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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)

**PROPOSED GRANT OF RESTRICTED SHARES UNDER
THE 2023 SHARE INCENTIVE SCHEME**

References are made to (i) the announcement of Shanghai Kindly Medical Instruments Co., Ltd.* (the “**Company**”) dated 29 August 2023 and the circular of the Company dated 16 October 2023 (the “**Circular**”), in relation to, among others, the proposed adoption of the 2023 Share Incentive Scheme; and (ii) the announcement of the Company in relation to, among others, the postponement of EGM (the “**Announcement**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Circular and the Announcement.

**PROPOSED GRANT OF RESTRICTED SHARES (INCLUDING THE
CONDITIONAL GRANT)**

The Board proposed to grant 5,000,000 Restricted Shares under the 2023 Share Incentive Scheme by issuing new Domestic Shares. Such grants are conditional upon the Shareholders approving the adoption of the 2023 Share Incentive Scheme at the Rescheduled EGM. Further, such grants include the Conditional Grant made to certain Directors, chief executive or their respective associates of the Company (through the Employee Shareholding Platform), which is itself also subject to the approval of the Independent Shareholders at the Rescheduled EGM.

Details of all such grants are set out below:

Date of grant : To be determined by the Board

Number of grantees : 17 (including three Conditional Grantees)

Number of : 5,000,000 Domestic Shares, comprising:

Restricted Shares granted

- (i) 2,360,000 Restricted Shares to be granted to the following Conditional Grantees (through the Employee Shareholding Platform):

| Name | Position(s) | Number of Restricted Shares to be granted | Form of grant | Percentage of total Restricted Shares to be granted | Approximate percentage of the total issued Shares as at the date of this announcement |
|-----------------------------------|---|---|--|---|---|
| Dr. Liang Dongke <i>(Note)</i> | Chairman of the Board, executive Director and general manager | 1,760,000 | Through Employee Shareholding Platform | 35.20% | 1.03% |
| Mr. Lin Sen | Executive Director | 300,000 | Through Employee Shareholding Platform | 6.00% | 0.18% |
| Dr. Song Yuan <i>(Note)</i> | Non-executive Director and joint company secretary | 300,000 | Through Employee Shareholding Platform | 6.00% | 0.18% |
| Total | | 2,360,000 | | 47.20% | 1.39% |

Note: Dr. Song Yuan is the spouse of Dr. Liang Dongke.

(ii) 2,640,000 Restricted Shares to be granted to 14 other employees (through the Employee Shareholding Platform):

| Category | Number of Restricted Shares to be granted | Form of grant | Percentage of total number of Restricted Shares to be granted | Percentage of the total issued Shares as at the date of this announcement |
|---|--|--|--|--|
| Non-executive Director Wang Ruiqin | 100,000 | Through Employee Shareholding Platform | 2.00% | 0.06% |
| Employees | 2,540,000 | Through Employee Shareholding Platform | 50.80% | 1.49% |

Grant price : RMB12.0

Closing price of the Share on the date of grant : N/A (the Domestic Shares are not publicly traded)

Exercise period : 12 months after obtaining the CSRC approval

Vesting period : Nil (the Restricted Shares granted under the Scheme will vest immediately on the date of grant)

There is no vesting period imposed on the Restricted Shares granted under the Conditional Grant in order to provide more incentives for them to achieve their respective performance targets and make long-term contribution to the development of the Company. Considering that such vesting arrangements are appropriate for retaining, incentivising, rewarding, remunerating and compensating the Conditional Grantees who are valuable employees of the Group and the Restricted Shares granted under the Conditional Grant will be subject to a total vesting and holding period (i.e., the Lock-up Period (as defined below)) of more than 12 months, the Remuneration Committee is of the view that such arrangement with no vesting period under the Conditional Grant is justifiable and aligns with the purposes of the Scheme.

Lock-up Period (i.e. minimum holding period) : The Shares obtained by the grantees under the Scheme will be subject to a lock-up period of 60 months (the “**Lock-up Period**”) commencing from the date of grant as approved by the Board (the “**Grant Date**”).

During the Lock-up Period, if the Domestic Shares are listed on a stock exchange, the partnership interest acquired by the grantees through the Scheme shall not be transferred upon the listing of the Domestic Shares, and the Lock-up Period will be extended until the expiry of 36 months of the listing of the Domestic Shares (or the Lock-up Period after the listing of the Domestic Shares pursuant to the latest laws and regulations at that time).

During the Lock-up Period, the Partnership shall not sell or transfer the Domestic Shares acquired through the Scheme. In the meantime, the partners of the Partnership shall not dispose in any way (including but not limited to transfer, entrust to hold, create encumbrance, except for repurchases under the Scheme) the partnership interest or any related rights or interest acquired under the Scheme, nor can it be used to secure or repay debts. Upon expiry of the Lock-up Period, the grantees may reduce partnership interest in accordance with the relevant regulations of the securities regulatory authorities and the stock exchange.

During the Lock-up Period, new Shares and corresponding partnership interest arising from capital reserve, bonus issue, placing and share allotment to existing Shareholders based on Shares obtained indirectly through the Employee Shareholding Platform under the Scheme shall be locked at the same time, with the same end date of the Lock-up Period as that of the partnership interest first granted.

Performance targets of the Restricted Shares granted : During the Lock-up Period, the grantees shall, in addition to comply with the above Lock-up Period requirements, fulfill the relevant performance target. The performance assessment period are the three accounting years from 2024 to 2026, and the grantees will be assessed in each accounting year (each year called “**Assessment Year**”).

The detailed performance assessment arrangement are as follows:

| Arrangement for fulfilment of performance target | Assessment Year | Performance target | Proportion of Restricted Shares corresponding to that assessment period |
|---|----------------------------|--|--|
| First assessment period | 2024 | Based on the revenue for the year of 2023, the growth rate of revenue in 2024 shall not be less than 10% | 30% |
| Second assessment period | 2025 | Based on the revenue for the year of 2023, the growth rate of revenue in 2025 shall not be less than 20% | 30% |
| Third assessment period | 2026 | Based on the revenue for the year of 2023, the growth rate of revenue in 2026 shall not be less than 30% | 40% |

Note: The above revenue refers to the revenue in the consolidated financial statements of the Company.

- Clawback mechanism** : In the circumstances where the grantees violate laws, violates professional ethics, discloses the Company's confidential information, neglects or derelict duties etc., thereby causing damage to the interest or reputation of the Company and leading to change of positions, or terminates labour relationship with the Company due to the aforesaid reasons, then the partnership interest (if any) within the Lock-up Period shall be repurchased by the general partner of the Partnership at the Grant Price, and the Domestic Shares that are not yet granted due to issuance in installments shall be terminated and no longer to granted. In the meantime, the grantees shall return all benefits arising from exercising of interest and shall compensate the Company for any losses caused.
- Financial assistance** : The Group does not provide any financial assistance to the grantees to facilitate the purchase of the Restricted Shares under the 2023 Share Incentive Scheme.
- Others** : The partnership interest granted to the grantees shall not be transferred or used for guarantee or repayment of debts during the Lock-up Period; partnership interest unlocked after expiry of the Lock-up Period can be freely transferred in accordance with the relevant requirements of the securities supervision department and the stock exchange, and shall be entitled to the same interest (including rights arising from winding up of the Company), in all aspects, as the exiting fully-paid Shares already issued on the unlocking date or (if the unlocking date is a day when the Company suspend share transfer registration) the first date of re-opening share transfer registration. Shares unlocked after expiry of the Lock-up Period.

Partnership interest granted to the grantees shall be entitled to their due rights after the Grant Date, including but not limited to dividend rights and voting rights of such Domestic Shares etc. However, new Shares and corresponding partnership interest arising from dividend shares, shares obtained through capital reserve, bonus issue, placing and share allotment to existing Shareholders based on Shares obtained indirectly through the Employee Shareholding Platform under the Scheme shall be locked-up at the same time, and shall not be transferred to institutions/natural persons other than the general partner of the Partnership, with the same end date of the Lock-up Period of such Shares granted.

SHARES TO BE ISSUED AND NUMBER OF SHARES AVAILABLE FOR FUTURE GRANT

The 5,000,000 new Domestic Shares that may be allotted and issued by the Company to satisfy the proposed grant (including the Conditional Grant) represent approximately 2.92% of the total issued Shares as at the date of this announcement. The 5,000,000 Restricted Shares to be granted (including the Restricted Shares to be granted under the Conditional Grant), when issued and allotted, shall rank *pari passu* among themselves and with the fully paid Shares in issue.

The number of Shares available for future grant after the grant of the Restricted Shares under the Scheme Mandate Limit will be nil.

REASONS FOR THE PROPOSED GRANT OF RESTRICTED SHARES (INCLUDING THE CONDITIONAL GRANT)

The purposes and objectives of the proposed grant of Restricted Shares under the 2023 Share Incentive Scheme (including the Conditional Grant) are to recognize the contributions by the grantees and give incentives thereto in order to retain them for the continual operation and development of the Group. The Board and the Remuneration Committee are of the view that the proposed grant serves as an incentive for recognition of the grantees' past contributions in driving the continual business operation and development of the Group and to encourage them to further apply their expertise, experience and leadership to the development of the Group in the future.

In determining the number of Restricted Shares to be granted to each of the grantees, the Board has considered various factors including but not limited to, (i) the functions, job responsibilities, duty importance and personnel seniorities of the grantees; (ii) the price of

the Share and the annual salary of the grantees; and (iii) in respect of the aforesaid, whether the proposed grant is sufficient to retain the grantees for the continual operation and development of the Group. The Remuneration Committee is of the view that the number of Restricted Shares to be granted to each of the grantees is fair and reasonable as the number of the Restricted Shares was determined with reference to, among other things, (i) the essential duties and responsibilities in the Group of each of the grantees; and (ii) the value of the proposed grant.

Having considered the above, the Board, including all the independent non-executive Directors, and excluding Dr. Liang Dongke, Mr. Lin Sen, Dr. Song Yuan and Mr. Wang Ruiqin, who abstained from voting on the relevant Board resolutions to approve the relevant grant to each of them (or their associate), considers that the terms of the proposed grant (including the Conditional Grant) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Pursuant to Rule 17.04(1) of the Listing Rules, any grant of Restricted Shares to a Director, chief executive or substantial Shareholder of the Company, or their respective associates, under the 2023 Share Incentive Scheme, must be approved by the independent non-executive Directors.

Pursuant to Rule 17.04(2) of the Listing Rules, where any grant of Restricted Shares to a Director (other than an independent non-executive Director) or chief executive of the Company, or any of their associates would result in the Shares issued and to be issued in respect of all award shares to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the relevant class of Shares in issue, such further grant must be approved by the Shareholders in general meeting where such grantee and his/her associates and all core connected persons of the Company must abstain from voting in favour at such general meeting.

As the total number of Shares to be issued in respect of the Restricted Shares conditionally granted to Dr. Liang Dongke, Mr. Lin Sen and Dr. Song Yuan (representing approximately 1.03%, 0.18% and 0.18% of the total issued Shares as at the date of this announcement) would, in a 12-month period up to and including the date of such grant, represent over 0.1% of the Shares in issue, the Conditional Grant is subject to the approval by the Independent Shareholders, where Dr. Liang Dongke, Mr. Lin Sen and Dr. Song Yuan, his/her associates and all core connected persons of the Company, shall abstain from voting from the relevant resolution(s) at the Rescheduled EGM pursuant to the Listing Rules.

THE RESCHEDULED EGM

The Rescheduled EGM will be convened and held to consider, and if thought fit, approve, among other things, (i) the proposed adoption of the 2023 Share Incentive Scheme; and (ii) the proposed grant of Restricted Shares (including the Conditional Grant) under the 2023 Share Incentive Scheme.

A supplemental circular containing, among other things, details of the Conditional Grant and issue of Domestic Shares under the 2023 Share Incentive Scheme, and the notice convening the Rescheduled EGM, will be despatched to the Shareholders in due course.

As at the date of this announcement, the 2023 Share Incentive Scheme and the proposed grants thereunder remain subject to the approval of the Shareholders (in the case of the Conditional Grant, the approval of the Independent Shareholders). Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Company's securities.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

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|---|--|
| “2023 Share Incentive Scheme” or “Scheme” | the 2023 employee share incentive scheme of Shanghai Kindly Medical Instruments Co., Ltd.* (上海康德萊醫療器械股份有限公司員工股權激勵計劃(2023年)) to be considered and approved by the Shareholders at the Rescheduled EGM |
| “associate(s)” | has the meaning ascribed to thereto under the Listing Rules |
| “Board” | the board of Directors |
| “Company” | 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 PRC with limited liability |
| “Conditional Grant” | the conditional grant of a total of 2,360,000 Restricted Shares to the Conditional Grantees under the 2023 Share Incentive Scheme |
| “Conditional Grantee(s)” | Dr. Liang Dongke, Mr. Lin Sen and Dr. Song Yuan |
| “core connected person(s)” | has the meanings ascribed thereto under the Listing Rules |
| “CSRC” | China Securities Regulatory Commission |

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|---|---|
| “Director(s)” | director(s) of the Company |
| “Domestic Share(s)” | domestic ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company |
| “Domestic Shareholder(s)” | holder(s) of Domestic Share(s) |
| “EGM” | the 2023 first extraordinary general meeting to resolve, among others, the proposed adoption of the 2023 Share Incentive Scheme, the proposed change of company name, the proposed authorization to the Board and/or the delegate to handle matters pertaining to the 2023 Share Incentive Scheme and the proposed amendments to the articles of association of the Company, which was originally scheduled to be held on Friday, 3 November 2023 |
| “Employee Shareholding Platform(s)” or “Partnership(s)” | limited partnership(s) to be established in the PRC as the employee shareholding platform(s) for the purpose of the 2023 Share Incentive Scheme |
| “grantee(s)” | the person(s) to whom the Restricted Shares are granted under the 2023 Share Incentive Scheme |
| “Group” | the Company and its subsidiaries |
| “H Share(s)” | ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, listed on the Main Board of the Stock Exchange |
| “H Shareholder(s)” | holder(s) of H Share(s) |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Shareholder(s)” | any Shareholder who is not required to abstain from voting on the relevant resolution in relation to the Conditional Grant and issue of the Domestic Shares under the 2023 Share Incentive Scheme at the Rescheduled EGM |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |

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|--------------------------|---|
| “PRC” | the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan |
| “Remuneration Committee” | the remuneration committee established by the Board with terms of reference in compliance with Appendix 14 to the Listing Rules |
| “Rescheduled EGM” | the EGM postponed and rescheduled to resolved, among others, the proposed adoption of the 2023 Share Incentive Scheme, the proposed change of company name, the proposed authorization to the Board and/or the delegate to handle matters pertaining to the 2023 Share Incentive Scheme, the proposed amendments to the articles of association of the Company and the Conditional Grant and issue of Domestic Shares under the 2023 Share Incentive Scheme |
| “Restricted Share(s)” | the restricted share(s) under the 2023 Share Incentive Scheme, which are in the form of equity interest in the Employee Shareholding Platform |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Scheme Mandate Limit” | 5,000,000 Shares, the maximum total number of Shares that may be issued in respect of all options and awards to be granted under the 2023 Share Incentive Scheme and other share schemes of the Company |
| “Share(s)” | share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, including the Domestic Share(s) and H Share(s) |
| “Shareholder(s)” | Domestic Shareholder(s) and H Shareholder(s) |

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

percent

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
24 November 2023

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*