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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)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022**

<b>FINANCIAL HIGHLIGHTS</b>	<b>Six-month period ended 30 June</b>		<b>Change</b>
	<b>2022</b>	<b>2021</b>	
	<b>RMB'000</b>	<b>RMB'000</b>	
Revenue	<b>225,217</b>	180,613	24.70%
Gross profit	<b>124,023</b>	115,936	6.98%
Profit for the period	<b>50,125</b>	51,294	(2.28%)
Earnings per share			
Basic ( <i>in RMB</i> )	<b>0.31</b>	0.30	3.33%
Diluted ( <i>in RMB</i> )	<b>0.30</b>	0.30	0.00%

\* For identification purposes only

- The Group's revenue in the Reporting Period was approximately RMB225.22 million, representing an increase of approximately 24.70% or approximately RMB44.61 million as compared to approximately RMB180.61 million for the six-month period ended 30 June 2021. The increase was mainly due to the growth in sales volume of agent business and the interventional medical devices of approximately RMB21.81 million and approximately RMB20.73 million respectively.
- During the Reporting Period, gross profit was approximately RMB124.02 million, as compared to approximately RMB115.94 million for the six-month period ended 30 June 2021. Gross profit margin decreased from 64.19% to 55.07%. The decrease was mainly due to the increase of sales of agent business which had a lower gross profit margin than those of self-made products.
- The Group's profit for the Reporting Period was approximately RMB50.13 million, representing a decrease of approximately 2.28% as compared to approximately RMB51.29 million for the six-month period ended 30 June 2021. The decrease was mainly due to the increase in staff costs as a result of the business expansion during the Reporting Period.
- The Group's basic earnings per share for the Reporting Period was RMB0.31, as compared to RMB0.30 for the six-month period ended 30 June 2021. The Group's diluted earnings per share in the Reporting Period was RMB0.30, which kept flat as those of the six-month period ended 30 June 2021.
- The Board resolved not to declare any interim dividend for the Reporting Period.

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**”) announces the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**”, “**our**” or “**us**”) for the six-month period ended 30 June 2022 (the “**Reporting Period**”).

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022 (Unaudited)

(Expressed in Renminbi (“**RMB**”))

	Note	Six-month period ended 30 June	
		2022 RMB'000	2021 RMB'000
<b>Revenue</b>	3	<b>225,217</b>	180,613
Cost of sales		<b>(101,194)</b>	(64,677)
<b>Gross profit</b>		<b>124,023</b>	115,936
Other income	4	<b>21,811</b>	23,453
Distribution costs		<b>(21,724)</b>	(13,419)
Administrative expenses		<b>(28,392)</b>	(20,700)
Research and development expenses		<b>(37,930)</b>	(45,061)
Impairment losses		<b>(637)</b>	(30)
<b>Profit from operations</b>		<b>57,151</b>	60,179
Finance costs	5(a)	<b>(322)</b>	(315)
<b>Profit before taxation</b>	5	<b>56,829</b>	59,864
Income tax	6	<b>(6,704)</b>	(8,570)
<b>Profit for the period</b>		<b>50,125</b>	51,294
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>50,841</b>	50,605
Non-controlling interests		<b>(716)</b>	689
<b>Profit for the period</b>		<b>50,125</b>	51,294
<b>Earnings per share (RMB)</b>	7		
Basic (RMB)		<b>0.31</b>	0.30
Diluted (RMB)		<b>0.30</b>	0.30

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

*FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022 (Unaudited)*

*(Expressed in RMB)*

	<b>Six-month period ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
<b>Profit for the period</b>	<b>50,125</b>	51,294
<b>Other comprehensive income for the period</b> <b>(after tax and reclassification adjustments)</b>		
Items that will not be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiary	<b>832</b>	(211)
<b>Other comprehensive income</b>	<b>832</b>	(211)
<b>Total comprehensive income for the period</b>	<b>50,957</b>	51,083
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>51,673</b>	50,394
Non-controlling interests	<b>(716)</b>	689
<b>Total comprehensive income for the period</b>	<b>50,957</b>	51,083

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022 (Unaudited)

(Expressed in RMB)

		30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment		479,507	458,153
Intangible assets		43,031	27,877
Right-of-use assets		116,617	106,820
Time deposits		10,000	–
Other non-current assets		32,169	30,627
Deferred tax assets		10,095	9,458
Financial assets at fair value through profit or loss		140,852	130,174
		<u>832,271</u>	<u>763,109</u>
<b>Current assets</b>			
Inventories		127,440	92,494
Trade and other receivables	8	65,797	82,773
Other current assets		61,463	42,487
Financial assets at fair value through profit or loss		–	132
Cash and cash equivalents		507,777	640,550
Time deposits		80,000	–
		<u>842,477</u>	<u>858,436</u>
<b>Current liabilities</b>			
Trade and other payables	9	86,470	104,707
Contract liabilities		72,486	35,723
Lease liabilities		196	192
Deferred income		338	383
Current taxation		13,667	12,216
		<u>173,157</u>	<u>153,221</u>
<b>Net current assets</b>		<u>669,320</u>	<u>705,215</u>
<b>Total assets less current liabilities</b>		<u>1,501,591</u>	<u>1,468,324</u>
<b>Non-current liabilities</b>			
Lease liabilities		13,403	13,212
Deferred income		12,461	13,696
Deferred tax liabilities		5,078	3,496
		<u>30,942</u>	<u>30,404</u>
<b>NET ASSETS</b>		<u>1,470,649</u>	<u>1,437,920</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	10	168,000	166,000
Reserves		1,260,946	1,229,472
<b>Total equity attributable to equity shareholders of the Company</b>		<u>1,428,946</u>	<u>1,395,472</u>
<b>Non-controlling interests</b>		<u>41,703</u>	<u>42,448</u>
<b>TOTAL EQUITY</b>		<u>1,470,649</u>	<u>1,437,920</u>

## NOTES

*(Expressed in RMB unless otherwise indicated)*

### 1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), including compliance with Hong Kong Accounting Standard (HKAS) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It has been reviewed by the audit committee of the Company and was authorised for issue on 19 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of the interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Shanghai Kindly Medical Instruments Co., Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG 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 financial information relating to the financial year ended 31 December 2021 that is included in the interim financial report as comparative information does not constitute the Company’s annual consolidated financial statements for that financial year but is derived from those financial statements. The Company’s annual consolidated financial statements for the year ended 31 December 2021 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 18 March 2022.

### 2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendments to HKFRS 16, Property, plant and equipment: Proceeds before intended use
- Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract

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

### 3 REVENUE AND 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 primarily engaged in sales, manufacture, research and development of cardiovascular interventional medical devices as well as related moulds, accessories and agent business. Other segments, which are currently engaged in research and development of other interventional and implantable medical devices, such as neurological interventional medical devices and endocardial implantable medical devices, etc, are combined in all other segments.

#### (a) Disaggregation of revenue

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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products		
— Sales of interventional medical devices		
<i>Cardiovascular devices</i>	<b>184,171</b>	171,232
<i>Neurological devices</i>	<b>5,884</b>	–
<i>Orthopaedics and other devices</i>	<b>2,385</b>	478
	<hr/>	<hr/>
Subtotal	<b>192,440</b>	171,710
— Sales of medical accessories	<b>5,374</b>	4,920
— Agent business	<b>21,811</b>	–
— Moulds and others	<b>5,592</b>	3,983
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	<b>225,217</b>	180,613
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During the six months ended 30 June 2022 and 2021, the Group recognised its revenue from contract with customers at point in time.

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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China (the “PRC”)	<b>181,503</b>	145,333
Europe	<b>11,907</b>	11,979
The United States	<b>6,582</b>	4,529
Other countries and regions	<b>25,225</b>	18,772
	<b>225,217</b>	180,613

The geographical location of customers is based on the location at which the customers operate. All of the non-current assets of the Group are physically located in the PRC.

**(b) Segment reporting**

*(i) Segment results*

Information regarding the Group’s reportable segments as provided to the Group’s most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

	<b>Six months ended 30 June 2022</b>		
	<b>Cardiovascular interventional business</b>	<b>All others</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue from external customers</b>	<b>185,611</b>	<b>39,606</b>	<b>225,217</b>
Inter-segment revenue	<u>2,847</u>	<u>9,295</u>	<u>12,142</u>
<b>Segment revenue</b>	<b>188,458</b>	<b>48,901</b>	<b>237,359</b>
<b>Segment net profit</b>	<b>32,129</b>	<b>19,169</b>	<b>51,298</b>

Six months ended 30 June 2021

	Cardiovascular interventional business <i>RMB'000</i>	All others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Revenue from external customers</b>	146,907	33,706	180,613
Inter-segment revenue	<u>3,244</u>	<u>5,411</u>	<u>8,655</u>
<b>Segment revenue</b>	<u><u>150,151</u></u>	<u><u>39,117</u></u>	<u><u>189,268</u></u>
<b>Segment net profit</b>	<u><u>49,850</u></u>	<u><u>2,298</u></u>	<u><u>52,148</u></u>

(ii) *Reconciliation of segment profit*

	Six months ended 30 June	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Revenue</b>		
Segment revenue	<b>237,359</b>	189,268
Elimination of inter-segment revenue	<u><b>(12,142)</b></u>	<u>(8,655)</u>
<b>Consolidated revenue</b>	<u><u><b>225,217</b></u></u>	<u><u>180,613</u></u>
<b>Profit</b>		
Segment net profit	<b>51,298</b>	52,148
Elimination of inter-segment net profit	<u><b>(1,173)</b></u>	<u>(854)</u>
<b>Consolidated net profit</b>	<u><u><b>50,125</b></u></u>	<u><u>51,294</u></u>

#### 4 OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants ( <i>note</i> )	<b>2,686</b>	3,171
Interest income from bank deposits	<b>5,613</b>	5,923
Net realised and unrealised gains from fair value changes on financial assets at fair value through profit or loss	<b>10,795</b>	15,936
Exchange gain/(loss)	<b>2,150</b>	(2,029)
Others	<b>567</b>	452
	<b>21,811</b>	23,453

*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 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:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>(a) Finance costs</b>		
Interest on lease liabilities	<b>322</b>	315
<b>(b) Other items</b>		
Depreciation and amortisation		
— property, plant and equipment	<b>14,109</b>	10,829
— right-of-use assets	<b>2,801</b>	2,824
— intangible assets	<b>464</b>	380
Impairment loss on trade and other receivables	<b>637</b>	30
Research and development costs ( <i>note</i> )	<b>53,391</b>	46,039
Less: Costs capitalised into intangible assets	<b>(15,461)</b>	(978)
	<b>37,930</b>	45,061

*Note:* During the period ended 30 June 2022, research and development costs includes staff costs and depreciation and amortisation of RMB31,096,000 (six months ended 30 June 2021: RMB20,815,000), which amount is also included in the respective total amounts disclosed separately above.

## 6 INCOME TAX

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Current tax-the PRC corporate income tax (“CIT”)	5,759	7,037
Deferred tax	945	1,533
Total	<u>6,704</u>	<u>8,570</u>

### 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 (“HNTTE”)

According to the PRC income tax law and its relevant regulations, entities that qualified as HNTTE are entitled to a preferential income tax rate of 15%. The Company and certain subsidiaries are qualified as HNTTE and are subject to income tax at the rate of 15% for six months ended 30 June 2022 and 2021.

The 15% preferential tax rate applicable to HNTTE is subject to renewal approval jointly 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 and its relevant regulations issued in 2019, entities that qualified as SME are entitled to a preferential income tax rate of 5% (taxable income less than RMB1,000,000) or 10% (taxable income ranges between RMB1,000,000 to RMB3,000,000). Certain subsidiaries in the PRC were qualified as SME and entitled to a preferential rate of 5% for the six months ended 30 June 2022 and 2021.

- (iv) According to the PRC income tax law and its relevant regulations, an additional 100% (2021: 100%) of qualified research and development expenses so incurred is allowed to be deducted from taxable income for the three years ending 31 December 2023.

### HONG KONG PROFIT 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 16.5% of the taxable profit exceeding HKD2,000,000. No provision for Hong Kong profits tax has been made as the subsidiary in Hong Kong has no assessable profits for the six months ended 30 June 2022 and 2021.

## 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 RMB50,841,000 (six months ended 30 June 2021: RMB50,605,000), and the weighted average number of shares of 166,530,000 (six months ended 30 June 2021: 166,000,000) in issue during the interim period.

#### *Weighted average number of ordinary shares*

	Six months ended 30 June	
	2022 '000	2021 '000
Weighted average number of ordinary shares in issue at the beginning of the period	166,000	166,000
Effect of issuance of domestic shares ( <i>note 10(a)</i> )	530	–
Weighted average number of ordinary shares in issue at the end of the period	<u>166,530</u>	<u>166,000</u>

### (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 RMB50,841,000 (six months ended 30 June 2021: RMB50,605,000) and the weighted average number of ordinary shares of 166,871,000 (six months ended 30 June 2021: 166,000,000), after adjusting the effect of deemed exercise of outstanding restricted share units (“RSUs”) granted to the employees, calculated as follow:

#### *Weighted average number of ordinary shares*

	Six months ended 30 June	
	2022 '000	2021 '000
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share	166,530	166,000
Effect of outstanding RSUs ( <i>note 11(b)</i> )	341	–
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share	<u>166,871</u>	<u>166,000</u>

The effect of outstanding employee share purchase plan (“ESPP”) issued by subsidiaries (*note 11(a)*) is anti-dilutive, therefore is not included calculation of diluted earnings per share of the Company.

## 8 TRADE AND OTHER RECEIVABLES

	<b>At 30 June</b>	At 31 December
	<b>2022</b>	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Receivables from third parties	56,245	78,316
Receivables from related parties	2,094	940
Less: losses allowance on trade receivables	<u>(1,220)</u>	<u>(583)</u>
Trade receivables, net of loss allowance	57,119	78,673
Deposit for construction project	5,377	3,191
Other receivables	<u>3,301</u>	<u>909</u>
Trade and other receivables, net	<u><u>65,797</u></u>	<u><u>82,773</u></u>

### (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>At 30 June</b>	At 31 December
	<b>2022</b>	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	36,920	76,900
3 to 6 months	10,786	1,588
6 to 9 months	9,014	185
9 to 12 months	<u>399</u>	<u>–</u>
	<u><u>57,119</u></u>	<u><u>78,673</u></u>

Trade receivables are generally due within 30 to 90 days from the date of billing. All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

## 9 TRADE AND OTHER PAYABLES

	<b>At 30 June</b>	At 31 December
	<b>2022</b>	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	45,783	26,815
Payroll payables	18,336	18,916
Construction payables	8,073	49,090
Amounts due to related parties	132	174
Others	14,146	9,712
	<u>86,470</u>	<u>104,707</u>
Total trade and other payables	<u><u>86,470</u></u>	<u><u>104,707</u></u>

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

### (a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	<b>At 30 June</b>	At 31 December
	<b>2022</b>	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	35,751	23,088
3 to 6 months	5,593	1,921
6 months to 1 year	2,939	582
Over 1 year	1,500	1,224
	<u>45,783</u>	<u>26,815</u>
	<u><u>45,783</u></u>	<u><u>26,815</u></u>

## 10 CAPITAL, RESERVE AND DIVIDENDS

### (a) Share capital

	30 June 2022		31 December 2021	
	No. of shares (‘000)	RMB’000	No. of shares (‘000)	RMB’000
<b>Ordinary shares, issued and fully paid:</b>				
At the beginning of the period/year	166,000	166,000	166,000	166,000
Domestic shares issued during the period ( <i>note</i> )	2,000	2,000	–	–
At the end of the period/year	<u>168,000</u>	<u>168,000</u>	<u>166,000</u>	<u>166,000</u>
<b>Representing:</b>				
Domestic shares issued	63,787	63,787	61,787	61,787
H shares issued	<u>104,213</u>	<u>104,213</u>	<u>104,213</u>	<u>104,213</u>
Total ordinary shares issued at the end of the period/year	<u>168,000</u>	<u>168,000</u>	<u>166,000</u>	<u>166,000</u>

*Note:* As disclosed in note 11(b), the Company issued 2,000,000 domestic shares at a price of RMB12.00 per share to the participants under share incentive scheme during the six-month period ended 30 June 2022, of which, RMB2,000,000 was recorded under share capital and the remaining of RMB22,000,000 was charged to capital reserve.

### (b) Dividends

Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period.

	Six months ended 30 June	
	2022 RMB’000	2021 RMB’000
Final dividend in respect of the previous financial year, approved and paid during the interim period, RMB0.26 per ordinary share (2021: RMB0.285 per ordinary share)	<u>43,680</u>	<u>47,310</u>

Pursuant to the shareholders’ approval of the Company on 16 May 2022, a final cash dividend of RMB0.26 per share in respect of the year ended 31 December 2021 based on 168,000,000 ordinary shares totaling amount of RMB43,680,000 was declared and paid during the six months ended 30 June 2022.

## 11 SHARE-BASED PAYMENT TRANSACTIONS

### (a) Employee share purchase plan — equity settled

Since 2020, the Group adopted several ESPPs to its subsidiaries, pursuant to which, the partnership firms, whose limited partners consisted of employees of the Group (“**participants**”), invested in the Group’s subsidiaries (the target company) by way of subscribing newly issued equity interests of the subsidiaries.

#### (i) *Healing ESPP*

According to the Company’s announcement dated 7 June 2021, the Group adopted ESPP to one of its subsidiary, Shanghai Healing Medical Instruments Co. Ltd.\* (上海翰凌醫療器械有限公司) (“**Shanghai Healing**”). Pursuant to which, Dr. Liang Dongke and Ningbo Hanshen Enterprise Management Partnership (LP)\* 寧波翰昇企業管理合夥企業(有限合夥) (the Healing Share Incentive Platform) are eligible to acquire 14.02% equity interest in Shanghai Healing at a price of RMB8,150,000 in total (the “**Healing ESPP**”). The consideration price is determined with reference to the registered capital of Shanghai Healing.

The Healing ESPP have vesting terms in schedule from the grant date over 55 months ending 31 December 2025 on the condition that the employees fulfil certain non-market performance conditions.

\* *English translation is for identification purpose only.*

The terms and conditions of the Healing ESPP are as follows:

	Exercise Price	Number of instruments	Vesting conditions	Contractual life of options
<b>Healing ESPP granted on 31 May 2021</b>			<b>Non-market performance vesting condition (note)</b>	
Instruments granted to directors:	RMB1.00	467,000	till 30 September 2021	
		700,500	till 31 May 2022	
		700,500	till 31 October 2023	55 months
		467,000	till 31 December 2025	
Instruments granted to employees:		1,163,000	till 30 September 2021	
		1,744,500	till 31 May 2022	
		1,744,500	till 31 October 2023	55 months
		<u>1,163,000</u>	till 31 December 2025	
Total Healing ESPP granted		<u>8,150,000</u>		

*Note:* Non-market performance vesting condition refer to the key milestone of research and development projects as specified in the Healing ESPP agreement dated on 31 May 2021 and capital increase agreement dated on 7 June 2021, respectively.

(ii) **Puhui ESPP**

In November 2021, the Group adopted ESPP to one of its subsidiary, Shanghai Puhui Medical Instruments Co. Ltd.\* (上海璞慧醫療器械有限公司) (“**Shanghai Puhui**”). Pursuant to which, Ningbo Youtuo Enterprise Management Partnership (LP)\* 寧波優拓企業管理合夥企業(有限合夥) (the Puhui Share Incentive Platform) is eligible to acquire 20% equity interest in Shanghai Puhui at a price of RMB7,500,000 in total (the “**Puhui ESPP**”). The consideration price is determined with reference to the registered capital of Shanghai Puhui.

The Puhui ESPP have vesting terms in schedule from the grant date over 61 months ending 31 December 2026 on the condition that the employees fulfil certain non-market performance conditions.

\* *English translation is for identification purpose only*

The terms and conditions of the Puhui ESPP are as follows:

	<b>Exercise Price</b>	<b>Number of ESPP</b>	<b>Vesting conditions</b>	<b>Contractual life of ESPP</b>
<b>Puhui ESPP granted on 29 November 2021</b>			<b>Non-market performance vesting condition (note)</b>	
Instruments granted to employees:	RMB1.00	1,500,000	till 31 December 2022	61 months
		2,250,000	till 31 December 2023	
		750,000	till 30 June 2024	
		750,000	till 31 December 2024	
		1,500,000	till 31 December 2025	
		750,000	till 31 December 2026	
Total Puhui ESPP granted		<u>7,500,000</u>		

*Note:* Non-market performance vesting condition refer to the key milestone of research and development projects as specified in the Puhui ESPP agreement and capital increase agreement dated on 29 November 2021.

*(iii) Fair value of ESPPs and assumptions*

The fair value of services received in return for ESPPs granted is measured by reference to the fair value of equity instruments granted as determined by an independent valuation firm. The fair value of the equity instruments granted has been measured using discounted cash flows based on financial forecasts prepared by the management. The inputs used in the measurement of the fair values at grant date of the ESPPs were as follows.

<b>Fair value of ESPPs on grant date and assumptions</b>	<b>Healing ESPP</b>	<b>Puhui ESPP</b>
Grant date	31 May 2021	29 November 2021
Fair value at grant date	RMB0.011	RMB0.0333
Equity price at grant date	RMB1.011	RMB1.0333
Exercise price	RMB1.0000	RMB1.0000
Forecast period	10 years	5 years
Sales growth rate	30%	30%
Terminal growth rate	0%	0%
Discount rate	15%	15%
Discount for lack of marketability (DLOM)	28%	28%

The cash flows beyond this forecast period were adjusted into perpetuity by taking into consideration of terminal growth rate and discounting factor. Management determined the budgeted growth rate based on past performance, market data in the same industry and its expectation for market development. The discount rates reflect specific risks relating to the relevant business. Changes in the subjective input assumptions could materially affect the fair value estimate.

(iv) *Outstanding ESPP*

	30 June 2022		31 December 2021	
	Weighted average exercise price	Number of ESPP involved	Weighted average exercise price	Number of ESPP involved
Outstanding at beginning of the period/year	RMB1.00	15,650,000	Nil	–
Granted	Nil	–	RMB1.00	15,650,000
Exercised	RMB1.00	<u>(1,630,000)</u>	Nil	<u>–</u>
Outstanding at the end of the period/year	RMB1.00	<u>14,020,000</u>	RMB1.00	<u>15,650,000</u>

The number of ESPPs outstanding at 30 June 2022 is 14,020,000 with an exercise price of RMB1.00 and a weighted average remaining contractual life of 4.33 years (31 December 2021: 4.83 years).

(vi) *Expense recognised in profit or loss*

During the six months ended 30 June 2022, RMB76,000 was recognised in the profit or loss in relation to the ESPPs (30 June 2021: Nil).

(b) **RSUs**

On 19 August 2021, the Company adopted share incentive scheme, pursuant to which, Dr. Liang Dongke and two partnership firms, Jingning Int Chuangqi Enterprise Management Partnership (LP)\* 景寧瑛泰創啟企業管理合夥企業(有限合夥) and Jingning Int Chuangyuan Enterprise Management Partnership (LP)\* 景寧瑛泰創源企業管理合夥企業(有限合夥), whose limited partners consisted of employees of the Group, invested in the Company by way of subscribing 5,000,000 domestic shares (the restricted share units) at a price of RMB12.00 per share.

The RSUs have vesting terms in schedule from the grant date over 60 months ending 18 August 2026 on the condition that the employees fulfil certain non-market performance conditions. On 13 May 2021, the Company received approval from the China Securities Regulatory Commission (“CSRC”) in relation to its allotment and issuance of 2,000,000 new domestic shares under the share incentive scheme. The CSRC approval is effective for 12 months from 13 May 2021. During the six months ended 30 June 2022, the Company issued 2,000,000 domestic shares to the participants under the share incentive scheme and received fund raised from the participants amounting to RMB24,000,000.

The terms and conditions of the RSU are as follows:

	<b>Exercise Price</b>	<b>Number of instruments</b>	<b>Vesting conditions</b>	<b>Contractual life of RSUs</b>
<b>RSUs granted on 19 August 2021</b>			<b>Non-market performance vesting condition (note)</b>	
Instruments granted to directors:	RMB12.00	225,705	till 31 December 2021	
		601,880	till 31 December 2022	
		601,880	till 31 December 2023	60 months
		601,880	till 31 December 2024	
		601,880	till 31 December 2025	
		376,175	till 18 August 2026	
Instruments granted to employees:	RMB12.00	149,295	till 31 December 2021	
		398,120	till 31 December 2022	
		398,120	till 31 December 2023	60 months
		398,120	till 31 December 2024	
		398,120	till 31 December 2025	
		<u>248,825</u>	till 18 August 2026	
Total ESPP granted		<u><u>5,000,000</u></u>		

*Note:* Non-market performance vesting condition refer to the operation result and employee performance rating as specified in the subscription agreement dated on 23 April 2021 and Board resolution dated on 19 August 2021.

Detailed information is disclosed in the Company's announcements and circular dated 21 September 2020, 6 November 2020, 16 April 2021, 17 May 2021 and 19 August 2021.

(i) *Fair value of RSUs and assumptions*

The fair value of the domestic share as at the grant date has been measured with reference to the market price of H share of the Company multiplied by the discount for lack of marketability (“DLOM”) as determined by an independent valuation firm. DLOM is measured using option-pricing method. The inputs used in the measurement of the fair values at grant date of the RSUs were as follows.

**Fair value of RSUs granted on 19 August 2021 and assumptions**

Fair value of domestic share at grant date	RMB14.81
Fair value of H share at grant date	RMB23.89
Volatility	51.5%
Risk-free rate	2.84%
Vesting period	7.37 year
Discount for lack of marketability (DLOM)	38%

\* *English translation is for identification purpose only.*

The expected volatility is based on the historic volatility of comparable companies (calculated based on the weighted average remaining life of the RSUs), adjusted for any expected changes to future volatility based on publicly available information. The risk-free rate is based on the Chinese bond yields. Changes in the subjective input assumptions could materially affect the fair value estimate.

(ii) *Outstanding RSUs*

	30 June 2022		31 December 2021	
	Weighted average exercise price	Number of RSUs involved	Weighted average exercise price	Number of RSUs involved
Outstanding at beginning of the period/year	RMB12.00	5,000,000	Nil	–
Granted	RMB12.00	341,900	RMB12.00	5,000,000
Forfeited	RMB12.00	(341,900)	Nil	–
Exercised	RMB12.00	<u>(2,000,000)</u>	Nil	<u>–</u>
Outstanding at the end of the period/year	RMB12.00	<u>3,000,000</u>	RMB12.00	<u>5,000,000</u>

The RSUs outstanding at 30 June 2022 have an exercise price of RMB12.00 and a weighted average remaining contractual life of 4.08 years (2021: 4.58 years).

(iii) *Expense recognised in profit or loss*

During the six months ended 30 June 2022, RMB1,405,000 (six months ended 30 June 2021: Nil) was recognised in the profit or loss in relation to the RSUs.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 mold and equipment, product injection, product assembly, product packaging to sterilisation in the PRC. Our major products are primarily used for cardiovascular surgeries.

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. In November 2021, the National Healthcare Security Administration issued the “Notice on Printing and Distributing the Three-year Action Plan for the Reform of DRG/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”. In December 2021, the National Healthcare Security Administration announced the demonstration site cities of DRG/DIP payment mode, and Shanghai is one of them. 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 RMB225.22 million, representing an increase of approximately 24.7% or approximately RMB44.61 million as compared to approximately RMB180.61 million for the six-month period ended 30 June 2021.

## **Comprehensive medical device registration certificates**

During the Reporting Period, the Group has obtained 4 National Medical Products Administration of China registration certificates for Class III medical devices and 2 Shanghai Medical Products Administration registration certificates for Class II medical devices. As at 30 June 2022, we have an aggregate of 30 National Medical Products Administration of China registration certificates for Class III medical devices, 21 Shanghai Medical Products Administration registration certificates for Class II medical devices, 37 European CE certificates and 17 United States Food and Drug Administration approvals.

## **Strong research and development capabilities**

The Company is a state-level high and new technology enterprise (國家級高新技術企業). 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 30 June 2022, we have 223 registered patents, 172 patents under application and 5 registered softwares copyrights.

## **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 30 June 2022, our PRC distributors cover 23 (31 December 2021: 23) provinces, 4 (31 December 2021: 4) directly-administered municipalities and 5 (31 December 2021: 5) autonomous regions in the PRC, and covering more than 2,300 (31 December 2021: 2,100) domestic hospitals in the PRC including more than 850 (31 December 2021: 817) Tier III hospitals. In addition, we had 199 (31 December 2021: 184) overseas customers covering 54 (31 December 2021: 51) countries and regions.

## **ACTIVITIES REVIEW**

### **Subsidiaries**

As at 30 June 2022, the Group was comprised of 12 (31 December 2021: 12) 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.

## **Renewal of Continuing Connected Transactions**

Reference is made to the announcements of the Company dated 14 January 2022 and 20 January 2022 in relation to renewal of the continuing connected transactions under a procurement framework agreement dated 31 December 2018 entered into between the Company and 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**”) and a procurement framework agreement dated 31 December 2018 entered into between the Company and Zhejiang Kindly Medical Devices Co., Ltd.\* (浙江康德萊醫療器械股份有限公司), both of which as amended and supplemented by a supplemental procurement framework agreement dated 14 October 2019 entered into by and between the Company and KDL (collectively, the “**2019 Medical Accessories and Molds Sales Framework Agreement**”). The Company and KDL entered into the 2022 medical accessories and molds sales framework agreement on 14 January 2022 (the “**2022 Medical Accessories and Molds Sales Framework Agreement**”) to update and renew the 2019 Medical Accessories and Molds Sales Framework Agreement for the three years ending 31 December 2024 and the annual transaction amounts shall not exceed RMB10 million of each year. As at the date of the agreement (i.e., 14 January 2022), KDL was one of the controlling shareholders of the Company, which held approximately 25.82% equity interest in the Company). As such KDL is a connected person of the Company 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**”) and the transactions under 2022 Medical Accessories and Molds Sales Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14 of the Listing Rules for the transactions under the 2022 Medical Accessories and Molds Sales Framework Agreement are more than 0.1% but less than 5%, the transactions under the 2022 Medical Accessories and Molds Sales Framework Agreement is subject to the reporting, announcement, annual review requirements but is exempted from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

## **Re-election and Appointment of Directors and Supervisors**

Reference is made to the announcements of the Company dated 18 March 2022 and 16 May 2022 and the circular of the Company dated 11 April 2022 in relation to, among others, the re-election and appointment of Directors and supervisors of the Company (the “**Supervisors**”).

At the Company's annual general meeting held on 16 May 2022 (the "AGM"), Dr. Liang Dongke was re-elected as an executive Director; Mr. Lin Sen was appointed as an executive Director; Mr. Zhang Weixin and Ms. Chen Hongqin were re-elected as non-executive Directors; Dr. Song Yuan and Mr. Wang Ruiqin were appointed as non-executive Directors; Mr. Jian Xiao and Mr. Hui Hung Kwan were re-elected as independent non-executive Directors and Mr. Xu Congli was appointed as an independent non-executive Directors, of the Third Session of the Board. For biographical details of the Directors of the Third Session of the Board and other information required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, please refer to the announcements of the Company dated 18 March 2022 and 16 May 2022 and the circular dated 11 April 2022.

At the employee representatives' meeting of the Company held on 18 March 2022, Ms. Chen Jie was appointed democratically as an employee representative Supervisor of the Third Session of the Company's supervisory committee (the "**Supervisory Committee**") and should come into effect from the convening date of the AGM (i.e. 16 May 2022) until the date of the annual general meeting to be convened in 2025. At the AGM, Ms. Ma Huifang and Mr. Shen Xiaoru was appointed as a shareholder representative Supervisor of the Third Session of the Supervisory Committee. For biographical details of the Supervisors of the Third Session of the Supervisory Committee and other information required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, please refer to the announcement of the Company dated 18 March 2022 and the circular of the Company dated 11 April 2022.

### **Adoption of the H Share Award and Trust Scheme**

Reference is made to the announcements of the Company dated 18 March 2022 and 16 May 2022 and the circular of the Company dated 11 April 2022 in relation to, among others, the adoption of the H share award and trust scheme (the "**H Share Award and Trust Scheme**"). The adoption of H Share Award and Trust Scheme was approved by the shareholders of the Company (the "**Shareholders**") at the AGM. For the principal terms of the H Share Award and Trust Scheme, please refer to the circular of the Company dated 11 April 2022. The H Share Award and Trust Scheme involves no issue of new shares or granting of option for any new securities of the Company. Thus, it does not constitute a share option scheme as defined and regulated under Chapter 17 of the Listing Rules.

As at 30 June 2022, the Company has not granted any H Shares to any participant under the H Share Award and Trust Scheme.

## **Change of Company Name**

Reference is made to the announcements of the Company dated 18 March 2022 and 16 May 2022 and the circular of the Company dated 11 April 2022 in relation to, among others, the proposed change of the English name of the Company from “Shanghai Kindly Medical Instruments Co., Ltd.” to “Shanghai INT Medical Instruments Co., Ltd.” and to change the Chinese name of the Company from “上海康德萊醫療器械股份有限公司” to “上海康德瑛泰醫療器械股份有限公司” (the “**Change of Company Name**”). The Change of Company Name was approved by the Shareholders at the AGM. The Company is in the process of registration with the authorities in the PRC. Thereafter, the Company will carry out necessary filing procedures with the Companies Registry in Hong Kong and will further apply to the Stock Exchange for the change in the English and Chinese stock short names for trading in the H Shares on the Stock Exchange.

The Board considered the proposed name of “上海康德瑛泰醫療器械股份有限公司 (Shanghai INT Medical Instruments Co., Ltd.)” will be helpful to establish an independent corporate identity, strengthen market recognition of the Company’s own brand, and will be aligned with the Company’s future strategic development plan.

## **OUTLOOK FOR THE SECOND HALF OF 2022**

In the first year of 2022, the COVID-19 pandemic (“**COVID-19**”) in Shanghai had certain impact on the Group’s production and operation. In June 2022, Shanghai entered the stage of full resumption of normal production and life, and various businesses of the Group also got a rapid recovery. 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 the second half of 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) take advantage of the change of Company name to further strengthen market recognition of the Company’s own brand and 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.

## **FINANCIAL REVIEW**

### **Revenue**

The Group’s revenue in the Reporting Period was approximately RMB225.22 million, representing an increase of approximately 24.70% or approximately RMB44.61 million as compared to approximately RMB180.61 million for the six-month period ended 30 June 2021.

The increase was mainly due to the growth in sales volume of agent business and the interventional medical devices of approximately RMB21.81 million and approximately RMB20.73 million respectively.

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 RMB192.44 million (six-month period ended 30 June 2021: RMB171.71 million), representing an increase of RMB20.73 million as compared to those of the six-month period ended 30 June 2021. In addition to the existing self-made products, the agent business contributed revenue of RMB21.81 million during the Reporting Period. The agent business is mainly focus on trading of cardiovascular imaging medical devices, supplementary to the Group's self-made products in order to optimize the product mix of the Group. In addition, the agent business will further strengthen the relationship with our existing distributors and expand our distribution network.

### **Cost of Sales**

The cost of sales in the Reporting Period was approximately RMB101.19 million, representing an increase of approximately 56.46% or approximately RMB36.51 million as compared to approximately RMB64.68 million for the six-month period ended 30 June 2021.

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

During the Reporting Period, gross profit was approximately RMB124.02 million, as compared to approximately RMB115.94 million for the six-month period ended 30 June 2021. Gross profit margin decreased from 64.19% for the six-month period ended 30 June 2021 to 55.07% for the Reporting Period. The decrease was mainly due to the increase of sales of agent business which had a lower gross profit margin as compared with the Group's self-made products.

### **Other Income**

During the Reporting Period, other income was approximately RMB21.81 million, representing a decrease of approximately 7.00% or approximately RMB1.64 million as compared to approximately RMB23.45 million for the six-month period ended 30 June 2021.

### **Finance Costs**

During the Reporting Period, the finance cost was approximately RMB0.32 million which was basically equivalent to the six-month period ended 30 June 2021. The finance costs were interests arising from lease liabilities.

## **Distribution Costs**

The distribution costs in the Reporting Period were approximately RMB21.72 million, increased by approximately 61.89% or approximately RMB8.30 million as compared to approximately RMB13.42 million for the six-month period ended 30 June 2021, which increased in line with revenue. It constituted 9.65% of the total revenue as compared to 7.43% for the six-month period ended 30 June 2021 due to the increase in the number of sales staff led to the increase in costs and costs and exhibition fees.

## **Administrative Expenses**

The administrative expenses of the Group in the Reporting Period were approximately RMB28.39 million, increased by approximately RMB7.69 million (or 37.16%) as compared to approximately RMB20.70 million for the six-month period ended 30 June 2021, due to the growth in the number of administrative staff and costs.

## **Research and Development Expenses**

The total research and development expenditure of during the Reporting Period was approximately RMB5,339 million (for the six months ended 30 June 2021: RMB4,604 million), of which, expensed research and development expenditure was approximately RMB3,793 million (for the six months ended 30 June 2021: RMB4,506 million), and capitalized research and development expenditure was approximately RMB1,546 million (for the six months ended 30 June 2021: RMB98 million).

## **Income Tax Expenses**

The income tax expenses in the Reporting Period was approximately RMB6.70 million, representing a decrease of approximately 21.77% or approximately RMB1.87 million as compared to approximately RMB8.57 million for the six-month period ended 30 June 2021. The effective income tax rate was 11.80% for the Reporting Period as compared to 14.32% for the six-month period ended 30 June 2021. According to the PRC income tax law and its relevant regulations, the decrease was mainly due to tax-exemption dividends among resident enterprises.

## **Profit for the period**

The Group's profit for the Reporting Period was approximately RMB50.13 million, representing a decrease of approximately 2.28% as compared to approximately RMB51.29 million for the six-month period ended 30 June 2021. The decrease was mainly due to the increase in the staff costs as a result of the business expansion during the Reporting Period.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group has maintained a sound financial position during the Reporting Period. As at 30 June 2022, the Group's cash and cash equivalents and time deposits amounted to approximately RMB597.78 million (31 December 2021: RMB640.55 million). For the six-month period ended 30 June 2022, net cash flow from operating activities of the Group amounted to approximately RMB74.94 million (six-month period ended 30 June 2021: RMB24.00 million).

The Group recorded total current assets of approximately RMB842.48 million as at 30 June 2022 (31 December 2021: approximately RMB858.44 million) and total current liabilities of approximately RMB173.16 million as at 30 June 2022 (31 December 2021: approximately RMB153.22 million). The current ratio (calculated by dividing the current assets by the current liabilities) of the Group was approximately 4.87 as at 30 June 2022 (31 December 2021: approximately 5.60).

## **BORROWINGS AND GEARING RATIO**

The Group has no bank borrowings or other borrowings as at 30 June 2022 and 31 December 2021. As such, the gearing ratio is not applicable.

## **CAPITAL STRUCTURE**

Total equity attributable to equity shareholders of the Company amounted to approximately RMB1,428.95 million as at 30 June 2022 as compared to approximately RMB1,395.47 million as at 31 December 2021.

## **INTERIM DIVIDEND**

The Board resolved not to declare any interim dividend for the six-month period ended 30 June 2022.

## 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 30 June 2022, the Company has utilized approximately RMB481.54 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, 31 March 2021 and 20 June 2022, the details of intended application of net proceeds are set out as follows:

	<b>Revised allocation of net proceeds</b> <i>(RMB million)</i>	<b>Utilized net proceeds up to 30 June 2022</b> <i>(RMB million)</i>	<b>Unutilized net proceeds up to 30 June 2022</b> <i>(RMB million)</i>	<b>Expected timeline of full utilization of the unutilized net proceeds</b>
Set up a research and development center and an additional facility in Jiading, Shanghai	271.99	232.25	39.74	March 2023
Purchase additional and replacement of existing production equipment and automate production lines	110.07	43.66	66.41	December 2023
Expand our distribution network and coverage, collaborate with local distributors and intensify our marketing efforts	13.00	13.00	–	Not applicable
General corporate purposes and fund our working capital	79.84	79.84	–	Not applicable
Zhuhai Derui New Factory Project	110.00	103.11	6.89	September 2022
Construction of the Shandong INT Innovative Medical Instruments Industrial Park	156.33	9.68	146.65	December 2023
Potential acquisitions	56.39	–	56.39	December 2023
Total	<u>797.62</u>	<u>481.54</u>	<u>316.08</u>	

As at the date of this announcement, the unutilized net proceeds has been deposited in bank accounts maintained by the Company.

## EMPLOYEE REMUNERATION AND RELATIONS

As at 30 June 2022, the Group had a total of 1,605 employees, comparing to 1,189 employees as at 31 December 2021. The total cost of employees for the Reporting Period amounted to approximately RMB100.74 million (six-month period ended 30 June 2021: approximately RMB70.75 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 30 June 2022 and 31 December 2021, the Group had below significant investments.

	At 30 June 2022					At 31 December 2021				
	Percentage of interests	Cost of Investment	Fair Value	Accumulated gain	Dividend Received	Percentage of interests	Cost of investment	Fair Value	Accumulated gain	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	74,016	24,016	-	15.83	50,000	63,071	13,071	-
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	59,836	9,836	-	25.00	50,000	60,103	10,103	-
		<u>100,000</u>	<u>133,852</u>	<u>33,852</u>	<u>-</u>		<u>100,000</u>	<u>123,174</u>	<u>23,174</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.

Save as disclosed above, the Group has no other significant investment in 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 30 June 2022 and 31 December 2021, the Group did not have any material contingent liabilities.

#### **FINANCIAL INSTRUMENTS**

As at 30 June 2022, the Group did not have any financial derivative instruments.

#### **CAPITAL EXPENDITURE**

The capital expenditure of the Group for property, plant and equipment, construction in progress, intangible assets and right-of-use assets amounted to approximately RMB103.99 million for the Reporting Period.

## **FOREIGN EXCHANGE RISK**

During the Report Period, the Group's operations were primarily based in the PRC. 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, therefore 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 30 June 2022, the Group did not have any charges on its assets.

## **CAPITAL COMMITMENT**

The Group's outstanding capital commitments authorized but not contracted for at 30 June 2022 not provided for in the financial statements amounted to approximately RMB426.72 million (31 December 2021: RMB527.20 million). The Group's outstanding capital commitment contracted for at 30 June 2022 not provided for in the financial statements amounted to approximately RMB106.67 million (31 December 2021: RMB71.28 million).

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

On 18 August 2022, the Company conditionally entered into a partnership agreement with Ningbo Huaige Health Investment Management Partnership (Limited Partnership)\* 寧波懷格健康投資管理合夥企業(有限合夥) (as the general partner and fund manager) and other investors (as the limited partners) in relation to establishment of, and investment in, Chengdu Huaige Guosheng Venture Investment Partnership (Limited Partnership)\* 成都懷格國生創業投資合夥企業(有限合夥) (“**Chengdu Huaige Fund**”). The Company will participate in the Chengdu Huaige Fund as a limited partner and will make a capital commitment of RMB50 million. The Chengdu Huaige Fund will be registered in the PRC as a limited partnership with the primary objective of investments in equity interest of entities in early-stage or growth stage businesses in the healthcare and biotechnology sectors.

Further details are set out in the announcement of the Company dated 18 August 2022.

## **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 Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its code of conduct for Directors’ and Supervisors’ 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 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), four 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. Xu Congli and Dr. Song Yuan. Mr. Hui and Mr. Xu are independent non-executive Directors and Dr. Song 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 unaudited interim 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 risk management, internal control and financial reporting matters.

## **INDEPENDENT REVIEW OF INTERIM FINANCIAL REPORT**

KPMG, the Company's auditor, has reviewed the Company's unaudited interim financial report for the Reporting Period 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 Hong Kong Institute of Certified Public Accountants whose unmodified review report is included in the interim report to be sent to the Shareholders.

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

The interim results announcement is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) as well as the website of the Company ([www.kdl-int.com](http://www.kdl-int.com)). The Group's 2022 interim 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  
19 August 2022

*As at the date of this announcement, the Board comprises Dr. Liang Dongke and Mr. Lin Sen as executive Directors, Mr. Zhang Weixin, Ms. Chen Hongqin, Dr. Song Yuan and Mr. Wang Ruiqin as non-executive Directors, and Mr. Jian Xigao, Mr. Hui Hung Kwan and Mr. Xu Congli as independent non-executive Directors.*

\* For identification purposes only