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**Shanghai Kindly Medical Instruments Co., Ltd.\***

**上海康德萊醫療器械股份有限公司**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1501)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**FINANCIAL SUMMARY**

	<b>2021</b>	<b>2020</b>	<b>Change</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>	
Revenue	<b>464,675</b>	358,428	29.64%
Gross profit	<b>275,745</b>	234,415	17.63%
Profit for the year	<b>140,445</b>	116,517	20.54%
Earnings per share			
Basic ( <i>in RMB</i> )	<b>0.86</b>	0.73	17.81%
Diluted ( <i>in RMB</i> )	<b>0.86</b>	0.73	17.81%

\* For identification purposes only

- The Group's revenue in the Reporting Period was approximately RMB464.68 million, representing an increase of approximately 29.64% or approximately RMB106.25 million as compared to approximately RMB358.43 million for the year ended 31 December 2020, due to the growth in sales volume of interventional medical devices as a result of proactively expanding our distribution network as well as continuing developing and commercialising our pipeline products to the hospitals and medical device manufacture customers. The Group's revenue generated from sales of interventional medical devices in the Reporting Period was approximately RMB436.16 million, representing an increase of approximately 63.69% or approximately RMB169.71 million as compared to approximately RMB266.45 million for the year ended 31 December 2020.
- During the Reporting Period, the Group's gross profit was approximately RMB275.75 million, as compared to approximately RMB234.42 million for the year ended 31 December 2020. Gross profit margin decreased from approximately 65.40% to approximately 59.34% as compared to the year ended 31 December 2020. The revenue generated from sales of masks which had a higher gross profit margin was approximately RMB70.39 million for the year ended 31 December 2020, while the revenue generated from sales of masks for the Reporting Period was approximately RMB0.35 million.
- The Group's profit for the Reporting Period was approximately RMB140.45 million, representing an increase of approximately 20.54% as compared to approximately RMB116.52 million for the year ended 31 December 2020.
- The Group's basic earnings per share and diluted earnings per share in the Reporting Period was approximately RMB0.86, as compared to approximately RMB0.73 for the year ended 31 December 2020.
- The Board recommended the payment of a final dividend of RMB0.26 per share (equivalent to approximately HK\$0.32 per share) (inclusive of applicable tax) for the year ended 31 December 2021.

The board (the “**Board**”) of directors (the “**Directors**”) of Shanghai Kindly Medical Instruments Co., Ltd.\* (上海康德萊醫療器械股份有限公司) (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**”, “**our**” or “**us**”) for the year ended 31 December 2021 (the “**Reporting Period**”).

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in Renminbi (“**RMB**”))

	<i>Note</i>	<b>2021</b> <i>RMB’000</i>	2020 <i>RMB’000</i>
<b>Revenue</b>	3	<u>464,675</u>	<u>358,428</u>
Cost of sales		<u>(188,930)</u>	<u>(124,013)</u>
<b>Gross profit</b>		<b>275,745</b>	234,415
Other income	4	<b>50,172</b>	24,752
Distribution costs		<b>(30,020)</b>	(21,475)
Administrative expenses		<b>(49,051)</b>	(35,966)
Research and development expenses		<b>(89,955)</b>	(64,593)
(Recognition)/reversal of impairment losses		<u>(567)</u>	<u>44</u>
<b>Profit from operations</b>		<b>156,324</b>	137,177
Finance costs		<u>(633)</u>	<u>(92)</u>
<b>Profit before taxation</b>	5	<b>155,691</b>	137,085
Income tax	6	<u>(15,246)</u>	<u>(20,568)</u>
<b>Profit for the year</b>		<b>140,445</b>	116,517
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>142,960</b>	121,354
Non-controlling interests		<u>(2,515)</u>	<u>(4,837)</u>
<b>Profit for the year</b>		<u><b>140,445</b></u>	<u>116,517</u>
<b>Earnings per share (RMB)</b>	7		
Basic (RMB)		<b>0.86</b>	0.73
Diluted (RMB)		<u><b>0.86</b></u>	<u>0.73</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**  
*FOR THE YEAR ENDED 31 DECEMBER 2021*  
*(Expressed in RMB)*

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Profit for the year</b>	<b><u>140,445</u></b>	<u>116,517</u>
<b>Other comprehensive income for the year (after tax and reclassification adjustments)</b>		
Item that will not be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of an overseas subsidiary	<u>(531)</u>	<u>(1,133)</u>
<b>Other comprehensive income</b>	<b><u>(531)</u></b>	<u>(1,133)</u>
<b>Total comprehensive income for the year</b>	<b><u><u>139,914</u></u></b>	<u><u>115,384</u></u>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>142,429</b>	120,221
Non-controlling interests	<b><u>(2,515)</u></b>	<u>(4,837)</u>
<b>Total comprehensive income for the year</b>	<b><u><u>139,914</u></u></b>	<u><u>115,384</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

(Expressed in RMB)

	<i>Note</i>	31 December 2021 <i>RMB'000</i>	31 December 2020 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		458,153	199,253
Right-of-use assets		106,820	100,917
Intangible assets		27,877	7,603
Other non-current assets		30,627	15,582
Deferred tax assets		9,458	2,153
Financial assets at fair value through profit or loss	8	130,174	49,060
		763,109	374,568
<b>Current assets</b>			
Inventories		92,494	55,206
Trade and other receivables	9	82,773	31,149
Other current assets		42,487	20,176
Financial assets at fair value through profit or loss		132	71,453
Cash and cash equivalents		640,550	870,132
		858,436	1,048,116
<b>Current liabilities</b>			
Trade and other payables	10	104,707	65,016
Contract liabilities		35,723	14,347
Lease liabilities		192	320
Deferred income		383	449
Current taxation		12,216	8,180
		153,221	88,312
<b>Net current assets</b>		705,215	959,804
<b>Total assets less current liabilities</b>		1,468,324	1,334,372
<b>Non-current liabilities</b>			
Lease liabilities		13,212	1,413
Deferred income		13,696	5,311
Deferred tax liabilities		3,496	–
		30,404	6,724
<b>NET ASSETS</b>		1,437,920	1,327,648
<b>CAPITAL AND RESERVES</b>			
Share capital	11	166,000	166,000
Reserves		1,229,472	1,139,650
<b>Total equity attributable to equity shareholders of the Company</b>		1,395,472	1,305,650
<b>Non-controlling interests</b>		42,448	21,998
<b>TOTAL EQUITY</b>		1,437,920	1,327,648

## NOTES

### 1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform — phase 2
- Amendment to HKFRS 16, Covid-19-related rent concessions beyond 30 June 2021

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior accounting periods have been prepared or presented in the consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### 2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the assets and liabilities are stated at their fair value.

### 3 REVENUE AND SEGMENT REPORTING

The Group derives revenue principally from the sales of interventional medical devices. Sales returns are only allowed under certain specific circumstances, which is determined and approved by management and within certain period of time agreed by buyer and seller.

(a) Disaggregation of revenue

(i) Disaggregation of revenue from contracts with customers by major products is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products		
— Sales of interventional medical devices		
Cardiovascular devices	427,163	265,545
Neurological devices	7,123	—
Orthopaedics and other devices	1,872	902
	<u>436,158</u>	<u>266,447</u>
Subtotal	436,158	266,447
— Sales of medical accessories	12,024	12,202
— Sales of masks	351	70,390
— Moulds and others	16,142	9,389
	<u>16,142</u>	<u>9,389</u>
	<u>464,675</u>	<u>358,428</u>

The Group's customer base is diversified. There is no individual customer with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2021. During the year ended 31 December 2020, revenue from one customer was approximately RMB51,885,000 (including revenue from sales of masks of approximately RMB48,035,000), which represents approximately 14.48% of total revenue for the year.

During the year ended 31 December 2021, revenue from Shanghai Kindly Enterprise Development Group Co., Ltd.\* 上海康德萊企業發展集團股份有限公司 (“KDL”), controlling shareholder of the Company, and its subsidiaries (excluding the Group, and herein referred to as “KDL Group”) was RMB7,314,000 (2020: RMB7,991,000), which represents approximately 1.57% (2020: 2.20%) of total revenue for the year.

During the years ended 31 December 2021 and 2020, the Group recognised its revenue from contract with customers at point in time in accordance with the accounting policies. The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for medical devices, accessories and moulds, as the Group will be entitled to those revenue when it satisfies the remaining performance obligations under the contracts sales that had an original expected duration of one year or less.

(ii) Disaggregation of revenue by geographical location of external customers is as follows:

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Mainland China (“the PRC”)	<b>361,762</b>	246,511
Europe	<b>26,990</b>	38,909
The United States	<b>18,882</b>	14,185
Other countries and regions	<b>57,041</b>	58,823
	<b><u>464,675</u></b>	<u>358,428</u>

The geographical location of customers is based on the location at which the customers operate. The Group’s revenue from customers located in the PRC included entrusted export sales of approximately RMB27,268,000 for the year ended 31 December 2021 (2020: approximately RMB64,305,000). All of the non-current assets of the Group are physically located in the PRC.

**(b) Segment reporting**

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group’s most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified one reportable segment, the cardiovascular interventional business, which is primary engaged in sales, manufacture, research and development of cardiovascular interventional medical devices as well as related accessories, moulds and masks. Other segments, which are currently engaged in research and development of other interventional and implantable medical devices, such as neurological interventional medical devices and endocardia implantable medical devices, etc, are combined in all other segments.

**(i) Segment results, assets and liabilities**

For the purposes of assessing segment performance and allocating resources between segments, the Group’s most senior executive management monitors the results attributable to segment on “segment net profit/(loss)”.

In addition to receiving segment information concerning segment net profit, management is provided with segment information concerning revenue from external customers used by the segments in their operations.

A measurement of segment assets and liabilities is not provided regularly to the Group’s most senior executive management and accordingly, no segment assets or liabilities information is presented.

Information regarding the Group's segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 is set out below:

	<b>2021</b>		
	<b>Cardiovascular interventional business RMB'000</b>	<b>All others RMB'000</b>	<b>Total RMB'000</b>
<b>Revenue from external customers</b>	<b>404,223</b>	<b>60,452</b>	<b>464,675</b>
Inter-segment revenue	<u>6,955</u>	<u>21,280</u>	<u>28,235</u>
<b>Segment revenue</b>	<u><b>411,178</b></u>	<u><b>81,732</b></u>	<u><b>492,910</b></u>
<b>Segment net profit</b>	<u><b>128,698</b></u>	<u><b>12,176</b></u>	<u><b>140,874</b></u>
	<b>2020</b>		
	<b>Cardiovascular interventional business RMB'000</b>	<b>All others RMB'000</b>	<b>Total RMB'000</b>
<b>Revenue from external customers</b>	337,876	20,552	358,428
Inter-segment revenue	<u>3,415</u>	<u>10,720</u>	<u>14,135</u>
<b>Segment revenue</b>	<u><b>341,291</b></u>	<u><b>31,272</b></u>	<u><b>372,563</b></u>
<b>Segment net profit/(loss)</b>	<u><b>125,949</b></u>	<u><b>(6,940)</b></u>	<u><b>119,009</b></u>

(ii) *Reconciliation of revenue and segment profit*

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Revenue</b>		
Segment revenue	492,910	372,563
Elimination of inter-segment revenue	<u>(28,235)</u>	<u>(14,135)</u>
<b>Consolidated revenue</b>	<u><u>464,675</u></u>	<u><u>358,428</u></u>
<b>Profit</b>		
Segment net profit	140,874	119,009
Elimination of inter-segment net profit	<u>(429)</u>	<u>(2,492)</u>
<b>Consolidated net profit</b>	<u><u>140,445</u></u>	<u><u>116,517</u></u>

**4 OTHER INCOME**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Government grants ( <i>note</i> )	7,976	13,641
Interest income	14,525	24,095
Net realised and unrealised gains from fair value changes on financial assets measured at fair value through profit or loss	29,293	2,395
Foreign exchange losses	(2,840)	(12,312)
Others	<u>1,218</u>	<u>(3,067)</u>
	<u><u>50,172</u></u>	<u><u>24,752</u></u>

*Note:* Government grants mainly include subsidies received from government for encouragement of research and development projects and compensation on the capital expenditure of medical device production lines. As at the end of the Reporting Period, there was no unfulfilled condition or other contingency attaching to the government grants that had been recognised by the Group.

## 5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>(a) Finance costs</b>		
Interest on lease liabilities	<u>633</u>	<u>92</u>
<b>(b) Staff costs</b>		
Salaries, wages and other benefits	112,416	80,838
Equity-settled share-based payment expenses	1,107	–
Contributions to defined contribution retirement plan	<u>20,402</u>	<u>4,528</u>
	<u>133,925</u>	<u>85,366</u>

- (i) Pursuant to the relevant labour rules and regulations in the PRC, the Company and its subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the “Schemes”) organised by the local government authorities whereby the Company and its subsidiaries in the PRC are required to make contributions to the Schemes based on certain percentages of the eligible employee’s salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees. The Group has no other obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.
- (ii) In 2020, the Group received one-time government subsidy related to COVID-19 in the form of a reduction in social security contributions which was recognised as reduction to the related staff expenses when it was granted. There is no such government subsidy during the year ended 31 December 2021.
- (iii) Staff costs includes remuneration of Directors and senior management.

	<b>2021</b>	2020
	<b>RMB'000</b>	<i>RMB'000</i>
<b>(c) Other items</b>		
Depreciation and amortisation		
— property, plant and equipment	<b>23,840</b>	17,558
— right-of-use assets	<b>5,528</b>	3,769
— intangible assets	<b>848</b>	637
	<b>30,216</b>	21,964
Recognition/(reversal) of impairment loss on trade and other receivables	<b>567</b>	(44)
Auditors' remuneration		
— audit services	<b>2,320</b>	2,138
— other services	<b>85</b>	80
Research and development costs <sup>#</sup>	<b>109,801</b>	66,205
Less: Costs capitalised into intangible assets	<b>(19,846)</b>	(1,612)
	<b>89,955</b>	64,593
Cost of inventories <sup>##</sup>	<b>188,930</b>	124,013

<sup>#</sup> During the year ended 31 December 2021, research and development costs includes staff costs and depreciation and amortisation of RMB44,033,000 (2020: RMB25,607,000), which amount is also included in the respective total amounts disclosed separately above.

<sup>##</sup> During the year ended 31 December 2021, cost of inventories includes staff costs and depreciation and amortisation expenses of RMB68,530,000 (2020: RMB49,619,000), which amount is also included in the respective total amounts disclosed separately above.

## 6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	<b>2021</b>	2020
	<b>RMB'000</b>	<i>RMB'000</i>
Current tax-PRC corporate income tax ("CIT")	<b>19,055</b>	20,902
Deferred tax	<b>(3,809)</b>	(334)
Total	<b>15,246</b>	20,568

(b) Reconciliation between tax expenses and accounting profit at applicable tax rates:

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Profit before taxation	<u><b>155,691</b></u>	<u>137,085</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned ( <i>note (i)</i> )	<b>38,924</b>	34,255
Effect of preferential tax rate ( <i>notes (ii) &amp; (iii)</i> )	<b>(13,861)</b>	(13,047)
Effect of super deduction on research and development expenses ( <i>note (iv)</i> )	<b>(19,492)</b>	(10,740)
Effect of unused tax losses not recognised as deferred tax assets	<b>11,001</b>	8,800
Effect of recognition of deferred tax assets on tax losses	<b>(1,470)</b>	–
Others	<u><b>144</b></u>	<u>1,300</u>
Actual tax expenses	<u><b>15,246</b></u>	<u>20,568</u>

*Notes:*

**PRC CIT**

- (i) Effective from 1 January 2008, under the PRC Corporate Income Tax Law, the PRC statutory income tax rate is 25%. The Group's subsidiaries in the PRC are subject to PRC income tax at 25% unless otherwise specified.
- (ii) High and New Technology Enterprise (“**HNTE**”)

According to the PRC income tax law and its relevant regulations, entities that qualified as HNTE are entitled to a preferential income tax rate of 15%. The Company obtained its renewed certificate of HNTE on 8 October 2019 and is subject to income tax at 15% for the three years ending 31 December 2021.

Zhuhai Derui Medical Instruments Co., Ltd. obtained its certificate of HNTE on 2 December 2019 and is subject to income tax at 15% for the three years ending 31 December 2021.

Shanghai Pukon Medical Instruments Co., Ltd. obtained its certificate of HNTE on 12 November 2020 and is subject to income tax at 15% for the three years ending 31 December 2022.

The 15% preferential tax rate applicable to HNTE is subject to renewal approval by the relevant authorities, upon expiry of the three-year grant period, according to the then prevailing income tax regulations.

(iii) Small and Micro Enterprise (“SME”)

According to the PRC income tax law, its relevant regulations issued in 2019 and its renewed policy issued in 2021, entities that qualified as SME are entitled to a preferential income tax rate of 2.5% (taxable income less than RMB1,000,000) or 10% (taxable income ranges between RMB1,000,000 to RMB3,000,000).

During the year ended 31 December 2021, certain subsidiaries of the Group are qualified as SME and enjoyed a preferential tax rate of 2.5% or 10%, whereas applicable.

(iv) According to the PRC income tax law and its relevant regulations, an additional 100% (2020: 75%) of qualified research and development expenses so incurred is allowed to be deducted from taxable income for the three years ended 31 December 2023.

**Hong Kong Profits Tax**

The Company’s subsidiary incorporated in Hong Kong is subject to Hong Kong Profits Tax at 8.25% of the taxable profit less than HKD2,000,000 or 16.50% of the taxable profit exceeding HKD2,000,000. No provision for Hong Kong Profits Tax as the subsidiary in Hong Kong had no assessable profits for the year ended 31 December 2021 (2020: nil).

**7 EARNINGS PER SHARE**

**(a) Basic earnings per share**

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB142,960,000 (2020: RMB121,354,000), and the weighted average number of shares of 166,000,000 (2020: 166,000,000) in issue.

**(b) Diluted earnings per share**

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB142,960,000 (2020: RMB 121,354,000) Weighted average number of ordinary shares in issue and potential ordinary shares of 166,796,000 (2020: 166,000,000) in issue.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume outstanding restricted share units (“RSUs”), issued at the grant date, which are dilutive and adjusting the weighted average number of ordinary shares in issue during the year ended 31 December 2021.

#### Weighted average number of ordinary shares

	2021 ’000	2020 ’000
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share	166,000	166,000
Effect of outstanding RSUs	796	–
	<u>166,796</u>	<u>166,000</u>
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share	<u>166,796</u>	<u>166,000</u>

The effect of outstanding employee share purchase plan issued by subsidiaries (note 15) is anti-dilutive, therefore is not included calculation of diluted earnings per share of the Company.

## 8 INVESTMENT IN FUNDS

### Ruixin Fund

According to the Company’s announcements dated 19 March 2020 and 29 April 2020 and the circular dated 22 May 2020, the Company and Ningbo Huaige Health Investment Management Partnership (Limited Partnership)\* (as the general partner and fund manager, Chinese name as 寧波懷格健康投資管理合夥企業(有限合夥), “**Huaige Health**”) conditionally entered into the Ruixin Subscription Memorandum (the “**Ruixin Subscription**”) in relation to the establishment of, and investment in, Jingning Huaige Ruixin Venture Investment Partnership (Limited Partnership)\* 景寧懷格瑞信創業投資合夥企業(有限合夥) (the “**Ruixin Fund**”). Under the Ruixin Subscription, the total contribution by the general partner and all the limited partners of the Ruixin Fund is no less than RMB300 million and no more than RMB400 million, and the capital contribution by the Company as a limited partner will be RMB50 million. The primary objective of the Ruixin Fund is investments in equity interest of entities in the medical devices, pharmaceutical, biologics, medical services and contract research organisation services industries mainly in the PRC and investments in other equity funds with focus of investing in the medical device and biomedical fields.

### Int Fund

According to the Company’s announcement dated 19 March 2020 and circular dated 22 May 2020, the Company and Huaige Health (as the fund manager) conditionally entered into the Int Subscription Memorandum (the “**Int Subscription**”) in relation to the establishment of, and investment in, Shanghai Huaige Int Venture Investment Partnership (Limited Partnership) \* (上海懷格瑛泰創業投資合夥企業(有限合夥)) (the “**Int Fund**”). Under the Int Subscription, the total capital contribution by the general partner and all the limited partners of the Int Fund is not less than RMB110 million and not more than RMB200 million, and the capital contribution by the Company as a limited partner will be RMB50 million.

The primary objective of Int Fund is venture investments in, among others, equity interests, convertible loans and/or financial assets in relation to start-ups or early-stage businesses in the medical devices industry mainly in the PRC. The investment priorities of the Int Fund include start-ups or early-stage businesses principally engaged in the research and development of cardiovascular interventional devices, neuro interventional procedural medical devices and other interventional medical devices.

According to the partnership agreements of Ruixin Fund and Int Fund, the Company's capital contribution commitment was RMB50 million to each fund and shall be payable on or before 31 December 2021. During the year ended 31 December 2021, the Company made capital contribution of RMB50,000,000 to the two funds and all its capital commitment was fully paid as of 31 December 2021.

## 9 TRADE AND OTHER RECEIVABLES

	<b>31 December 2021 RMB'000</b>	31 December 2020 RMB'000
<b>Trade receivables (a)</b>		
Receivables from third parties	<b>78,316</b>	20,448
Receivables from related parties	<b>940</b>	3,223
Less: losses allowance on trade receivables	<b>(583)</b>	(16)
	<u>78,673</u>	<u>23,655</u>
Trade receivables, net	<b>78,673</b>	23,655
Deposits for construction project	<b>3,191</b>	6,959
Others	<b>909</b>	535
	<u>82,773</u>	<u>31,149</u>
Trade and other receivables, net	<b>82,773</b>	31,149

### (a) Ageing analysis

As of the end of the Reporting Period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	<b>31 December 2021 RMB'000</b>	31 December 2020 RMB'000
Within 3 months	<b>76,900</b>	22,698
3 to 6 months	<b>1,588</b>	957
6 to 9 months	<b>185</b>	–
	<u>78,673</u>	<u>23,655</u>

Trade receivables are generally due within 30 to 90 days from the date of billing.

## 10 TRADE AND OTHER PAYABLES

	<b>31 December 2021 RMB'000</b>	31 December 2020 RMB'000
Trade payables (i)	<b>26,815</b>	15,857
Payroll payables	<b>18,916</b>	13,021
Construction payables	<b>49,090</b>	29,274
Amounts due to related parties	<b>174</b>	164
Others	<b>9,712</b>	6,700
	<b><u>104,707</u></b>	<u>65,016</u>

- (i) As of the end of the Reporting Period, the ageing analysis of the Group's trade payables, based on the invoice date, is as follows:

	<b>31 December 2021 RMB'000</b>	31 December 2020 RMB'000
Within 3 months	<b>23,088</b>	14,459
Over 3 months but within 6 months	<b>1,921</b>	128
Over 6 months but within 1 year	<b>582</b>	519
Over 1 year	<b>1,224</b>	751
	<b><u>26,815</u></b>	<u>15,857</u>

All of the trade and other payables are expected to be settled within one year.

## 11 CAPITAL, RESERVES AND DIVIDENDS

### (a) Share capital

	2021		2020	
	<i>No. of shares ( '000)</i>	<i>RMB'000</i>	<i>No. of shares ( '000)</i>	<i>RMB'000</i>
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January and 31 December	<b><u>166,000</u></b>	<b><u>166,000</u></b>	<u>166,000</u>	<u>166,000</u>
<b>Representing:</b>				
Domestic shares issued	<b>61,787</b>	<b>61,787</b>	120,000	120,000
H shares issued	<b><u>104,213</u></b>	<b><u>104,213</u></b>	<u>46,000</u>	<u>46,000</u>
Total ordinary shares issued at 31 December	<b><u>166,000</u></b>	<b><u>166,000</u></b>	<u>166,000</u>	<u>166,000</u>

As disclosed in the Company's announcement dated 25 May 2021, 16 June 2021, 19 August 2021, 7 September 2021, 10 September 2021, 27 September 2021 and 8 October 2021 in relation to the full circulation of certain domestic shares of the Company, 58,213,392 domestic shares held by KDL and Ningbo Huaige Taiyi Equity Investment Partnership (Limited Partnership) (寧波懷格泰益股權投資合夥企業(有限合夥)) were converted to H shares of the Company and listed on HKEX since 8 October 2021.

**(b) Dividends**

- (i) Dividends payable to equity shareholders of the Company attributable to the year

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Final dividend proposed after the end of the reporting period of RMB0.26 per ordinary share (2020: RMB0.285 per ordinary share)	<b>43,160</b>	47,310

On 18 March 2022, the directors of the Company proposed a final dividend for the year ended 31 December 2021 of RMB0.26 per ordinary share, which has not been recognised as a liability at 31 December 2021.

In accordance with the Company's article of association, in distributing its profit after tax of the relevant financial year, the lower of the profit after tax as shown in the financial statements prepared under HKFRSs and PRC accounting standards shall be applied.

- (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, RMB0.285 per ordinary share (2020: RMB0.175 per ordinary share)	<b>47,310</b>	29,050

Pursuant to the shareholders' approval of the Company held on 19 March 2021, a final cash dividend of RMB0.285 per share in respect of the year ended 31 December 2020 based on 166,000,000 ordinary shares with total amount of RMB 47,310,000 was paid in June 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS OVERVIEW

### BUSINESS OVERVIEW

We are a leading Chinese cardiovascular interventional device manufacturer as well as one of the few medical device groups that cover the entire industry chain from design and development of mould and equipment, product injection, product assembly, product packaging to sterilisation in the PRC. Our major products are primarily used for cardiovascular surgeries, in particular percutaneous coronary intervention (“**PCI**”) procedures.

In 2021, the COVID-19 epidemic (“**COVID-19**”) is still severe around the world, with many countries and regions being affected to various extent. Non-emergency surgeries were postponed, so the total number of surgeries worldwide has decreased significantly. Despite the impact of the COVID-19 abroad and the declining surgeries in key markets, the Company’s international business still maintained growth, with an overall year-on-year growth rate of approximately 15% (excluding entrusted export sales).

In China, the government introduced reform policies to support the healthy and orderly development of the medical industry. The Central Committee of the Communist Party of China and the State Council issued “Opinions on Deepening the Reform of the Medical Security System”, calling for the incorporation of drugs, diagnosis and treatment items, and medical consumables with high clinical value and good economic evaluation into the scope of medical insurance payment, continued reform of centralized volume and full implementation of volume-based procurement of medical consumables, reflecting the trend of centralized purchasing and negotiation in the field of high value consumables, in which evidence of value in clinical and health economics will play an important role. In July 2019, the State Council issued the Reform Plan for Intelligent High-Value Medical Consumables (“**Plan**”), which mentioned the improvement of the methods of classification of centralized purchasing and exploration of classification of centralized purchasing in accordance with the principles of volume-based procurement, linking of price with volume, and promoting market competition. Since the promulgation of the Plan, various regions of China have implemented a pilot policy for volume-based procurement of consumables. In November 2021, the National Healthcare Security Administration issued the “Notice on Printing and Distributing the Three-year Action Plan for the Reform of DGR/DIP Payment Mode”, aiming to promote the high-quality development of medical insurance, promote the supply-side structural reform, and promote the collaborative mechanism of “payment by disease” and “payment by package”. The Company, with comprehensive medical device registration certificates, strong research and development capabilities and leading brand marketing system, will have a greater advantage in the future DRG/DIP competition.

The Group's revenue in the Reporting Period was approximately RMB464.68 million, representing an increase of approximately 29.64% or approximately RMB106.25 million as compared to approximately RMB358.43 million for the year ended 31 December 2020, due to the growth in sales volume of interventional medical devices as a result of proactively expanding our distribution network as well as continuing developing and commercialising our pipeline products to the hospitals and medical device manufacture customers. The Group's revenue generated from sales of interventional medical devices in the Reporting Period was approximately RMB436.16 million, representing an increase of approximately 63.69% or approximately RMB169.71 million as compared to approximately RMB266.45 million for the year ended 31 December 2020.

### **Comprehensive medical device registration certificates**

During the Reporting Period, the Group has obtained 8 National Medical Products Administration of China (“NMPA”) registration certificates for Class III medical devices, 3 Shanghai Medical Products Administration (“SMPA”) registration certificates for Class II medical devices and 5 United States Food and Drug Administration (“FDA”) approvals. As at 31 December 2021, we have an aggregate of 26 NMPA registration certificates for Class III medical devices, 19 SMPA registration certificates for Class II medical devices, 40 European CE certificates and 17 FDA approvals.

### **Strong research and development capabilities**

Our research and development team consists of professionals who possess doctorate degrees and master's degrees and numerous talents who have over 10 years of experience in research and development of production, with adequate capabilities in the development of innovation products and sustainable improvement of research and development. As at 31 December 2021, we had 189 registered patents, 166 patents under application and 5 registered software.

### **Extensive distribution and sales network**

We have an extensive distribution network and have developed and maintained stable relationships with our distributors. By the end of 2021, our PRC distributors cover 23 (2020: 23) provinces, 4 (2020: 4) directly-administered municipalities and 5 (2020: 4) autonomous regions in the PRC, and covering 2,100 (2020: 1,436) domestic hospitals in the PRC. In addition, we had 184 (2020: 143) overseas customers covering over 51 (2020: 51) countries and regions.

## ACTIVITIES REVIEW

### Subsidiaries

As at 31 December 2021, the Group was comprised of 12 (2020: 8) wholly-owned or holding subsidiaries engaging in the design and development of medical devices used in fields including peripheral intervention, neurological intervention, cardiovascular intervention or implantation, and the design and development of equipment and moulds used for production of medical devices.

### Full Circulation of Certain Domestic Shares of the Company

Reference is made to the announcements of the Company dated 25 May 2021, 16 June 2021, 19 August 2021, 7 September 2021, 10 September 2021, 27 September 2021 and 8 October 2021 in relation to the application by the Company, upon receiving proposals from Shanghai Kindly Enterprise Development Group Co., Ltd.\* (上海康德萊企業發展集團股份有限公司) and Ningbo Huaige Taiyi Equity Investment Partnership (Limited Partnership) (寧波懷格泰益股權投資合夥企業(有限合夥)) (collectively the “**Converting Shareholders**”), to the China Securities Regulatory Commission (中國證券監督管理委員會) (the “**CSRC**”) for conversion of a total of 58,213,392 Domestic Shares held by the Converting Shareholders to H Shares (the “**Converted H Shares**”) and the listing thereof on the Stock Exchange (the “**Proposed Conversion and Listing**”). The Company has completed the application to China Securities Depository and Clearing Corporation Limited (“**China Clearing**”), Shenzhen Branch and maintained a detailed record of the initial holding of the 58,213,392 Converted H Shares held by the Converting Shareholders. The application for a domestic transaction commission code and abbreviation (domestic transaction commission code: 299921; abbreviation: 康德萊H) submitted by the Company has been confirmed by China Clearing, Shenzhen Branch pursuant to the authorization of the Shenzhen Stock Exchange. The participating shareholders who are PRC nationals have established specified fund accounts for H Shares “Full Circulation” with their broker and activated access right for domestic transactions. The Proposed Conversion and Listing took place in October 2021.

## Equity Subscription of Shanghai Healing

Reference is made to the announcements of the Company dated 7 June 2021, 8 June 2021 and 29 July 2021 in relation to first capital increase and equity subscription of Shanghai Healing Medical Instruments Co. Ltd.\* (上海翰凌醫療器械有限公司) (“**Shanghai Healing**”) by Ningbo Hansheng Enterprise Management Partnership (Limited Partnership)\* (寧波翰昇企業管理合夥企業(有限合夥)) (“**Ningbo Hansheng**”) and Dr. Liang Dongke (梁棟科) (the “**First Equity Subscription**”) and the second capital increase and equity subscription of Shanghai Healing by Shanghai Huaige Int Start-up Investment Limited Partnership (L.P.)\* (上海懷格瑛泰創業投資合夥企業(有限合夥)) (“**Huaige Int**”) and Mr. Ke Wei (柯偉) (the “**Second Equity Subscription**”).

As the First Equity Subscription and the Second Equity Subscription took place within a 12-month period with respect to the same subsidiary of the Company, the First Equity Subscription and the Second Equity Subscription shall be aggregated pursuant to Rule 14A.81 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the assets of Shanghai Healing and the consideration of the First Equity Subscription and the Second Equity Subscription in aggregate exceed 0.1% are less than 5%, the First Equity Subscription and the Second Equity Subscription constitute connected transactions of the Company which are subject to the reporting, and announcement requirements but is exempt from independent shareholders’ approval requirements under Chapter 14A of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The funds will be paid in full by Ningbo Hansheng, Dr. Liang Dongke, Huaige Int and Mr. Ke Wei, and will be used as working capital of Shanghai Healing for the research and development of products related to heart valve and its pipeline products include transcatheter aortic valve replacement, expandable vascular sheath and self-localization valvuloplasty balloon catheter.

## OUTLOOK FOR 2022

The year of 2022 is an important year for the large-scale development of the Company. The Company will continue to deeply develop various fields of medical devices, and orderly promote the Company’s strategic planning and business layout. Looking forward to 2022, we will (1) further development the product pipeline, allocate more resources for research and development, further progress on the research and development, core product pipeline and obtaining approvals for new products; (2) fully leverage on our brand recognition and sales distribution network to further expand our market share, and strengthen and maintain our leading position in the interventional medical devices industry; and (3) further improve automation and large-scale production, reduce production costs, and improve per capita productivity.

## **FINANCIAL REVIEW**

### **REVENUE**

The Group's revenue in the Reporting Period was approximately RMB464.68 million, representing an increase of approximately 29.64% or approximately RMB106.25 million as compared to approximately RMB358.43 million for the year ended 31 December 2020, due to the growth in sales volume of interventional medical devices as a result of proactively expanding our distribution network as well as continuing developing and commercialising our pipeline products to the hospitals and medical device manufacture customers.

With respect to revenue categorized by different products, the Group's revenue generated from sales of interventional medical devices in the Reporting Period was approximately RMB436.16 million, representing approximately 93.86% of the total revenue as compared to approximately 74.34% for the year ended 31 December 2020. The Group's revenue generated from sales of medical accessories was approximately RMB12.02 million (2020: approximately RMB12.20 million), representing approximately 2.59% (2020: approximately 3.40%) of the total revenue. The Group's revenue generated from sales of masks was approximately RMB0.35 million (2020: approximately RMB70.39 million), representing approximately 0.08% (2020: approximately 19.64%) of the total revenue.

### **Cost of Sales**

The Group's cost of sales in the Reporting Period was approximately RMB188.93 million, representing an increase of approximately 52.35% or approximately RMB64.92 million as compared to approximately RMB124.01 million for the year ended 31 December 2020. It was mainly due to: i) business expansion; ii) products structure changes mentioned as below paragraph; and iii) the Group received one-time government subsidy related to COVID-19 in the form of a reduction in social security contribution in 2020, while there was no such government subsidy during the Reporting Period.

### **Gross Profit and Gross Profit Margin**

During the Reporting Period, Group's gross profit was approximately RMB275.75 million, as compared to approximately RMB234.42 million for the year ended 31 December 2020. Gross profit margin decreased from approximately 65.40% to approximately 59.34% as compared to the year ended 31 December 2020. The revenue generated from sales of masks which had a higher gross profit margin was approximately RMB70.39 million for the year ended 31 December 2020, while the revenue generated from sales of masks for the Reporting Period was RMB0.35 million.

## **Other Income**

During the Reporting Period, other income was approximately RMB50.17 million, representing an increase of approximately 102.70% or approximately RMB25.42 million as compared to approximately RMB24.75 million for the year ended 31 December 2020. Net realised and unrealised gains from fair value changes on financial assets measured at fair value through profit or loss for the Reporting Period was approximately RMB29.29 million (2020: approximately RMB2.40 million).

## **Finance Costs**

During the Reporting Period, the finance cost was approximately RMB0.63 million as compared to approximately RMB0.09 million for the year ended 31 December 2020. The finance costs were interests arising from lease liabilities.

## **Distribution Costs**

The distribution costs of the Group in the Reporting Period were approximately RMB30.02 million, increased by approximately 39.79% or approximately RMB8.55 million as compared to approximately RMB21.48 million for the year ended 31 December 2020. It constituted approximately 6.46% of the total revenue as compared to approximately 5.99% for the year ended 31 December 2020. The increase in distribution costs was primarily due to: (i) the Group attended exhibition promotions in the PRC and other countries during the Reporting Period to optimize the sales and distribution network and also to enhance the awareness of our brand in the markets; and (ii) the sales team was expanded.

## **Administrative Expenses**

The administrative expenses of the Group in the Reporting Period were approximately RMB49.05 million, as compared to approximately RMB35.97 million for the year ended 31 December 2020. The rise was mainly due to the increase in payroll and other compensation of administrative staff as a result of the business expansion, as well as the increase in the professional expenses and depreciation and amortisation expenses.

## **Research and Development Expenses**

The research and development expenses of the Group in the Reporting Period were approximately RMB109.81 million, of approximately RMB19.85 million (2020: RMB1.61 million) was capitalised as intangible assets and the remaining approximately RMB89.96 million (2020: RMB64.59 million) was charged to profit or loss, representing an increase of 65.85% or RMB43.60 million as compared to approximately RMB66.21 million for the year ended 31 December 2020. The rise was primarily due to the Group's continued development and commercialisation of the existing pipeline products, as well as new products of the Group.

## **Income Tax Expenses**

The income tax expenses in the Reporting Period was approximately RMB15.25 million, representing a decrease of approximately 25.86% or approximately RMB5.32 million as compared to approximately RMB20.57 million for the year ended 31 December 2020. The effective income tax rate was approximately 9.81% for the Reporting Period as compared to approximately 15.00% for the year ended 31 December 2020. According to the PRC income tax law and its relevant regulations, an additional 100% (2020: 75%) of qualified research and development expenses so incurred is allowed to be deducted from taxable income during the Reporting Period.

## **Profit for the year**

The Group's profit for the year in the Reporting Period was approximately RMB140.45 million, representing an increase of approximately 20.54% as compared to approximately RMB116.52 million for the year ended 31 December 2020.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group has maintained a sound financial position during the Reporting Period. As at 31 December 2021, the Group's cash and bank balance amounted to approximately RMB640.55 million (2020: approximately RMB870.13 million). For the year ended 31 December 2021, net cash flow from operating activities of the Group amounted to approximately RMB72.76 million (2020: approximately RMB95.71 million).

The Group recorded total current assets of approximately RMB858.44 million as at 31 December 2021 (31 December 2020: approximately RMB1,048.12 million) and total current liabilities of approximately RMB153.22 million as at 31 December 2021 (31 December 2020: approximately RMB88.31 million). The current ratio (calculated by dividing the current assets by the current liabilities) of the Group was approximately 5.60 as at 31 December 2021 (31 December 2020: approximately 11.87).

## **BORROWINGS AND GEARING RATIO**

The Group has no bank borrowings or other borrowings for the Reporting Period and for the year ended 31 December 2020. As such, the gearing ratio is not applicable.

## CAPITAL STRUCTURE

Total equity attributable to equity shareholders of the Company amounted to approximately RMB1,395.47 million as at 31 December 2021 as compared to approximately RMB1,305.65 million as at 31 December 2020.

## FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB0.26 per share (equivalent to approximately HK\$0.32 per share) (inclusive of applicable tax) (the “**Proposed Final Dividend**”) for the year ended 31 December 2021 (2020: RMB0.285 per share). Subject to the approval of the Proposed Final Dividend by the shareholders of the Company (the “**Shareholders**”) at the annual general meeting of the Company (the “**AGM**”) to be held on Monday, 16 May 2022, the Proposed Final Dividend will be distributed on or about Monday, 20 June 2022 to the Shareholders whose names appear on the register of members of the Company on Sunday, 29 May 2022 (the “**Record Date**”).

The final dividend shall be denominated and declared in RMB. The holders of domestic shares will be paid in RMB and the holders of H shares will be paid in Hong Kong dollars. The exchange rate for the final dividend to be paid in Hong Kong dollars will be the mean of the exchange rates of Hong Kong dollars to RMB as announced by the People’s Bank of China during the five business days prior to the date of the Board meeting for the declaration of the final dividend.

In accordance with the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) which was passed by the Standing Committee of the National People’s Congress on 16 March 2007 and amended on 24 February 2017 and 29 December 2018 (the latest amendment which has taken effect on the even date), and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise Shareholders whose names appear on the register of members for H shares when distributing the cash dividends. Any H shares not registered under the name of an individual Shareholder, including HKSCC Nominees Limited, other nominees, agents or trustees, or other organizations or groups, shall be deemed as shares held by non-resident enterprise Shareholders. Therefore, on this basis, enterprise income tax shall be withheld from dividends payable to such Shareholders. If holders of H shares intend to change its Shareholder status, please enquire about the relevant procedures with your agents or trustees. The Company will strictly comply with the law or the requirements of the relevant government authority and withhold and pay enterprise income tax on behalf of the relevant Shareholders based on the register of members for H shares as of the Record Date.

If the individual holders of H shares are Hong Kong or Macau residents or residents of the countries (regions) which had an agreed tax rate of 10% for the cash dividends to them with the PRC under the relevant tax agreement, the Company should withhold and pay individual income tax on behalf of the relevant Shareholders at a rate of 10%. Should the individual holders of H shares be residents of the countries which had an agreed tax rate of less than 10% with the PRC under the relevant tax agreement, the Company shall withhold and pay individual income tax on behalf of the relevant Shareholders at a rate of 10%. In that case, if the relevant individual holders of H shares wish to reclaim the extra amount withheld due to the application of 10% tax rate, the Company can apply for the relevant agreed preferential tax treatment provided that the relevant Shareholders submit the evidence required by the notice of the tax agreement to Computershare Hong Kong Investor Services Limited. The Company will assist with the tax refund after the approval of the competent tax authority. Should the individual holders of H shares be residents of the countries which had an agreed tax rate of over 10% but less than 20% with the PRC under the tax agreement, the Company shall withhold and pay the individual income tax at the agreed actual rate in accordance with the relevant tax agreement. In the case that the individual holders of H shares are residents of the countries which had an agreed tax rate of 20% with the PRC, or which has not entered into any tax agreement with the PRC, or otherwise, the Company shall withhold and pay the individual income tax at a rate of 20%.

Shareholders are recommended to consult their tax advisers regarding the tax implication in the PRC, Hong Kong and other tax implications arising from their holding and disposal of H shares.

## USE OF PROCEEDS FROM THE GLOBAL OFFERING

Upon completion of the Global Offering, the Company raised net proceeds of approximately RMB797.62 million (after deducting the listing fees and other expenses). As at 31 December 2021, the Company has utilized approximately RMB418.14 million of the net proceeds. As disclosed in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 28 October 2019 and the announcements of the Company dated 7 July 2020 and 31 March 2021, the details of intended application of net proceeds are set out as follows:

	<b>Revised allocation of net proceeds (RMB million)</b>	<b>Utilized net proceeds up to 31 December 2021 (RMB million)</b>	<b>Unutilized net proceeds up to 31 December 2021 (RMB million)</b>	<b>Expected timeline of full utilization of the unutilized net proceeds</b>
Set up a research and development center and an additional production facility in Jiading, Shanghai	271.99	198.14	73.85	December 2022
Purchase additional and replacement of existing production equipment and automate production lines	110.07	31.18	78.89	December 2022
Expand our distribution network and coverage, collaborate with local distributors and intensify our marketing efforts	69.39	13.00	56.39	December 2022
General corporate purposes and fund our working capital	79.84	79.84	–	Not applicable
Zhuhai Derui New Factory Project	110.00	89.13	20.87	September 2022
Construction of the Shangdong INT Innovative Medical Instruments Industrial Park	156.33	6.85	149.48	December 2023
<b>Total</b>	<u>797.62</u>	<u>418.14</u>	<u>379.48</u>	

As at the date of this announcement, the net proceeds from the global offering had not yet been fully utilized and all of the net proceeds has been deposited into short-term deposits in the bank account maintained by the Group.

## EMPLOYEE REMUNERATION AND RELATIONS

As at 31 December 2021, the Group had a total of 1,189 employees, comparing to 967 employees as at 31 December 2020. The total cost of employees for the Reporting Period amounted to approximately RMB133.93 million (2020: approximately RMB85.37 million). The Group provides employees with competitive remuneration and benefits, and the Group's remuneration policies are formulated according to the assessment of individual performance and are periodically reviewed. The Group provides training programs to employees, including new hire training for new employees and continuing technical training primarily for our research and development team to enhance their skill and knowledge.

## 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 Reporting Period.

## SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2021 and 31 December 2020, the Group had below significant investments.

	At 31 December 2021					At 31 December 2020				
	Percentage of interest	Cost of investment	Fair value	Accumulated gain/(losses)	Dividend Received	Percentage of interest	Cost of investment	Fair value	Accumulated gain/(losses)	Dividend Received
	%	RMB'000	RMB'000	RMB'000	RMB'000	%	RMB'000	RMB'000	RMB'000	RMB'000
Recognised as "financial assets at fair value through profit or loss"										
Jingning Huaige Ruixin Venture Investment Partnership (Limited Partnership)* 景寧懷格瑞信創業投資 合夥企業(有限合夥) (the "Ruixin Fund")	15.83	50,000	63,071	13,071	-	15.83	25,000	24,340	(660)	-
Shanghai Healing by Shanghai Huaige Int Start-up Investment Limited Partnership (L.P.)* (上海懷 格瑞泰創業投資合夥企業 (有限合夥)) (the "Int Fund")	25.00	50,000	60,103	10,103	-	29.41	25,000	24,720	(280)	-
		<u>100,000</u>	<u>123,174</u>	<u>23,174</u>	<u>-</u>		<u>50,000</u>	<u>49,060</u>	<u>(940)</u>	<u>-</u>

The primary objective of the Ruixin Fund is investments in equity interest of entities in the medical devices, pharmaceutical, biologics, medical services and contract research organisation services industries mainly in the PRC and investments in other equity funds with focus of investing in the medical device and biomedical fields.

The primary objective of the Int Fund is venture investment in, among others, equity interests, convertible loans and/or financial assets in relation to start-ups or early-stage businesses in the medical devices industry mainly in the PRC. The investment priorities of the Int Fund include start-ups or early-stage businesses principally engaged in the research and development of cardiovascular interventional devices, neuro interventional procedural medical devices and other interventional medical devices.

The Group has made additional investment of RMB25.00 million and RMB25.00 million to Ruixin Fund and Int Fund respectively for the year ended 31 December 2021. The Group had no capital contribution commitment to neither Ruixin Fund nor Int Fund.

Save as disclosed above, the Group has no other significant investment during the Reporting Period.

## **MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

The Group has no material acquisitions or disposal of subsidiaries, associates and joint ventures during the Reporting Period.

## **CONTINGENT LIABILITIES**

As at 31 December 2021 and 2020, the Group did not have any material contingent liabilities.

## **FINANCIAL INSTRUMENTS**

As at 31 December 2021, the Group had entered into foreign currency forward contracts to reduce its exposure to fluctuation in foreign exchange rate, with a carrying amount of approximately RMB132 thousand under financial assets at FVTPL (2020: approximately RMB131 thousand). These foreign currency forward contracts are not hedge accounted.

The Group did not have any other outstanding hedge contracts or financial derivate instruments.

## **CAPITAL EXPENDITURE**

The capital expenditure of the Group for property, plant and equipment (the “**PPE**”), construction in progress, intangible assets, prepaid lease payments and deposits for PPE amounted to approximately RMB316.41 million for the Reporting Period (2020: approximately RMB165.30 million).

## **FOREIGN EXCHANGE RISK**

During the Report Period, the Group’s operations were primarily based in the PRC. The Group’s assets, liabilities and transactions in the PRC are denominated in RMB, while overseas assets and transactions are mainly denominated in US Dollars. There were currency fluctuations among US Dollars, Euro, RMB and Hong Kong Dollars during the Reporting Period, the Group’s operational results and financial condition may be affected by changes in the exchange rates. As the Group reasonably arranges the currency structure, which effectively reduces foreign exchange risk, the Directors believe that there is no significant foreign exchange risk to the Group at the current stage. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the Reporting Period. The Group will continuously monitor its foreign exchange exposure and will consider hedging of foreign currency risk should the need arise.

## **CHARGE ON GROUP ASSETS**

As at 31 December 2021, the Group did not have any charges on its assets.

## **CAPITAL COMMITMENT**

The Group’s outstanding capital commitments authorized but not contracted for at 31 December 2021 not provided for in the financial statements amounted to approximately RMB527.20 million (2020: approximately RMB230.85 million). The Group’s outstanding capital commitment contracted for at 31 December 2021 not provided for in the financial statements amounted to approximately RMB71.28 million (2020: approximately RMB308.78 million).

## **MATERIAL EVENTS AFTER THE REPORTING PERIOD**

As at the date of this announcement, there were no significant events after the Reporting Period.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issues (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its code of conduct for Directors’ securities transactions. Having made specific enquiry with the Directors and the Supervisors, all of the Directors and the Supervisors confirmed that they have complied with the required standards as set out in the Model Code during the Reporting Period.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

During the Reporting Period, the Company has complied with all the code provisions set forth in the Corporate Governance Code contained in Appendix 14 of the Listing Rules, with the exception of code provision C.2.1 of the Corporate Governance Code that requires the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dr. Liang Dongke is our chairman of the Board and the general manager (same as a chief executive) of the Company. Dr. Liang has extensive experience in the medical devices industry and have served in the Company since its establishment. He is in charge of overall management, business, strategic development and scientific research and development of the Group. The Board considers that vesting the roles of chairman and general manager in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the Board, the supervisors and our senior management of the Company, which comprises experienced and visionary individuals. The Board currently comprises two executive Directors (including Dr. Liang), three non-executive Directors and three independent non-executive Directors, and therefore has a strong independence element in its composition. The Board shall review the structure from time to time to ensure that the structure facilitates the execution of the Group’s business strategies and maximizes effectiveness of its operation.

## **AUDIT COMMITTEE**

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises three members, namely, Mr. Hui Hung Kwan, Mr. Jian Xigao and Mr. Fang Shengshi. Mr. Hui and Mr. Jian are independent non-executive Directors and Mr. Fang is a non-executive Director. Mr. Hui is the chairman of the Audit Committee, who possesses suitable professional qualifications.

The Audit Committee has reviewed the Company's audited consolidated annual results for the Reporting Period and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The Audit Committee has also discussed the auditing, internal control and financial reporting matters.

## **SCOPE OF WORK OF KPMG**

The financial figures in respect of the preliminary announcement of the Group's annual results for the year ended 31 December 2021 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG.

## **ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS**

The AGM will be held on Monday, 16 May 2022. For the purpose of determining the identity of the Shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 15 April 2022 to Monday, 16 May 2022, both days inclusive, during which period no transfer of shares of the Company will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for the holders of H shares), or the Company's registered office at Block 2, No. 925 Jin Yuan Yi Road, Jiading District, Shanghai, PRC (for the holders of domestic shares), by no later than 4:30 p.m. on Thursday, 14 April 2022.

For the purpose of determining the identity of the Shareholders who are entitled to receive the Proposed Final Dividend, the register of members of the Company will be closed from Tuesday, 24 May 2022 to Sunday, 29 May 2022, both days inclusive, during which period no transfer of shares of the Company will be effected. All transfer accompanied by the relevant share certificates must be lodged with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares), or the Company's registered office at Block 2, No. 925 Jin Yuan Yi Road Jiading District, Shanghai, PRC (for holders of domestic shares), no later than 4:30 p.m. on Monday, 23 May 2022.

## **PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT**

The annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.kdl-int.com). The Group's 2021 annual report will be dispatched to the Shareholders and will be published on the aforementioned websites in due course.

## **APPRECIATION**

Lastly, I would like to thank all the staff and the management team for their hard work during the Reporting Period. I would also like to express heartfelt gratitude to all of our users and business partners on behalf of the Group, and wish for their continuous support in the future. We will keep working closely with our shareholders and employees to steer the Group to turn to a new chapter in its development.

By order of the Board  
**Shanghai Kindly Medical Instruments Co., Ltd.\***  
上海康德萊醫療器械股份有限公司  
**Dr. Liang Dongke**  
*Chairman*

Shanghai, the PRC  
18 March 2022

*As at the date of this announcement, the Board comprises Dr. Liang Dongke and Mr. Wang Cailiang as executive Directors, Mr. Zhang Weixin, Ms. Chen Hongqin and Mr. Fang Shengshi as non-executive Directors, and Mr. Dai Kerong, Mr. Jian Xigao and Mr. Hui Hung Kwan as independent non-executive Directors.*

\* *For identification purposes only*