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Vincent Medical Holdings Limited

永勝醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1612)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

HIGHLIGHTS

- ✧ The Group achieved stable growth for the six months ended 30 June 2024 (“**1H2024**” or the “**Period**”), with revenue increased by 5.4% to HK\$380.7 million (for the six months ended 30 June 2023 (“**1H2023**”): HK\$361.2 million). The strong growth of the imaging disposable products segment was able to more than offset the decrease in revenue from the respiratory products segment and orthopaedic and rehabilitation products segment.
- ✧ Revenue from the imaging disposable products segment saw an excellent growth of 50.9% to HK\$189.7 million (1H2023: HK\$125.7 million), accounting for 49.8% of the total revenue in 1H2024.
- ✧ Successful diversification strategy with healthcare and wellness products contributing revenue of HK\$17.0 million, increased by 56.0% compared to HK\$10.9 million in 1H2023.
- ✧ Gross profit for the Period saw a modest increase of 0.3% to HK\$119.2 million (1H2023: HK\$118.8 million). Gross profit margin declined slightly from 32.9% to 31.3% primarily due to the changes in product mix and an increase in allowance for inventories.
- ✧ Profit before tax increased by 4.6% to HK\$33.9 million (1H2023: HK\$32.4 million). Coupled with a reversal of income tax provision, profit for the Period reached HK\$33.6 million (1H2023: HK\$27.1 million), representing an increase of 23.9%. Basic earnings per share were HK5.17 cents (1H2023: HK4.10 cents).
- ✧ The Group remained steadfast in its commitment to research and development (“**R&D**”) and product innovation, recognising these as key drivers for long-term growth.
- ✧ The construction of the new R&D and production facility (the “**New Production Facility**”) in Kaiping City, Jiangmen City, Guangdong Province, the People’s Republic of China (the “**PRC**”) is progressing well and targeting trial operation towards the end of 2025.
- ✧ Based on the Group’s resilient performance, the Board has resolved to declare an interim dividend of HK1.6 cents per share for the Period (1H2023: HK1.25 cents) payable on or around Friday, 27 September 2024.

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Vincent Medical Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**” or “**Vincent Medical**”) for the six months ended 30 June 2024, together with the comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

		Six months ended 30 June	
	<i>Note</i>	2024	2023
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	4	380,706	361,235
Cost of sales		(261,525)	(242,409)
Gross profit		119,181	118,826
Other income, other gains and losses		493	3,033
Selling and distribution expenses		(18,542)	(18,781)
Administrative expenses		(51,453)	(51,623)
Research and development expenses		(14,942)	(18,147)
Profit from operations		34,737	33,308
Finance costs		(714)	(952)
Share of losses of associates		(176)	–
Share of profits of joint ventures		13	13
Profit before tax		33,860	32,369
Income tax expense	5	(299)	(5,275)
Profit for the period	6	33,561	27,094
Attributable to:			
Owners of the Company		33,288	26,600
Non-controlling interests		273	494
		33,561	27,094
Earnings per share	8		
Basic		HK5.17 cents	HK4.10 cents
Diluted		n/a	n/a

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

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit for the period	<u>33,561</u>	<u>27,094</u>
Other comprehensive income:		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value changes of equity investments at fair value through other comprehensive income (“FVTOCI”)	<u>3,688</u>	<u>(1,752)</u>
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>(4,769)</u>	<u>(13,582)</u>
Other comprehensive income for the period, net of tax	<u>(1,081)</u>	<u>(15,334)</u>
Total comprehensive income for the period	<u><u>32,480</u></u>	<u><u>11,760</u></u>
Attributable to:		
Owners of the Company	32,983	11,598
Non-controlling interests	<u>(503)</u>	<u>162</u>
	<u><u>32,480</u></u>	<u><u>11,760</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024

	<i>Note</i>	30 June 2024	31 December 2023
		HK\$'000	HK\$'000
		(unaudited)	(audited)
ASSETS			
Non-current assets			
Property, plant and equipment		131,251	101,200
Right-of-use assets		39,894	47,816
Other intangible assets		6,626	4,826
Investments in associates		2,527	2,701
Investments in joint ventures		3,271	3,317
Equity investments at FVTOCI		30,490	26,802
Non-current deposits		30,516	26,002
Deferred tax assets		382	1,295
		<hr/>	<hr/>
Total non-current assets		244,957	213,959
Current assets			
Inventories		170,207	173,848
Trade receivables	9	163,430	172,394
Contract assets		21,008	14,820
Prepayments, deposits and other receivables		35,123	35,804
Bank and cash balances		166,730	175,784
		<hr/>	<hr/>
Total current assets		556,498	572,650
		<hr/>	<hr/>
TOTAL ASSETS		801,455	786,609
EQUITY AND LIABILITIES			
Share capital		6,533	6,533
Reserves		558,038	535,310
		<hr/>	<hr/>
Equity attributable to owners of the Company		564,571	541,843
Non-controlling interests		3,261	1,248
		<hr/>	<hr/>
Total equity		567,832	543,091
		<hr/>	<hr/>

		30 June 2024	31 December 2023
	<i>Note</i>	HK\$'000	HK\$'000
		(unaudited)	(audited)
Non-current liabilities			
Lease liabilities		936	1,839
Deferred tax liabilities		5,016	5,052
		<hr/>	<hr/>
Total non-current liabilities		5,952	6,891
		<hr/>	<hr/>
Current liabilities			
Trade payables	10	47,397	59,858
Other payables and accruals		131,195	115,725
Lease liabilities		8,029	14,500
Borrowings		18,776	21,046
Current tax liabilities		22,274	25,498
		<hr/>	<hr/>
Total current liabilities		227,671	236,627
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		801,455	786,609
		<hr/> <hr/>	<hr/> <hr/>
Net current assets		328,827	336,023
		<hr/> <hr/>	<hr/> <hr/>
Total assets less current liabilities		573,784	549,982
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

1. BASIS OF PREPARATION

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

These condensed consolidated financial statements should be read in conjunction with the 2023 annual financial statements. Except as described below, the accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2023.

2. NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS

(a) New and amended standards adopted by the Group

The Group has applied the following amendments for the first time from 1 January 2024:

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to HKAS 1;
- Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause – Hong Kong Interpretation 5 (Revised);
- Lease Liability in Sale and Leaseback – Amendments to Hong Kong Financial Reporting Standards (“**HKFRS**”) 16; and
- Supplier Finance Arrangements – Amendments to HKAS 7 and HKFRS 7.

As a result of the adoption of the amendments to HKAS 1, the Group changed its accounting policy for the classification of borrowings as below:

“Borrowings are classified as current liabilities unless at the end of the reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the reporting period.”

This new policy did not result in a change in the classification of the Group’s borrowings. The Group did not make retrospective adjustments as a result of adopting the amendments to HKAS 1.

(b) Impact of new and amended standards issued but not yet adopted by the Group

In September 2023, HKICPA amended HKAS 21 to help entities to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not. These new requirements will apply for annual reporting periods beginning on or after 1 January 2025. The management does not expect the amendment to have a material impact on the consolidated financial statements.

In July 2024, HKICPA issued HKFRS 18 which is effective for annual reporting periods beginning on or after 1 January 2027, with early application permitted. HKFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance present in the statement of profit or loss, which will affect how the Group present and disclose financial performance in the financial statements. The key changes introduced in HKFRS 18 relate to (i) the structure of the statement of profit or loss, (ii) required disclosures for management-defined performance measures (which are referred to alternative or non-GAAP performance measures), and (iii) enhanced requirements for aggregation and disaggregation of information. The management is currently assessing the impact of applying HKFRS 18 on the presentation and the disclosures of the consolidated financial statements.

3. SEGMENT INFORMATION

Information about reportable segment profit or loss:

	OEM <i>HK\$'000</i> (unaudited)	OBM <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Six months ended 30 June 2024			
Revenue from external customers	302,691	78,015	380,706
Segment profit/(loss)	46,947	(4,694)	42,253
Six months ended 30 June 2023			
Revenue from external customers	229,626	131,609	361,235
Segment profit	38,132	3,720	41,852

Reconciliation of reportable segment profit or loss:

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Total profit or loss of reportable segments	42,253	41,852
Interest income	852	341
Interest expenses	(714)	(952)
Share-based payments	(609)	(1,177)
Share of losses of associates	(176)	–
Share of profits of joint ventures	13	13
Unallocated corporate income	3,316	3,492
Unallocated corporate expenses	(11,075)	(11,200)
	<hr/>	<hr/>
Consolidated profit before tax	33,860	32,369
	<hr/> <hr/>	<hr/> <hr/>

Revenue from a major customer:

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
OEM segment		
Customer A	191,505	129,335
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	<hr/> <hr/>	<hr/> <hr/>

4. REVENUE

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

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

	Six months ended 30 June (unaudited)					
	OEM		OBM		Total	
	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By product category						
Imaging disposable products	189,718	125,721	–	–	189,718	125,721
Respiratory products	45,149	28,177	75,220	127,407	120,369	155,584
Orthopaedic and rehabilitation products	20,834	30,813	2,795	4,202	23,629	35,015
Other products	46,990	44,915	–	–	46,990	44,915
	<u>302,691</u>	<u>229,626</u>	<u>78,015</u>	<u>131,609</u>	<u>380,706</u>	<u>361,235</u>
By geographical market						
The United States (the "US")	142,129	120,725	3,117	2,795	145,246	123,520
Spain	119,982	59,646	1,249	378	121,231	60,024
The PRC	129	–	36,735	82,116	36,864	82,116
Japan	6,293	6,379	14,796	18,949	21,089	25,328
The Netherlands	10,464	10,105	381	535	10,845	10,640
Australia	7,077	8,487	1,014	406	8,091	8,893
Sweden	7,416	3,864	–	–	7,416	3,864
Costa Rica	1,883	11,168	–	–	1,883	11,168
Others	7,318	9,252	20,723	26,430	28,041	35,682
	<u>302,691</u>	<u>229,626</u>	<u>78,015</u>	<u>131,609</u>	<u>380,706</u>	<u>361,235</u>
By timing of revenue recognition						
Products transferred at a point in time	112,973	103,905	78,015	131,609	190,988	235,514
Products transferred over time	189,718	125,721	–	–	189,718	125,721
	<u>302,691</u>	<u>229,626</u>	<u>78,015</u>	<u>131,609</u>	<u>380,706</u>	<u>361,235</u>

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

	30 June 2024	31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Receivables, which are included in “trade receivables”	163,430	172,394
Contract assets	21,008	14,820

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

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current tax – Hong Kong Profits Tax		
Provision for the period	3,638	2,091
(Over)/under-provision in prior years	(5,737)	299
	(2,099)	2,390
Current tax – the PRC		
Provision for the period	967	2,289
(Over)/under-provision in prior years	(5)	288
	962	2,577
Current tax – Others		
Provision for the period	451	870
Under-provision in prior years	90	–
	541	870
Deferred tax	895	(562)
	299	5,275

Under the two-tiered profits tax regime, the first HK\$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered profits tax rate regime will continue to be taxed at a rate of 16.5% (six months ended 30 June 2023: 16.5%).

PRC Corporate Income Tax has been provided at tax rates ranging from 15% to 25% for the six months ended 30 June 2024 (six months ended 30 June 2023: 15% to 25%).

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

6. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Allowance for inventories (included in cost of sales)	5,064	2,486
Amortisation	1,104	1,764
Cost of inventories sold	255,485	239,118
Depreciation of property, plant and equipment	9,484	9,817
Depreciation expenses of right-of-use assets		
– Depreciation of right-of-use assets	7,500	8,265
– Amount capitalised	(314)	–
	7,186	8,265
Directors' emoluments	3,586	3,507
Equity-settled share-based payments	609	1,177
Exchange gain, net (included in other gains and losses)	(2,522)	(2,626)
Impairment of trade receivables (included in other gains and losses)	3,675	800
Staff costs including directors' emoluments	104,540	96,692
Write off of inventories (included in cost of sales)	976	805
Write off of property, plant and equipment (included in other gains and losses)	99	7
	99	7

7. DIVIDEND

The Board has resolved to declare an interim dividend of HK1.6 cents per share for the six months ended 30 June 2024 (six months ended 30 June 2023: HK1.25 cents per share).

The final dividend of HK1.5 cents amounting to approximately HK\$9,800,000 for the year ended 31 December 2023 has been approved and paid on 21 June 2024. This included the dividends of HK\$150,000 paid to shares held in trust under the share award scheme of the Company adopted on 2 December 2021.

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following:

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Earnings		
Profit attributable to owners of the Company	<u>33,288</u>	<u>26,600</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares less shares held for share award scheme for the purpose of calculating basic earnings per share	643,336	648,023
Effect of dilutive potential ordinary shares arising from share options issued by the Company (<i>Note</i>)	<u>n/a</u>	<u>n/a</u>
Weighted average number of ordinary shares less shares held for share award scheme for the purpose of calculating diluted earnings per share	<u>n/a</u>	<u>n/a</u>

Note:

During the six months ended 30 June 2023 and 2024, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise prices of those options were higher than the average market price for shares.

9. TRADE RECEIVABLES

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

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

	30 June 2024	31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
0 to 30 days	68,094	64,091
31 to 60 days	47,372	54,048
61 to 90 days	31,091	31,315
Over 90 days	16,873	22,940
	163,430	172,394

10. TRADE PAYABLES

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

	30 June 2024	31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
0 to 30 days	41,456	37,275
31 to 60 days	2,541	12,676
Over 60 days	3,400	9,907
	47,397	59,858

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2024, the global economy faced substantial challenges, with the World Bank expecting growth to slow to 2.6% due to persistent inflation, geopolitical tensions and evolving regulatory landscapes. The downward trend was also applicable to the medical equipment sector, where there was significant pressure on government budgets and medical institutions' spending. Compounded by the high inventory levels and rising operating and finance costs, some major industry players exited certain niche markets during the Period, highlighting the broader struggles within the industry, where price competition became increasingly intense.

Despite such challenging conditions, Vincent Medical was able to leverage its established market position, industry know-how, manufacturing excellence and diversification strategy, to deliver a set of positive results during the Period. The Group's revenue increased by 5.4% to HK\$380.7 million (1H2023: HK\$361.2 million), supported by the strong performance from its imaging disposable products segment and growing contributions from the manufacturing and sales of healthcare and wellness products.

In addition to revenue growth, the Group implemented various efficiencies enhancement and operational improvements initiatives during the Period. The sum of selling and distribution expenses, administrative expenses, research and development expenses, and finance costs for the Period has decreased from 24.8% of the total revenue for 1H2023 to 22.5% for the Period. Along with the reversal of income tax provision, the Group recorded a 23.9% increase in profit for the Period, from HK\$27.1 million to HK\$33.6 million.

In view of the sound financial performance and position, the Board has resolved to declare an interim dividend of HK1.6 cents per share of the Company (the "**Share(s)**"), in line with the dividend policy of the Company.

Meanwhile, the construction of the New Production Facility in Kaiping City, Jiangmen City, Guangdong Province, the PRC, is progressing well. Trial operation of the New Production Facility is anticipated towards the end of 2025, with the Group holding high hopes for this crucial investment that would greatly enhance its market competitiveness in the long run. In view of the changing global economic dynamics, the Group is also keeping a keen eye on overseas business and manufacturing presence, in order to further diversify its supply chain and exposure.

IMAGING DISPOSABLE PRODUCTS SEGMENT

The Group manufactures and sells imaging disposable products on an OEM basis to one of the world's leading solutions providers of diagnostic imaging. As a trusted partner, the Group supports its customer in the design and manufacturing of various contrast media injectors and disposable components, and remains an integral part of its growth strategy worldwide.

Fueled by deepening collaborations and robust global demand for medical imaging diagnostic services, the Group successfully capitalised on the rising demand for imaging disposable products. During the Period, revenue of the imaging disposable products segment reached HK\$189.7 million (1H2023: HK\$125.7 million), representing a growth of 50.9%, accounting for 49.8% of the total revenue. Segment gross profit margin slightly decreased to 30.2% (1H2023: 30.4%) due to the changes in product mix and the increase in cost of key components.

RESPIRATORY PRODUCTS SEGMENT

The respiratory products segment remains an integral part of the Group's product offering. However, due to the weak global demand, the exit of certain key players from the sleep and mechanical ventilation market, as well as the absence of a respiratory disease outbreak in the PRC that was seen in early 2023, revenue from the respiratory products segment decreased by 22.6% to HK\$120.4 million (1H2023: HK\$155.6 million), accounting for 31.6% of the total revenue.

Despite increase in allowance for inventories, segment gross profit margin improved from 36.2% to 36.8%, primarily attributable to the depreciation of Renminbi (“RMB”) and the improvement in manufacturing efficiency, following the Group's effort in optimising production flow.

Riding on its unique position as one of the very few companies that offers both respiratory devices and disposables under one roof, the Group sees ample opportunities to capture additional market share. The long-term global respiratory and ventilator market is projected to grow over time, especially in areas with unmet needs, with certain industry players exiting the market. To support its market penetration, the Group will continue to drive product innovation and expand its product pipeline, in order to offer additional value to its customers and patients.

ORTHOPAEDIC AND REHABILITATION PRODUCTS SEGMENT

Certain customers in the US are strategically reducing their reliance on foreign manufacturing setups, which has affected the Group's orthopaedic and rehabilitation products segment. In 1H2024, segment revenue decreased by 32.5% to HK\$23.6 million (1H2023: HK\$35.0 million), accounting for 6.2% of the total revenue. Segment gross profit margin decreased from 37.0% to 29.9%, primarily due to the decrease in production scale and intensifying price competition.

OTHER PRODUCTS

During the Period, revenue from healthcare and wellness products increased by 56.0%, from HK\$10.9 million to HK\$17.0 million. Segment gross profit margin increased from 21.3% to 25.5%, as a result of the expanding product portfolio.

Other products also include moulds, surgical disposables, surgical patient warming devices and related disposables, and plastic disposable products. During the Period, revenue from these products decreased by 11.8%, from HK\$34.0 million to HK\$30.0 million, primarily due to the lower sales volume of surgical patient warming devices and related disposables.

INVESTMENT AND COLLABORATION

During the Period, Inovytec Medical Solutions Ltd. (“**Inovytec**”) continued to deliver its line of Ventway portable ventilators to its major markets, including the US, Europe and certain countries in Asia. With the Group already kickstarted the registration process of the National Medical Products Administration of the PRC for the distribution of the Ventway ventilator, the Group remains optimistic about its business prospects and future performance.

Looking ahead, the Group will continue to invest in R&D, seek opportunities to acquire new technologies, and strive to maximise the value of its investments.

OUTLOOK

Moving forward, Vincent Medical is committed to pursuing a diversified growth strategy. This strategy includes putting imaging disposable products and respiratory products at its core, while exploring new opportunities that can leverage its technical expertise and manufacturing excellence.

For imaging disposable products, the Group will strengthen its collaboration with its key partner, particularly on new product development, so that the Group can foster a mutual beneficial relationship, and continue to be an integral part of the key partner’s growth strategy. The solid relationship is also expected to generate steady cash flow and financial contributions, supporting the Group’s other ventures, such as healthcare and wellness products and Internet of Things (IoT) wearables.

On the respiratory side, the Group will accelerate product R&D to fulfil latest regulations, and will continue to expand its product offerings and market coverage. Supported by its growing manufacturing capability, the Group is also looking to secure more manufacturing intellectual properties, so that it can raise its value proposition to its existing and potential customers, and in turn, yield higher order book stability and visibility. Considering the broader trend and solid demand for its disposable products, the Group will also seek new collaboration and consolidation opportunities, in an attempt to gain further market share.

FINANCIAL REVIEW

REVENUE

Total revenue for the Period amounted to HK\$380.7 million (1H2023: HK\$361.2 million), representing an increase of 5.4%. This was mainly attributable to the 50.9% increase in revenue from the imaging disposable products segment and the increasing revenue contribution from healthcare and wellness products, more than offsetting the decrease in revenue from the respiratory products segment and orthopaedic and rehabilitation products segment.

In terms of geographical market, the US and Spain accounted for 38.2% (1H2023: 34.2%) and 31.8% (1H2023: 16.6%) of the total revenue, respectively. Sales generated from the PRC decreased by 55.1% to HK\$36.9 million (1H2023: HK\$82.1 million), accounting for 9.7% (1H2023: 22.7%) of the total revenue.

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit increased marginally by 0.3% to HK\$119.2 million (1H2023: HK\$118.8 million). Gross profit margin decreased from 32.9% to 31.3%, as a result of the changes in product mix and the increase in allowance for inventories from HK\$2.5 million to HK\$5.1 million.

OTHER INCOME, OTHER GAINS AND LOSSES

Other income, other gains and loss decreased primarily due to the increase in impairment of trade receivables from HK\$0.8 million to HK\$3.7 million during the Period.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by 1.3% to HK\$18.5 million (1H2023: HK\$18.8 million), largely similar level when compared with 1H2023. As a percentage of the total revenue, such expenses slightly decreased to 4.9% (1H2023: 5.2%).

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by 0.3% to HK\$51.5 million (1H2023: HK\$51.6 million), accounting for 13.5% of the total revenue (1H2023: 14.3%).

RESEARCH AND DEVELOPMENT EXPENSES

The Group continued to put considerable effort into technology innovation, manufacturing improvement and intellectual property acquisitions. Research and development expenses for the Period amounted to HK\$14.9 million (1H2023: HK\$18.1 million), corresponding to 3.9% (1H2023: 5.0%) of the total revenue.

INCOME TAX EXPENSE

During the Period, the Group recorded a HK\$5.0 million decrease in income tax expense primarily due to the reversal of income tax provision for a wholly-owned subsidiary in Hong Kong.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

As a result of the foregoing, the Group recorded a profit attributable to owners of the Company of HK\$33.3 million (1H2023: HK\$26.6 million).

PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2024, property, plant and equipment was HK\$131.3 million (31 December 2023: HK\$101.2 million). The increase was mainly attributable to the construction of the New Production Facility in Kaiping City, Jiangmen City, Guangdong Province, the PRC.

RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

As at 30 June 2024, right-of-use assets and lease liabilities amounted to HK\$39.9 million (31 December 2023: HK\$47.8 million) and HK\$9.0 million (31 December 2023: HK\$16.3 million), respectively. The decrease was attributable to the depreciation of right-of-use assets, lease rentals paid and exchange differences.

INVENTORIES

Inventories as at 30 June 2024 was HK\$170.2 million (31 December 2023: HK\$173.8 million), mainly consisting of raw materials, work-in-progress and finished goods. The Group will continue to apply stringent inventory control, carefully anticipating future demand and potential supply chain volatility.

TRADE RECEIVABLES

Trade receivables as at 30 June 2024 was HK\$163.4 million (31 December 2023: HK\$172.4 million). The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing its credit exposure.

CONTRACT ASSETS

As at 30 June 2024, contract assets amounted to HK\$21.0 million (31 December 2023: HK\$14.8 million), primarily attributable to the growth of the imaging disposable products segment during the Period.

PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at 30 June 2024, prepayments, deposits and other receivables (including non-current deposits) slightly increased to HK\$65.6 million (31 December 2023: HK\$61.8 million), primarily due to the increase in deposits for purchases of property, plant and equipment and value-added tax receivables.

TRADE PAYABLES

Trade payables as at 30 June 2024 was HK\$47.4 million (31 December 2023: HK\$59.9 million), the decrease was primarily attributable to the faster pace of settlements to suppliers in the PRC.

OTHER PAYABLES AND ACCRUALS

As at 30 June 2024, other payables and accruals increased to HK\$131.2 million (31 December 2023: HK\$115.7 million), primarily due to the increase in provision for construction costs for the New Production Facility in Kaiping City, Jiangmen City, Guangdong Province, the PRC.

LIQUIDITY AND FINANCIAL RESOURCES AND BORROWINGS

As at 30 June 2024, the Group's bank and cash balances remained at a healthy level of HK\$166.7 million (31 December 2023: HK\$175.8 million). Current ratio also improved to 2.44 (31 December 2023: 2.42), with gearing ratio dropping further to 3.3% (31 December 2023: 3.9%). As at 30 June 2024, the Group had unutilised bank facilities of HK\$125.8 million.

HUMAN RESOURCES

As at 30 June 2024, the total number of full-time employees of the Group was 1,375 (31 December 2023: 1,264). The remuneration of employees was determined according to their experience, qualifications, result of operations of the Group and market conditions. We offered senior management and key executive performance-based bonuses and share options to reward and retain high-calibre employees. We also adopted commission and incentive plans to motivate and reward our sales and marketing team.

During the Period, staff costs including Directors' emoluments amounted to HK\$104.5 million (1H2023: HK\$96.7 million), representing 27.5% (1H2023: 26.8%) of the total revenue.

CAPITAL STRUCTURE

As at 30 June 2024, the issued share capital of the Company was HK\$6.5 million (31 December 2023: HK\$6.5 million), comprising 653,336,332 Shares (31 December 2023: 653,336,332 Shares) of nominal value of HK\$0.01 per Share.

SIGNIFICANT INVESTMENT

As at 30 June 2024, the Company considered that the following equity investment at FVTOCI is significant in nature:

Name of company	Principal business	Approximate percentage of shareholding	Total investment	Fair value of the equity investment		Assets ratio defined under the Listing Rules	
				30 June 2024 (unaudited)	31 December 2023 (audited)	30 June 2024 (unaudited)	31 December 2023 (audited)
Inovytec	An Israeli company that develops medical devices with a focus on routine and emergency respiratory and cardiac failures.	13.68%	US\$3.0 million (equivalent to HK\$23.4 million)	US\$3.9 million (equivalent to HK\$30.5 million)	US\$3.4 million (equivalent to HK\$26.8 million)	3.8%	3.4%

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

EVENTS AFTER THE REPORTING PERIOD

On 17 July 2024, Guangdong Vincent Medical Technology Co., Limited* (廣東永勝醫療科技有限公司) (“**VM Guangdong**”), an indirect wholly-owned subsidiary of the Company, entered into the warehouse facility purchase agreement with BlueSword Intelligent Technology Co., Ltd.* (蘭劍智能科技股份有限公司) in relation to the procurement of the automated warehouse facility in the New Production Facility at a consideration of RMB33.5 million (equivalent to HK\$36.0 million). On the same date, VM Guangdong entered into the fire protection system construction contract with Jiangmen Hefeng Water Electricity Decoration Engineering Co., Ltd.* (江門市合豐水電裝飾工程有限公司) in relation to the construction of the fire protection system in the New Production Facility at a consideration of RMB18.0 million (equivalent to HK\$19.3 million). For details, please refer to the Company’s announcement dated 17 July 2024.

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

CHARGES ON THE GROUP’S ASSETS

As at 30 June 2024, 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 US dollars (“**USD**”) and Japanese Yen (“**JPY**”) given the export-oriented nature of the Group's business. Thus, any appreciation of RMB against USD and JPY may subject the Group to increased costs and lower profitability. The Directors have assessed the impact of such foreign currency risk and considered that it may materially affect the Group's profitability. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have contingent liabilities.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK1.6 cents per Share (the “**Interim Dividend**”) for the Period (1H2023: HK1.25 cents) to the shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company at the close of business on Monday, 9 September 2024, being the record date for ascertaining the Shareholders' entitlement to the Interim Dividend. The Interim Dividend will be paid to the Shareholders on or around Friday, 27 September 2024.

The register of members of the Company will be closed from Thursday, 5 September 2024 to Monday, 9 September 2024, both days inclusive, during which period no transfer of the Shares will be registered. In order to establish entitlements to the Interim Dividend, the Shareholders must lodge all transfer forms accompanied by the relevant share certificates for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harbour Road, Hong Kong no later than 4:30 p.m. on Wednesday, 4 September 2024.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to achieving and 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 good 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 principles and code provisions set out in Corporate Governance Code (the “**CG Code**”) as contained in Part 2 of Appendix C1 to the Listing Rules and its subsequent amendments from time to time as its own code of corporate governance. The corporate governance principles of the Company emphasise a quality Board, sound internal controls and risk management, and transparency and accountability to all Shareholders. In the opinion of the Directors, the Company has complied with the code provisions set out in the CG Code throughout the Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) RESPONSIBILITY

The Group adheres determinedly to the fundamental mission and values of engaging and aligning all stakeholders towards to the same goals and creating mutual values for better lives, and providing innovative, quality and reliable medical devices. The Group longs for the pursuit of sustainability, continuously incorporating environmental and social initiatives in our business. Further information about the sustainable development of the Group and our commitments, practices and performance in all ESG aspects can be found in the Group’s ESG report contained in the 2023 annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding their transactions throughout the Period.

AUDIT COMMITTEE

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

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

RSM Hong Kong, the Company’s auditor, has reviewed the unaudited consolidated interim results of the Group for the six months ended 30 June 2024 in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. The auditor’s independent review report will be included in the Company’s interim report for the six months ended 30 June 2024 to the Shareholders.

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

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The interim report of the Company for the six months ended 30 June 2024 containing all the relevant information required by the Listing Rules and the relevant laws and regulations will be despatched to the Shareholders and available on above websites in due course.

APPRECIATION

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

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

Hong Kong, 21 August 2024

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

* *For identification purposes only*