrowings are repayable as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**21,071**	9,844
More than one year, but not exceeding two years	**2,763**	1,854
More than two years, but not more than five years	**6,764**	5,546
	30,598	17,244
Portion of bank loan that is due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	**(9,527)**	(7,400)
	21,071	9,844
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(21,071)**	(9,844)
Amount due for settlement after 12 months	**–**	–

37. BORROWINGS (CONTINUED)

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HKD	12,290	9,255
RMB	18,308	7,989
	30,598	17,244

The interest rates of the Group's borrowings at 31 December were as follows:

	2019	2018
Bank loans	4.53% to 4.80%	4.12%
Other loan	8%	8%

Bank loans are arranged at floating rate, 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$12,290,000 (2018: HK$9,255,000) are secured by corporate guarantee provided by the Company. Bank loans of approximately HK$11,163,000 (2018: HK$Nil) are secured by corporate guarantees provided by two PRC subsidiaries of the Company.

At 31 December 2019, the Group had HK$25,000,000 (2018: HK$30,000,000) of available undrawn borrowing facilities.

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) 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 2019 HK$'000	Impact on initial application of HKFRS 16 HK$'000	Additions HK$'000	Cash flows HK$'000	Interest expenses HK$'000	Exchange differences HK$'000	31 December 2019 HK$'000
Bank loans	9,255	–	–	14,082	–	116	23,453
Other loan	7,989	–	–	(669)	–	(175)	7,145
Lease liabilities	–	30,353	2,337	(11,568)	1,751	(670)	22,203
	17,244	30,353	2,337	1,845	1,751	(729)	52,801

	1 January 2018 HK$'000	Cash flows HK$'000	Capitalisation HK$'000	Exchange differences HK$'000	31 December 2018 HK$'000
Bank loan	–	9,255	–	–	9,255
Other loans	9,824	(44)	(1,406)	(385)	7,989
	9,824	9,211	(1,406)	(385)	17,244

(b) Total cash outflow for leases

Amounts included in the cash flow statements for leases comprise the following:

	2019 HK$'000	2018 HK$'000
Within operating cash flows	4,582	13,265
Within financing cash flows	9,817	–
	14,399	13,265

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Total cash outflow for leases (continued)

These amounts relate to the following:

	2019 HK$'000	2018 HK$'000
Lease rental paid	**14,399**	13,265

39. CAPITAL COMMITMENTS

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

	2019 HK$'000	2018 HK$'000
Property, plant and equipment	**7,018**	12,792
Intangible assets	**6,107**	–
	13,125	12,792

40. OPERATING LEASE ARRANGEMENTS

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2018 HK$'000
Within one year	13,889
In the second to fifth years inclusive	22,528
	36,417

Operating lease payments represent rentals payable by the Group for certain of its offices and factory premises. Leases are negotiated for terms ranging from one to four years and rentals are fixed over the lease terms and do not include contingent rentals.

At 31 December 2019, 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$5,171,000.

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:

	2019 HK$'000	2018 HK$'000
Year ended 31 December:		
Sales of goods to an associate	509	–
Purchases of goods from an associate	1,168	–
Purchases of goods from a joint venture	–	549
Purchases of goods from a related company	624	452
Catering service fee paid to a related company	1,020	1,058
Consultancy fee to an associate	828	253
Rental expenses paid to related companies	10,114	8,036
Metal supplies and processing service fee to a related company	6,410	5,445
At 31 December:		
Trade receivables from an associate	495	–
Prepayments and deposits paid to an associate	2,081	–
Other payables to related companies	2,913	1,432
Other receivables from a related company	84	76

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:

	2019 HK$'000	2018 HK$'000
Short-term benefits	13,863	11,496
Retirement benefits scheme contributions	553	529
Share-based payments	1,178	950
	15,594	12,975

42. PRINCIPAL SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2019 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	70%	Trading of medical devices
RRCL	Hong Kong, limited liability company	HK$31,900,000	67.82%	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	80.1%	Trading of medical devices and investment holding
VMHK	Hong Kong, limited liability company	HK$14,889,321	80.1%	Trading of medical devices and investment holding
VMDG	The PRC, wholly-foreign owned enterprise with limited liability	HK$15,000,000	80.1%	Manufacturing of medical devices
Vincent Medical Avalon Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding

42. PRINCIPAL SUBSIDIARIES (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 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
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) ("**VMGD**") ^ 東莞永昇醫療科技有限公司	The PRC, wholly-foreign owned enterprise with limited liability	RMB10,000,000 *(Note)*	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
Hypnus Healthcare Technology Limited	Hong Kong, limited liability company	HK$10,000	60%	Investment holding
GZ Hypnus	The PRC, wholly-foreign owned enterprise with limited liability	HK$20,000,000	60%	Manufacturing and trading of CPAP equipment.

^ For identification purposes only

Note:

The registered capital of VMGD is RMB10,000,000 (2018: RMB10,000,000) and RMB10,000,000 (2018: RMB5,188,260) has been paid up as at 31 December 2019.

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.

42. PRINCIPAL SUBSIDIARIES (CONTINUED)

The following tables show information on the subsidiaries that have non-controlling interests ("**NCI**") material to the Group. The summarised financial information represents amounts before inter-company elimination.

Name	VMHK		VMDG	
	2019	2018	**2019**	2018
Principal place of business/ country of incorporation	**Hong Kong**	Hong Kong	**The PRC**	The PRC
% of ownership interests/ voting rights held by NCI	**19.9%/ 19.9%**	19.9%/ 19.9%	**19.9%/ 19.9%**	19.9%/ 19.9%
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 31 December:				
Non-current assets	**15,606**	14,759	**54,266**	40,868
Current assets	**218,965**	192,958	**167,311**	145,074
Non-current liabilities	**(492)**	–	**(1,958)**	(1,034)
Current liabilities	**(55,444)**	(47,279)	**(52,925)**	(34,366)
Net assets	**178,635**	160,438	**166,694**	150,542
Accumulated NCI	**35,480**	31,859	**30,511**	27,532
Year ended 31 December:				
Revenue	**328,715**	351,608	**325,737**	302,742
Profit	**13,472**	27,483	**17,867**	10,054
Other comprehensive income	**–**	–	**(1,716)**	(9,070)
Total comprehensive income	**13,472**	27,483	**16,151**	984
Profit allocated to NCI	**2,681**	5,469	**3,556**	2,001
Dividends paid to NCI	**–**	–	**–**	–
Net cash generated from/(used in) operating activities	**(18,041)**	(417)	**13,936**	20,797
Net cash generated from/(used in) investing activities	**(39)**	3	**(25,151)**	(12,067)
Net cash generated from financing activities	**2,583**	9,255	**11,163**	–
Effect of foreign exchange rate changes	**–**	–	**(785)**	(7,518)
Net increase/(decrease) in cash and cash equivalents	**(15,497)**	8,841	**(837)**	1,212

42. PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	RRCL		GZ Hypnus	
	2019	2018	**2019**	2018
Principal place of business/ country of incorporation	**Hong Kong**	Hong Kong	**The PRC**	The PRC
% of ownership interests/ voting rights held by NCI	**32.18%/ 32.18%**	32.18%/ 32.18%	**40%/ 40%**	40%/ 40%
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 31 December:				
Non-current assets	**12,431**	14,711	**18,626**	17,972
Current assets	**4,872**	5,538	**9,460**	7,961
Non-current liabilities	**(1,920)**	(2,350)	**(1,753)**	(1,364)
Current liabilities	**(5,790)**	(4,507)	**(26,298)**	(16,390)
Net assets	**9,593**	13,392	**35**	8,179
Accumulated NCI	**3,087**	4,310	**(7,929)**	(4,617)
Year ended 31 December:				
Revenue	**3,398**	4,130	**11,685**	4,166
Loss	**(3,785)**	(5,648)	**(7,852)**	(6,425)
Other comprehensive income	**–**	–	**(291)**	(955)
Total comprehensive income	**(3,785)**	(5,648)	**(8,143)**	(7,379)
Loss allocated to NCI	**(1,218)**	(2,287)	**(3,141)**	(2,570)
Dividends paid to NCI	**–**	–	**–**	–
Net cash generated from/ (used in) operating activities	**1,110**	(2,245)	**4,117**	(8,038)
Net cash used in investing activities	**(259)**	(881)	**(2,719)**	(8,359)
Net cash generated from/ (used in) financing activities	**(390)**	5,550	**(680)**	14,884
Effect of foreign exchange rate changes	**–**	–	**(571)**	(861)
Net increase/(decrease) in cash and cash equivalents	**461**	2,424	**147**	(2,374)

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:

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**502,200**	488,030	446,302	467,347	448,169
Profit before tax	**18,294**	38,131	19,617	47,696	69,172
Income tax (expense)/credit	**(5,437)**	(3,928)	(8,163)	(10,614)	2,484
Profit for the year	**12,857**	34,203	11,454	37,082	71,656
Attributable to:					
Owners of the Company	**11,525**	30,943	13,155	29,242	58,153
Non-controlling interests	**1,332**	3,260	(1,701)	7,840	13,503
	12,857	34,203	11,454	37,082	71,656

	At 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and Liabilities					
Non-current assets	**188,585**	186,347	154,181	80,810	81,393
Current assets	**381,734**	350,930	370,978	414,388	238,575
Non-current liabilities	**(17,358)**	(5,082)	(2,395)	(3,865)	(5,978)
Current liabilities	**(138,814)**	(98,002)	(107,813)	(89,857)	(96,903)
Net assets	**414,147**	434,193	414,951	401,476	217,087
Attributable to:					
Owners of the Company	**352,451**	374,451	365,185	351,072	169,358
Non-controlling interests	**61,696**	59,742	49,766	50,404	47,729
	414,147	434,193	414,951	401,476	217,087

inspired

VHB20/VHB200
Heated Humidifier

Delivering "True Relative Humidity" at >98% with constant relative humidity feedback. High relative humidity facilitates mucociliary transport to maintain clearance, offering any respiratory patient extra comfort.

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High Performance Dry Rain Out. No need for replacement within a minimum of 14 consecutive days (for each single patent). This offers a closed system that contributes to successful bacteria and virus containment.

High Flow Nasal Oxygen Therapy can help patients with the following respiratory problems:

- Asthma
- Bronchitis
- COPD
- Palliative Care
- Pneumonia
- Atelectasis
- Carbon Monoxide poisoning
- community-acquired pneumonia
- Pulmonary embolism
- respiratory compromise
- Bronchiectasis
- Chest Trauma
- Emphysema
- viral pneumonia (H1N1)

O_2FLO from Inspired Medical is a simple to use, non-invasive system that delivers high flow warmed and humidified respiratory gases, at a flow rate of up to 60L/min, to spontaneously breathing patients through nasal cannulas. Oxygen can be added to achieve a specific F_iO_2 up to 95%.