



上海康德萊醫療器械股份有限公司

Shanghai Kindly Medical Instruments Co., Ltd.*

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

Stock Code : 1501

INNOVATION SERVES HEALTH,
HIGH-QUALITY ACHIEVES EXCELLENCE

CONTENTS

| | |
|----|--|
| 2 | CORPORATE INFORMATION |
| 4 | INTERIM RESULTS HIGHLIGHTS |
| 5 | MANAGEMENT DISCUSSION AND ANALYSIS |
| 12 | SUPPLEMENTARY INFORMATION |
| 19 | INDEPENDENT AUDITOR'S REVIEW REPORT |
| 20 | CONSOLIDATED STATEMENT OF PROFIT OR LOSS |
| 21 | CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME |
| 22 | CONSOLIDATED STATEMENT OF FINANCIAL POSITION |
| 24 | CONSOLIDATED STATEMENT OF CHANGES IN EQUITY |
| 25 | CONDENSED CONSOLIDATED CASH FLOW STATEMENT |
| 26 | NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT |
| 41 | DEFINITIONS |

CORPORATE INFORMATION

Executive Directors

Dr. Liang Dongke (梁棟科) (*Chairman*)

Mr. Wang Cailiang (王彩亮)

Non-Executive Directors

Mr. Zhang Weixin (張維鑫)

Ms. Chen Hongqin (陳紅琴)

Mr. Fang Shengshi (方聖石)

Independent Non-Executive Directors

Mr. Dai Kerong (戴尅戎)

Mr. Jian Xigao (蹇錫高)

Dr. Ge Junbo (葛均波)

Mr. Hui Hung Kwan (許鴻群)

Supervisors

Ms. Wang Li (王莉) (*Chairperson*)

Ms. Chen Jie (陳潔)

Mr. Xu Jianhai (徐建海)

Audit Committee

Mr. Hui Hung Kwan (許鴻群) (*Chairman*)

Mr. Jian Xigao (蹇錫高)

Mr. Fang Shengshi (方聖石)

Remuneration Committee

Mr. Jian Xigao (蹇錫高) (*Chairman*)

Mr. Hui Hung Kwan (許鴻群)

Dr. Liang Dongke (梁棟科)

Nomination Committee

Dr. Liang Dongke (梁棟科) (*Chairman*)

Mr. Dai Kerong (戴尅戎)

Dr. Ge Junbo (葛均波)

Joint Company Secretaries

Dr. Song Yuan (宋媛)

Ms. Leung Shui Bing (梁瑞冰)

Authorized Representatives

Dr. Liang Dongke (梁棟科)

Ms. Leung Shui Bing (梁瑞冰)

Auditor

KPMG

(*Certified Public Accountants*)

8th Floor

Prince's Building

10 Chater Road

Central

Hong Kong

Legal Advisers

As to Hong Kong law:

O'Melveny & Myers

31st Floor, AIA Central

1 Connaught Road Central

Hong Kong

As to PRC law:

DeHeng Shanghai Law Office

Floor 23, Sinar Mas Plaza,

No. 501 East Da Ming Road,

Shanghai

PRC

Compliance Advisor

BOCOM International (Asia) Limited

9th Floor, Man Yee Building

68 Des Voeux Road Central

Hong Kong

Registered Office in the PRC

Block 2, No. 925 Jin Yuan Yi Road

Jiading District, Shanghai

PRC

Headquarters and Principal Place of Business in the PRC

Block 2, No. 925 Jin Yuan Yi Road

Jiading District, Shanghai

PRC

CORPORATE INFORMATION

Principal Place of Business in Hong Kong

31/F, Tower Two, Times Square
1 Matheson Street, Causeway Bay
Hong Kong

H Share Registrar

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Principal Bankers

China Construction Bank Corporation

Shanghai Jiangqiao Branch
1/F, No. 138 Jiayi Road
Jiading District, Shanghai
PRC

Agricultural Bank of China Limited

Shanghai Jiading Branch
2/F, No. 355 Tacheng Road
Jiading District, Shanghai
PRC

Stock Code

1501

Company Website

www.kdl-int.com

INTERIM RESULTS HIGHLIGHTS

FINANCIAL HIGHLIGHTS

| | Six-month period ended June 30, | | Change |
|-------------------------------------|---------------------------------|-----------------|--------|
| | 2020 RMB'000 | 2019 RMB'000 | |
| Revenue | 171,844 | 135,069 | 27.23% |
| Gross profit | 113,822 | 82,971 | 37.18% |
| Profit for the period | 64,701 | 46,352 | 39.59% |
| Earnings per share | | | |
| Basic and diluted (<i>in RMB</i>) | 0.41 | 0.39 | 5.13% |

- The Group's revenue in the Reporting Period was approximately RMB171.84 million, representing an increase of approximately 27.23% or approximately RMB36.77 million as compared to approximately RMB135.07 million for the six-month period ended June 30, 2019, mainly due to the contribution from the manufacturing and sales of masks.
- During the Reporting Period, gross profit was approximately RMB113.82 million, as compared to approximately RMB82.97 million for the six-month period ended June 30, 2019. Gross profit margin increased from 61.43% to 66.24%, mainly due to the sales of masks with a higher profit margin.
- The Group's profit for the Reporting Period was approximately RMB64.70 million, representing an increase of approximately 39.59% as compared to approximately RMB46.35 million for the six-month period ended June 30, 2019.
- The Group's basic and diluted earnings per share in the Reporting Period was RMB0.41, as compared to RMB0.39 for the six-month period ended June 30, 2019.
- The Board resolved not to declare any interim dividend for the Reporting Period.

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 particular percutaneous coronary intervention procedures.

The Group's revenue in the Reporting Period was approximately RMB171.84 million, representing an increase of approximately 27.23% or approximately RMB36.77 million as compared to approximately RMB135.07 million for the six-month period ended June 30, 2019 mainly due to the contribution from the manufacturing and sales of masks. During the Reporting Period, the revenue generated from sales of masks was approximately RMB43.68 million, accounting for approximately 25.42% of the total revenue during the Reporting Period.

Comprehensive medical device registration certificates

During the Reporting Period, the Group has obtained 2 Shanghai Medical Products Administration registration certificates for Class II medical devices and 3 European CE certificates. As at June 30, 2020, we have an aggregate of 16 National Medical Products Administration of China registration certificates for Class III medical devices, 14 Shanghai Medical Products Administration registration certificates for Class II medical devices, 35 European CE certificates and 10 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 June 30, 2020, we have 92 registered patents, 91 patents under application and 5 registered softwares.

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 June 30, 2020, our PRC distributors cover 23 (December 31, 2019: 23) provinces, 4 (December 31, 2019: 4) directly-administered municipalities and 4 (December 31, 2019: 4) autonomous regions in the PRC, and covering 1,349 (December 31, 2019: 1,234) domestic hospitals in the PRC including 632 (December 31, 2019: 612) Tier III hospitals. In addition, our overseas customers cover 47 (December 31, 2019: 44) countries and regions.

ACTIVITIES REVIEW

Subsidiaries

In March 2020, we established a holding subsidiary in Shanghai, the PRC. As at June 30, 2020, the Group was comprised of 8 (December 31, 2019: 7) 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 molds used for production of medical devices.

MANAGEMENT DISCUSSION AND ANALYSIS

Subscription of partnership interests in the Int Fund and the Ruixin Fund

Reference is made to the announcements of the Company dated March 19, 2020 and April 29, 2020 and the circular of the Company dated May 22, 2020 in relation to (i) the subscription of limited partnership interests by the Company in Shanghai Huaige Int Venture Investment Partnership (Limited Partnership)* 上海懷格英泰創業投資合夥企業(有限合夥) (the “**Int Fund**”) in the amount of RMB50.00 million; and (ii) the subscription of limited partnership interests by the Company 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**”) in the amount of RMB50.00 million (together, the “**Subscriptions**”). The Subscriptions have been approved by the Shareholders on June 23, 2020.

The Ruixin Fund was registered in the PRC as a limited partnership with the objective of investments in equity interest of entities in the medical devices, pharmaceutical, biologics, medical services and Contract Research Organization services industries mainly in the PRC with a focus of investing in other equity funds in the medical device and biomedical fields.

As at the date of this report, the establishment of the Ruixin Fund has been completed. The Company paid RMB1.00 million of capital contribution on June 23, 2020 and RMB24.00 million of capital contribution on July 24, 2020. The remaining capital contribution of the Ruixin Fund shall be paid within twelve months after the initial instalment.

The primary objective of 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.

On August 14, 2020, all partners of the Int Fund entered into a partnership agreement (the “**Int LPA**”), pursuant to which the Company’s capital contribution commitment was RMB50.00 million which shall be payable on or before December 31, 2021. On August 18, 2020, the Int Fund was registered in the PRC as a limited partnership.

Risks faced by the Group

During the Reporting Period, the Group is also faced with the following industry-related risks and uncertainties which may have significant impact on our financial performance and future business development:

- **Price control in the PRC.** Our products’ prices are subject to price control in the PRC, by which the government agencies and hospital set a price limit for each product and may have significant impact on our operations of business and financial performance.

MANAGEMENT DISCUSSION AND ANALYSIS

- Healthcare Reform in the PRC.** Pursuant to the Notice of “Publishing Opinions on Implementing ‘Two-Invoice System’ in Drug Procurement Among Public Medical Institutions (For Trial Implementation)” (《印發<關於在公立醫療機構藥品採購中推行「兩票制」的實施意見(試行)>的通知》) issued on December 26, 2016 and the Notice on Consolidating the Results in Eliminating the Mechanism of Replenishing Medical Costs with Drug Selling Profits and Further Deepening the Comprehensive Reform of Public Hospitals (《關於鞏固破除以藥補醫成果持續深化公立醫院綜合改革的通知》) issued on March 5, 2018, a “two-invoice” system is implemented to limit the distribution of pharmaceutical products to a single level of distributors for sale to public hospitals. The two-invoice system requires one invoice to be issued from pharmaceutical manufacturers to pharmaceutical distributors and the other invoice to be issued from pharmaceutical distributors to medical institutions, which has the effect of centralizing the procurement and sale of high value medical consumables, and may have certain impacts on our business operations and business performance. While some provinces in China have extended the two-invoice system to medical devices, the healthcare reform is still in progress and the influence of the two-invoice systems on our financial performance and future business development remains uncertain.

The Group will continue to closely monitor and actively adapt to the regulatory policies in the industry, in order to reduce impacts of regulatory changes to our financial performance and future business development to the extent possible.

OUTLOOK FOR THE SECOND HALF OF 2020

The outbreak of the COVID-19 (“**COVID-19**”) since the beginning of 2020 is a challenging situation faced by the society on a global basis. As a result, the Group’s main business performance in the first half year, the progress of use of proceeds from the global offering of the Company (the “**Global Offering**”) and the progress of research and development pipeline are therefore affected to some extent. Although the global spread of COVID-19 has not yet been effectively contained, the production and life order in the PRC has been gradually restored. In the second half of 2020, we will (1) fully leverage on its brand recognition and sales distribution network to further expand its market shares, and strengthen and maintain our leading position in the interventional medical devices industry; and (2) further develop the product pipeline, allocating more resources for research and development, further progress on the research and development, core product pipeline and obtaining approvals for new products.

FINANCIAL REVIEW

Revenue

The Group’s revenue in the Reporting Period was approximately RMB171.84 million, representing an increase of approximately 27.23% or approximately RMB36.77 million as compared to approximately RMB135.07 million for the six-month period ended June 30, 2019. The increase was mainly due to the contribution from the manufacturing and sales of masks.

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 RMB116.70 million (six-month period ended June 30, 2019: RMB123.17 million), representing a decrease of RMB6.47 million as compared to those of the six-month period ended June 30, 2019. The Group’s revenue generated from sales of masks and medical accessories in the Reporting Period was approximately RMB43.68 million and RMB6.18 million (six-month period ended June 30, 2019: nil and RMB7.49 million) respectively. The masks business which launched in early 2020 to respond COVID-19 outbreak contributed 25.42% revenue of the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

The cost of sales in the Reporting Period was approximately RMB58.02 million, representing an increase of approximately 11.36% or approximately RMB5.92 million as compared to approximately RMB52.10 million for the six-month period ended June 30, 2019. It was due to the increase in revenue.

Gross Profit and Gross Profit Margin

During the Reporting Period, gross profit was approximately RMB113.82 million, as compared to approximately RMB82.97 million for the six-month period ended June 30, 2019. Gross profit margin increased from 61.43% for the six-month period ended June 30, 2019 to 66.24% for the six-month period ended June 30, 2020. The increase in gross profit margin was mainly contributed from the sales of masks with a higher profit margin given the COVID-19 outbreak.

Other Income

During the Reporting Period, other income was approximately RMB24.82 million, representing an increase of approximately 265.00% or approximately RMB18.02 million as compared to approximately RMB6.80 million for the six-month period ended June 30, 2019. The increase was mainly due to the increase in interest income arising from bank deposits after receiving the net proceeds from Global Offering in late 2019 as well as the increase in government grants.

Finance Costs

During the Reporting Period, the finance cost was approximately RMB0.05 million as compared to approximately RMB1.47 million for the six-month period ended June 30, 2019. The finance costs were interests arising from lease liabilities.

Distribution Costs

The distribution costs in the Reporting Period were approximately RMB12.76 million, increased by approximately 26.84% or approximately RMB2.70 million as compared to approximately RMB10.06 million for the six-month period ended June 30, 2019, which increased in line with revenue. It constituted 7.42% of the total revenue as compared to 7.45% for the six-month period ended June 30, 2019, which remained stable.

Administrative Expenses

The administrative expenses of the Group in the Reporting Period were approximately RMB19.08 million, as compared to approximately RMB11.30 million for the six-month period ended June 30, 2019. The rise was mainly due to the increase in professional services expenses after the Global Offering and the increase in payroll and other compensation of administrative staff as a result of the business expansion.

Research and Development Expenses

The research and development expenses of the Group in the Reporting Period were approximately RMB30.22 million, representing an increase of approximately 138.90% or approximately RMB17.57 million as compared to approximately RMB12.65 million for the six-month period ended June 30, 2019. The rise was primarily due to the Group's continued development and commercialisation of the existing and new pipeline products, including masks, during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expenses

The income tax expenses in the Reporting Period was approximately RMB11.82 million, representing an increase of approximately 49.62% or approximately RMB3.92 million as compared to approximately RMB7.90 million for the six-month period ended June 30, 2019. The effective income tax rate was 15.4% for the Reporting Period as compared to 14.5% for the six-month period ended June 30, 2019, which was primarily due to growth in business scale of certain subsidiary which did not enjoy SME preferential tax rate during the Reporting Period.

Profit for the period

The Group's profit for the Reporting Period was approximately RMB64.70 million, representing an increase of approximately 39.59% as compared to approximately RMB46.35 million for the six-month period ended June 30, 2019, which was due to the manufacturing and sales of masks with higher profit margin.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has maintained a sound financial position during the Reporting Period. As at June 30, 2020, the Group's cash and cash equivalents amounted to approximately RMB1,059.89 million (December 31, 2019: RMB1,036.78 million). For the six-month period ended June 30, 2020, net cash flow from operating activities of the Group amounted to approximately RMB46.90 million (six-month period ended June 30, 2019: RMB42.70 million).

The Group recorded total current assets of approximately RMB1,159.92 million as at June 30, 2020 (December 31, 2019: approximately RMB1,123.66 million) and total current liabilities of approximately RMB68.63 million as at June 30, 2020 (December 31, 2019: approximately RMB59.20 million). The current ratio (calculated by dividing the current assets by the current liabilities) of the Group was approximately 16.90 as at June 30, 2020 (December 31, 2019: approximately 18.98).

BORROWINGS AND GEARING RATIO

The Group has no bank borrowings or other borrowings as at June 30, 2020 and December 31, 2019. As such, the gearing ratio is not applicable.

CAPITAL STRUCTURE

Total equity attributable to equity shareholders of the Company amounted to approximately RMB1,255.11 million as at June 30, 2020 as compared to approximately RMB1,216.38 million as at December 31, 2019.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six-month period ended June 30, 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE REMUNERATION AND RELATIONS

As at June 30, 2020, the Group had a total of 1,018 employees, comparing to 757 employees as at December 31, 2019. The total cost of employees for the Reporting Period amounted to approximately RMB49.77 million (six-month period ended June 30, 2019: approximately RMB39.95 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 training primarily for our management team to enhance their skill and knowledge.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Except for the subscription of partnership interests funds disclosed in the section headed "Subscription of partnership interests in the Int Fund and the Ruixin Fund", the Group has no significant investment, or plan authorized by the Board for other material investments or additions of capital assets 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 June 30, 2020 and December 31, 2019, the Group did not have any material contingent liabilities.

FINANCIAL INSTRUMENTS

As at June 30, 2020 and December 31, 2019 the Group did not have any outstanding hedge contracts or financial derivative instruments.

CAPITAL EXPENDITURE

The capital expenditure of the Group for property, plant and equipment (the "PPE"), construction in progress, intangible assets, right-of-use assets and deposits for PPE amounted to approximately RMB23.94 million for the Reporting Period (six-month period ended June 30, 2019: approximately RMB24.37 million).

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, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE ON GROUP ASSETS

As at June 30, 2020, the Group did not have any charges on its assets.

CAPITAL COMMITMENT

The Group's outstanding capital commitments authorized but not contracted for at June 30, 2020 not provided for in the financial statements amounted to approximately RMB599.41 million (December 31, 2019: RMB418.77 million). The Group's outstanding capital commitment contracted for at June 30, 2020 not provided for in the financial statements amounted to approximately RMB49.46 million (December 31, 2019: nil).

SUPPLEMENTARY INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieve good corporate governance standards to protect the Shareholders' interest and enhance the Company's transparency and accountability. The Company's corporate governance practices are based on the CG Code contained in Appendix 14 of the Listing Rules. During the Reporting Period, the Company has complied with all the code provisions set forth in the CG Code, exception of code provision A.2.1 of the CG 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 the 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 four 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors' and Supervisors' securities transactions. Having made specific enquiry of all Directors and Supervisors, the Directors and the Supervisors confirmed that they have complied with the required standard set out in the Model Code during the Reporting Period. Employees who are, or likely to be, in possession of unpublished inside information in relation to the Company or the Shares are prohibited from dealing in the Shares during the black-out period.

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.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

CHANGES IN INFORMATION OF THE DIRECTORS, AND SUPERVISORS AND CHIEF EXECUTIVES OF THE COMPANY

There was no change of the information of Directors, Supervisors and chief executives of the Company during the Reporting Period which is required to be disclosed pursuant to Rules 13.51B(1) and 13.51B(2) of the Listing Rules.

SUPPLEMENTARY INFORMATION

REVIEW OF FINANCIAL INFORMATION

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report 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 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 on page 19.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As of June 30, 2020, the interests and short positions of the Directors, the Supervisors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or as recorded in the register maintained by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

| Name | Class of Shares | Nature of Interest | Number of Shares | Approximate percentage in Domestic Shares ⁽²⁾ | Percentage in total number of Shares ⁽²⁾ |
|---------------------------|-----------------|--------------------|------------------|--|---|
| Dr. Liang Dongke (梁棟科) | Domestic Shares | Beneficial owner | 9,542,854 (L) | 7.95% | 5.75% |

Notes

(1) The letter "L" stands for long position.

(2) The calculation is based on percentage of shareholding in a total of 166,000,000 Shares, which consist of 120,000,000 Domestic Shares and 46,000,000 H Shares as at June 30, 2020.

SUPPLEMENTARY INFORMATION

Save as disclosed above, as of June 30, 2020, to the knowledge of the Board, none of the Directors, the Supervisors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, the Supervisors and chief executives of the Company were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As of June 30, 2020, according to the register kept by the Company pursuant to Section 336 of the SFO and so far is known to, or can be ascertained after reasonable enquiry by the Directors, the following person/entity had an interests or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or be directly and indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of the Company (the interests in Shares and/or short positions, if any, disclosed herein are in addition to those disclosed in respect of the Directors, Supervisors and chief executive):

Interests in the Shares of the Company

| Name | Class of Shares | Nature of Interest | Number of Shares | Approximate percentage in the respective class of Share % ⁽⁶⁾ | Percentage in total number of Shares ⁽⁶⁾ |
|---|-----------------|--------------------------------------|------------------|--|---|
| 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") ⁽²⁾ | Domestic Shares | Beneficial owner | 42,857,142 (L) | 35.71% | 25.82% |
| Shanghai Kindly Holding Group Co., Ltd. (上海康德萊控股集團有限公司) ("KDL Holding") ⁽²⁾ | Domestic Shares | Interest in a controlled corporation | 42,857,142 (L) | 35.71% | 25.82% |
| Kindly Holding Co., Ltd. (康德萊控股有限公司) ⁽²⁾ | Domestic Shares | Interest in a controlled corporation | 42,857,142 (L) | 35.71% | 25.82% |
| Shanghai Gongye Investment Co., Ltd. (上海共業投資有限公司) ("Gongye") ⁽²⁾ | Domestic Shares | Interest in a controlled corporation | 42,857,142 (L) | 35.71% | 25.82% |

SUPPLEMENTARY INFORMATION

| Name | Class of Shares | Nature of Interest | Number of Shares | Approximate percentage in the respective class of Share % ⁽⁶⁾ | Percentage in total number of Shares ⁽⁶⁾ |
|--|-----------------|---|------------------|--|---|
| Mr. Zhang Xianmiao (張憲淼) ⁽²⁾ | Domestic Shares | Interest in a controlled corporation; interest jointly held with another person | 42,857,142 (L) | 35.71% | 25.82% |
| Ms. Zheng Aiping (鄭愛平) ⁽²⁾ | Domestic Shares | Interest in a controlled corporation; interest jointly held with another person | 42,857,142 (L) | 35.71% | 25.82% |
| Mr. Zhang Wei (張偉) ⁽²⁾ | Domestic Shares | Interest in a controlled corporation; interest jointly held with another person | 42,857,142 (L) | 35.71% | 25.82% |
| 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)) ("Ningbo Huaige Taiyi") ⁽³⁾ | Domestic Shares | Beneficial owner | 25,200,000 (L) | 21.00% | 15.18% |
| Ningbo Huaige Gongxin Equity Investment Partnership (Limited Partnership) (寧波懷格共信股權投資合夥企業(有限合夥)) ("Ningbo Huaige Gongxin") ⁽³⁾ | Domestic Shares | Interest in a controlled corporation | 25,200,000 (L) | 21.00% | 15.18% |
| 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)) ("Ningbo Huaige Health") ⁽³⁾ | Domestic Shares | Interest in a controlled corporation | 25,200,000 (L) | 21.00% | 15.18% |

SUPPLEMENTARY INFORMATION

| Name | Class of Shares | Nature of Interest | Number of Shares | Approximate percentage in the respective class of Share % ⁽⁶⁾ | Percentage in total number of Shares ⁽⁶⁾ |
|---|-----------------|--------------------------------------|------------------|--|---|
| Mr. Wang Kai (王鐸) ⁽³⁾ | Domestic Shares | Beneficial owner | 5,571,428 (L) | 4.64% | 3.36% |
| | | Interest in a controlled corporation | 25,200,000 (L) | 21.00% | 15.18% |
| Ms. Zhao Wei (趙威) ⁽³⁾ | Domestic Shares | Interest of spouse | 5,571,428 (L) | 4.64% | 3.36% |
| | | Interest in a controlled corporation | 25,200,000 (L) | 21.00% | 15.18% |
| Dr. Song Yuan (宋媛) ⁽⁴⁾ | Domestic Shares | Interest of spouse | 9,542,854 (L) | 7.95% | 5.75% |
| OrbiMed Capital LLC ⁽⁵⁾ | H Shares | Investment manager | 11,312,800 (L) | 24.59% | 6.81% |
| Worldwide Healthcare Trust PLC ⁽⁵⁾ | H Shares | Beneficial owner | 7,412,800 (L) | 16.11% | 4.47% |
| Mr. Ke Wei (柯偉) | H Shares | Beneficial owner | 6,070,000 (L) | 13.20% | 3.66% |
| Allianz SE | H Shares | Interest of controlled corporation | 2,645,600 (L) | 5.75% | 1.59% |
| OrbiMed Partners Master Fund Limited ⁽⁵⁾ | H Shares | Beneficial owner | 3,900,000 (L) | 8.48% | 2.35% |
| Morgan Stanley | H Shares | Interest of controlled corporation | 2,324,917 (L) | 5.05% | 1.40% |
| | | | 1,243 (S) | 0.00% | 0.00% |

Notes:

- (1) The letters “L” and “S” stand for long position and short position, respectively.
- (2) To the best of the Directors’ knowledge, KDL Holding controls KDL as it owns more than one-third of the voting power at general meetings of KDL. KDL Holding is in turn controlled by each of Gongye and Kindly Holding Co., Ltd. as each of Gongye and Kindly Holding Co., Ltd. owns more than one-third of the voting power at general meetings of KDL Holding. Gongye is held as to 56.43% and Kindly Holding Co., Ltd. is wholly-owned by the Zhang Family as concert parties. As such, under the SFO, each of KDL Holding, Gongye, Kindly Holding Co., Ltd., Mr. Zhang Xianmiao, Ms. Zheng Aiping and Mr. Zhang Wei is deemed to be interested in the equity interests held by KDL.
- (3) To the best of the Directors’ knowledge, Ningbo Huaige Taiyi is a limited partnership established in the PRC and is owned as to 53.13% by Ningbo Huaige Gongxin as limited partner. Ningbo Huaige Health is the general partner of Ningbo Huaige Taiyi and Ningbo Huaige Gongxin. Mr. Wang Kai is the general partner of Ningbo Huaige Health. Ms. Zhao Wei, the spouse of Mr. Wang Kai, has 85% interest in Ningbo Huaige Health as a limited partner. As such, under the SFO, each of Ningbo Huaige Gongxin, Ningbo Huaige Health, Mr. Wang Kai and Ms. Zhao Wei is deemed to be interested in the equity interests held by Ningbo Huaige Taiyi.
- (4) Dr. Song Yuan is the spouse of Dr. Liang Dongke. Under section 316(1)(a) of the SFO, Dr. Song Yuan is deemed to be interested in the equity interests held by Dr. Liang Dongke.

SUPPLEMENTARY INFORMATION

- (5) Taking into account the 3,900,000 H Shares and 7,412,800 H Shares to be held by OrbiMed Partners Master Fund Limited and Worldwide Healthcare Trust PLC, respectively, pursuant to the cornerstone investment agreement as described under the section headed “Cornerstone Investors” in the Prospectus, OrbiMed Capital LLC is deemed to be interested in the above H Shares.
- (6) The calculation is based on the percentage of shareholding in a total of 166,000,000 Shares, which consist of 120,000,000 Domestic Shares and 46,000,000 H Shares as at June 30, 2020.

Interests of Substantial Shareholders of other members of the Group

| Name | Member of the Group | Nature of Interest | Approximate percentage held by the substantial shareholder |
|----------------------|---|--------------------|--|
| Jiang Xiannan (姜賢男) | Shanghai Pukon Medical Instruments Co., Ltd. (上海璞康醫療器械有限公司) | Beneficial owner | 15.00% |
| Chen Linling (陳臨凌) | Shanghai Healing Medical Instruments Co., Ltd. (上海翰凌醫療器械有限公司) | Beneficial owner | 30.00% |
| Chen Gang (陳剛) | Shanghai Puhui Medical Instruments Co., Ltd. (上海璞慧醫療器械有限公司) (“Shanghai Puhui”) | Beneficial owner | 15.00% |
| Chen Caizheng (陳才正) | Shanghai Puhui | Beneficial owner | 14.00% |
| Cheng Songming (成松明) | Shanghai Puhui | Beneficial owner | 10.00% |
| Chen Yanli (陳豔麗) | Shanghai Qimu Medical Instruments Co., Ltd. (上海七木醫療器械有限公司) (“Shanghai Qimu”) | Beneficial owner | 16.50% |
| Pang Qi (龐琦) | Shanghai Qimu | Beneficial owner | 14.00% |
| Sun Peng (孫鵬) | Shanghai Qimu | Beneficial owner | 10.00% |

Save as disclosed above, as of June 30, 2020, to the knowledge of the Directors, no other person had, or were deemed or taken to have interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the registry kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS’ AND SUPERVISORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

No arrangement has been made by the Company or any of its subsidiaries for any Director or Supervisor to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate, and no rights to any share capital or debentures of the Company or any other body corporate were granted to any Director or their respective spouse or children under 18 years of age, nor were any such rights exercised during or at the end of the Reporting Period.

SUPPLEMENTARY INFORMATION

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 the date of this report, the Company has utilized approximately RMB66.43 million of the net proceeds. As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus and the announcement of the Company dated July 7, 2020, the details of intended application of net proceeds are set out as follows:

| | Revised allocation of net proceeds (RMB million) | Utilized net proceeds up to the date of this report (RMB million) | Unutilized net proceeds as of the date of this report (RMB million) | Expected timeline of fully utilization of the unutilized net proceeds |
|---|---|---|---|---|
| Set up a research and development center and an additional facility in Jiading, Shanghai | 271.99 | 1.43 | 270.56 | December 2021 |
| Purchase additional and replacement of existing production equipment and automate production lines | 110.07 | 4.33 | 105.74 | June 2022 |
| Expand our distribution network and coverage, collaborate with local distributors and intensify our marketing efforts | 69.39 | – | 69.39 | December 2022 |
| Fund potential strategic investments including acquisition, partnership and license-in | 156.33 | – | 156.33 | December 2021 |
| General corporate purposes and fund our working capital | 79.84 | 58.17 | 21.67 | December 2020 |
| Construction new factory project of Zhuhai Derui | 110.00 | 2.50 | 107.50 | December 2021 |
| Total | 797.62 | 66.43 | 731.19 | |

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

MATERIAL EVENTS AFTER THE REPORTING PERIOD

On July 24, 2020, the Company paid capital call of RMB24.00 million to the Ruixin Fund according to the partnership agreement.

On August 14, 2020, all partners of the Int Fund entered into the Int LPA, pursuant to which the Company’s capital contribution commitment was RMB50.00 million which shall be payable on or before December 31, 2021. On August 18, 2020, the Int Fund was registered in the PRC as a limited partnership.

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
 August 18, 2020

INDEPENDENT AUDITOR'S REVIEW REPORT



**Review report to the board of directors of
Shanghai Kindly Medical Instruments Co., Ltd.**

(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 20 to 40 which comprises the consolidated statement of financial position of Shanghai Kindly Medical Instruments Co., Ltd. (the "Company") as of 30 June 2020 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report is in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2020 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

Date: 18 August 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2020 — unaudited
(Expressed in Renminbi Yuan)

| | Note | Six months ended 30 June | |
|------------------------------------|------|--------------------------|-----------------|
| | | 2020 RMB'000 | 2019 RMB'000 |
| Revenue | 3 | 171,844 | 135,069 |
| Cost of sales | | (58,022) | (52,098) |
| Gross profit | | 113,822 | 82,971 |
| Other income | 4 | 24,818 | 6,800 |
| Distribution costs | | (12,757) | (10,059) |
| Administrative expenses | | (19,082) | (11,303) |
| Research and development expenses | | (30,221) | (12,650) |
| Impairment losses | | (13) | (41) |
| Profit from operations | | 76,567 | 55,718 |
| Finance costs | 5(a) | (48) | (1,471) |
| Profit before taxation | 5 | 76,519 | 54,247 |
| Income tax | 6 | (11,818) | (7,895) |
| Profit for the period | | 64,701 | 46,352 |
| Attributable to: | | | |
| Equity shareholders of the Company | | 67,393 | 47,266 |
| Non-controlling interests | | (2,692) | (914) |
| Profit for the period | | 64,701 | 46,352 |
| Earnings per share (RMB) | 7 | | |
| Basic and diluted (RMB) | | 0.41 | 0.39 |

The notes on pages 26 to 40 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 15(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2020 — unaudited
(Expressed in Renminbi Yuan)

| | Six months ended 30 June | |
|---|---------------------------------|----------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Profit for the period | 64,701 | 46,352 |
| Other comprehensive income for the period (after tax and reclassification adjustments) | | |
| Items that will not be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of financial statements of overseas subsidiary | 388 | 214 |
| Other comprehensive income | 388 | 214 |
| Total comprehensive income for the period | 65,089 | 46,566 |
| Attributable to: | | |
| Equity shareholders of the Company | 67,781 | 47,480 |
| Non-controlling interests | (2,692) | (914) |
| Total comprehensive income for the period | 65,089 | 46,566 |

The notes on pages 26 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2020 — unaudited
(Expressed in Renminbi Yuan)

| | Note | At 30 June 2020 RMB'000 | At 31 December 2019 RMB'000 |
|---|-------|-------------------------------|-----------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 8 | 127,369 | 114,573 |
| Intangible assets | | 5,639 | 5,899 |
| Right-of-use assets | | 43,317 | 44,621 |
| Other non-current assets | | 10,190 | 7,978 |
| Financial assets at fair value through profit or loss | 12 | 1,000 | – |
| Deferred tax assets | | 1,773 | 1,847 |
| | | 189,288 | 174,918 |
| Current assets | | | |
| Inventories | | 52,065 | 43,421 |
| Trade and other receivables | 10 | 16,355 | 14,939 |
| Other current assets | 11 | 15,297 | 7,117 |
| Financial assets at fair value through profit or loss | 12 | 16,314 | 21,402 |
| Cash and cash equivalents | 13 | 1,059,889 | 1,036,783 |
| | | 1,159,920 | 1,123,662 |
| Current liabilities | | | |
| Trade and other payables | 14 | 47,500 | 42,588 |
| Contract liabilities | | 11,048 | 9,681 |
| Lease liabilities | | 415 | 206 |
| Deferred income | | 548 | 494 |
| Current taxation | | 9,120 | 6,234 |
| | | 68,631 | 59,203 |
| Net current assets | | 1,091,289 | 1,064,459 |
| Total assets less current liabilities | | 1,280,577 | 1,239,377 |
| Non-current liabilities | | | |
| Lease liabilities | | 1,505 | 1,620 |
| Deferred income | | 3,679 | 3,442 |
| Deferred tax liabilities | | 27 | 28 |
| | | 5,211 | 5,090 |
| NET ASSETS | | 1,275,366 | 1,234,287 |
| CAPITAL AND RESERVES | | | |
| Share capital | 15(a) | 166,000 | 166,000 |
| Reserves | | 1,089,112 | 1,050,381 |

The notes on pages 26 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2020 — unaudited
(Expressed in Renminbi Yuan)

| | <i>Note</i> | At 30 June 2020 RMB'000 | At 31 December 2019 RMB'000 |
|--|-------------|--|-----------------------------------|
| Total equity attributable to equity shareholders of the Company | | 1,255,112 | 1,216,381 |
| Non-controlling interests | | 20,254 | 17,906 |
| TOTAL EQUITY | | 1,275,366 | 1,234,287 |

Approved and authorised for issue by the board of directors on 18 August 2020.

LIANG DONGKE

Director

WANG CAILIANG

Director

(Company Stamp)

The notes on pages 26 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2020 — unaudited
(Expressed in Renminbi Yuan)

| | Attributable to equity shareholders of the Company | | | | | | Total | Non-controlling interests | Total equity |
|--|--|----------------|-----------------|---------------------------|------------------|------------------|------------------|---------------------------|------------------|
| | Note | Share capital | Capital reserve | Statutory surplus reserve | Exchange reserve | Retained profits | | | |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | | | |
| Balance at 1 January 2019 | | 60,000 | 242,880 | 14,953 | – | 54,192 | 372,025 | 9,285 | 381,310 |
| Changes in equity for the six months ended 30 June 2019 | | | | | | | | | |
| Profit/(loss) for the period | | – | – | – | – | 47,266 | 47,266 | (914) | 46,352 |
| Other comprehensive income | | – | – | – | 214 | – | 214 | – | 214 |
| Share capital increase by capital reserve transfer | 15(a)(i) | 60,000 | (60,000) | – | – | – | – | – | – |
| Capital injection from non-controlling interests | | – | – | – | – | – | – | 11,700 | 11,700 |
| Dividends approved in respect of previous year | 15(b) | – | – | – | – | (53,382) | (53,382) | – | (53,382) |
| Balance at 30 June 2019 and 1 July 2019 | | 120,000 | 182,880 | 14,953 | 214 | 48,076 | 366,123 | 20,071 | 386,194 |
| Changes in equity for the six months ended 31 December 2019 | | | | | | | | | |
| Profit/(loss) for the period | | – | – | – | – | 52,348 | 52,348 | (2,165) | 50,183 |
| Other comprehensive income | | – | – | – | 286 | – | 286 | – | 286 |
| Issuance of H shares | 15(a)(ii) | 46,000 | 751,624 | – | – | – | 797,624 | – | 797,624 |
| Appropriation for surplus reserve | | – | – | 9,490 | – | (9,490) | – | – | – |
| Balance at 31 December 2019 | | 166,000 | 934,504 | 24,443 | 500 | 90,934 | 1,216,381 | 17,906 | 1,234,287 |
| Balance at 31 December 2019 and 1 January 2020 | | 166,000 | 934,504 | 24,443 | 500 | 90,934 | 1,216,381 | 17,906 | 1,234,287 |
| Changes in equity for the six months ended 30 June 2020 | | | | | | | | | |
| Profit/(loss) for the period | | – | – | – | – | 67,393 | 67,393 | (2,692) | 64,701 |
| Other comprehensive income | | – | – | – | 388 | – | 388 | – | 388 |
| Capital injection from non-controlling interests | | – | – | – | – | – | – | 5,500 | 5,500 |
| Dividends to holders of non-controlling interests | | – | – | – | – | – | – | (460) | (460) |
| Dividends approved in respect of previous year | 15(b) | – | – | – | – | (29,050) | (29,050) | – | (29,050) |
| Balance at 30 June 2020 | | 166,000 | 934,504 | 24,443 | 888 | 129,277 | 1,255,112 | 20,254 | 1,275,366 |

The notes on pages 26 to 40 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENTfor the six months ended 30 June 2020 — unaudited
(Expressed in Renminbi Yuan)

| | Note | Six months ended 30 June | |
|---|-------|--------------------------|-----------------|
| | | 2020 RMB'000 | 2019 RMB'000 |
| Operating activities | | | |
| Cash generated from operations | | 55,808 | 47,205 |
| Payment for interest element of leases liabilities | | (48) | (1,471) |
| Tax paid | | (8,859) | (3,037) |
| Net cash generated from operating activities | | 46,901 | 42,697 |
| Investing activities | | | |
| Payment for purchase of property, plant and equipment and intangible assets | | (23,938) | (17,304) |
| Proceeds from sale of property, plant and equipment | | 434 | — |
| Payment for purchase of land use right | | — | (7,068) |
| Interest received from bank deposits | | 15,304 | 1,002 |
| Payment for purchase of wealth management products | | — | (565,000) |
| Proceeds from sale of wealth management products | | 5,435 | 509,961 |
| Payment for the investment in fund | 9 | (1,000) | — |
| Net cash used in investing activities | | (3,765) | (78,409) |
| Financing activities | | | |
| Capital injection received from non-controlling interests | | 5,500 | 6,300 |
| Payment for capital element of lease liabilities | | (195) | (1,354) |
| Payment for the listing expenses | | — | (16,322) |
| Dividends paid to equity shareholders of the Company | 15(b) | (29,050) | (53,382) |
| Dividends paid to holders of non-controlling interests | | (460) | — |
| Net cash used in financing activities | | (24,205) | (64,758) |
| Net decrease in cash and cash equivalents | | 18,931 | (100,470) |
| Cash and cash equivalents at the beginning of period | 13 | 1,036,783 | 298,164 |
| Effects of foreign exchange rates changes | | 4,175 | 325 |
| Cash and cash equivalents at the end of period | 13 | 1,059,889 | 198,019 |

The notes on pages 26 to 40 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan 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 18 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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 2019 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. KPMG's independent review report to the Board of Directors is included on page 19.

The financial information relating to the financial year ended 31 December 2019 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 2019 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 19 March 2020.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, Definition of a Business
- Amendments to HKFRS 16, Covid-19-Related Rent Concessions

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

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 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.

(a) Disaggregation of revenue

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

| | Six months ended 30 June | |
|---|--------------------------|---------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Revenue from contracts with customers within the scope of HKFRS 15 | | |
| Disaggregated by major products | | |
| — Sales of interventional medical devices | | |
| <i>Cardiovascular devices</i> | 116,448 | 122,910 |
| <i>Orthopaedics and other devices</i> | 253 | 256 |
| Subtotal | 116,701 | 123,166 |
| — Sales of masks | 43,676 | — |
| — Sales of medical accessories | 6,184 | 7,490 |
| — Others | 5,283 | 4,413 |
| | 171,844 | 135,069 |

During the six months ended 30 June 2020 and 2019, 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:

| | Six months ended 30 June | |
|-----------------------------|--------------------------|---------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Mainland China (the "PRC") | 102,647 | 86,549 |
| Europe | 20,918 | 19,006 |
| The United States | 6,163 | 5,884 |
| Other countries and regions | 42,116 | 23,630 |
| | 171,844 | 135,069 |

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(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:

| | Six months ended 30 June 2020 | | |
|----------------------------------|---|-----------------------|------------------|
| | Cardiovascular interventional business RMB'000 | All others RMB'000 | Total RMB'000 |
| Revenue from external customers | 165,263 | 6,581 | 171,844 |
| Inter-segment revenue | 1,609 | 5,163 | 6,772 |
| Segment revenue | 166,872 | 11,744 | 178,616 |
| Segment net profit/(loss) | 72,118 | (3,263) | 68,855 |

| | Six months ended 30 June 2019 | | |
|---------------------------------|---|-----------------------|------------------|
| | Cardiovascular interventional business RMB'000 | All others RMB'000 | Total RMB'000 |
| Revenue from external customers | 128,923 | 6,146 | 135,069 |
| Inter-segment revenue | 1,757 | 3,135 | 4,892 |
| Segment revenue | 130,680 | 9,281 | 139,961 |
| Segment net profit | 48,043 | 848 | 48,891 |

(ii) Reconciliation of segment profit

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 |
| Revenue | | |
| Segment revenue | 178,616 | 139,961 |
| Elimination of inter-segment revenue | (6,772) | (4,892) |
| Consolidated revenue | 171,844 | 135,069 |
| Profit | | |
| Segment net profit | 68,855 | 48,891 |
| Elimination of inter-segment net profit | (4,154) | (2,335) |
| Consolidated net profit | 64,701 | 46,556 |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT*(Expressed in Renminbi Yuan unless otherwise indicated)***4 OTHER INCOME**

| | Six months ended 30 June | |
|---|--------------------------|--------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Government grants (<i>note</i>) | 7,674 | 2,067 |
| Interest income from bank deposits | 15,304 | 1,002 |
| Net realised and unrealised gains from fair value changes on wealth management products | 347 | 3,807 |
| Others | 1,493 | (76) |
| | 24,818 | 6,800 |

Note: Government grants include subsidies received from government for encouragement of research and development projects and compensation on the capital expenditure of medical device production lines.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

| | Six months ended 30 June | |
|-------------------------------|--------------------------|---------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Interest on lease liabilities | 48 | 1,471 |

(b) Other items

| | Six months ended 30 June | |
|---|--------------------------|---------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Depreciation and amortisation | | |
| — property, plant and equipment | 8,314 | 4,924 |
| — right-of-use assets | 1,593 | 4,059 |
| — intangible assets | 291 | 136 |
| Impairment loss on trade and other receivables | 13 | 41 |
| Research and development costs (other than depreciation and amortisation) | 28,758 | 11,568 |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT*(Expressed in Renminbi Yuan unless otherwise indicated)***6 INCOME TAX**

| | Six months ended 30 June | |
|--|---------------------------------|----------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Current tax — the PRC corporate income tax ("CIT") | 11,745 | 7,914 |
| Deferred tax | 73 | (19) |
| Total | 11,818 | 7,895 |

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 and one of its subsidiaries are qualified as HNTE and are subject to income tax at the rate of 15% for the three years ending 31 December 2021.

The 15% preferential tax rate applicable to HNTE 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 2020 and 2019.

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

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 HKD 2,000,000 or 16.5% of the taxable profit exceeding HKD 2,000,000. 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 2020 and 2019.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

7 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB67,393,000 (six months ended 30 June 2019: RMB47,266,000), and the weighted average number of shares of 166,000,000 (2019: 120,000,000) in issue during the interim period.

There were no potential dilutive ordinary shares during the interim period and therefore diluted earnings per share are the same as the basic earnings per share.

8 ACQUISITION AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with a cost of RMB21,611,000 (six months ended 30 June 2019: RMB12,688,000).

Items of property, plant and equipment with a net book value of RMB501,000 were disposed of during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB525,000), resulting a loss on disposal of RMB 67,000 (six months ended 30 June 2019: RMB525,000).

9 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(有限合伙), "Ningbo 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(有限合伙) (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 RMB300.00 million and no more than RMB400.00 million, and the capital contribution by the Company as a limited partner will be RMB50.00 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 ("CRO") services industries mainly in the PRC and investments in other equity funds with focus of investing in the medical device and biomedical fields.

On 29 April 2020, all partners of the Ruixin Fund entered into a partnership agreement ("Ruixin LPA"). Pursuant to Ruixin LPA, the Company's capital contribution commitment was RMB50.00 million which shall be payable on or before 31 December 2021.

On 7 May 2020, the Ruixin Fund was registered in the PRC as a limited partnership.

On 23 June 2020, the Ruixin Subscription and the Ruixin LPA were approved by the shareholders of the Company and the Company paid the initial capital call of RMB1.00 million to the Ruixin Fund. As at 30 June 2020, the non-current financial asset at fair value through profit or loss represents the investment in Ruixin Fund.

On 24 July 2020, the Company paid the capital call of RMB24.00 million to the Ruixin Fund.

* English translation is for identification purpose only.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

9 INVESTMENT IN FUNDS (Continued)

Int Fund

According to the Company's announcement dated 19 March 2020 and circular dated 22 May 2020, the Company and Ningbo 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 RMB110.00 million and not more than RMB200.00 million, and the capital contribution by the Company as a limited partner will be RMB50.00 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.

The Int Subscription was approved by the shareholder of the Company on 23 June 2020.

On 14 August 2020, all partners of the Int Fund entered into a partnership agreement ("Int LPA"), pursuant to which the Company's capital contribution commitment was RMB50.00 million which shall be payable on or before 31 December 2021. On 18 August 2020, the Int Fund was registered in the PRC as a limited partnership.

10 TRADE AND OTHER RECEIVABLES

| | At 30 June 2020 RMB'000 | At 31 December 2019 RMB'000 |
|---|----------------------------------|--------------------------------------|
| Receivables from third parties | 12,847 | 11,507 |
| Receivables from related parties | 3,413 | 3,254 |
| Less: losses allowance on trade receivables | (73) | (60) |
| Trade receivables, net of loss allowance | 16,187 | 14,701 |
| Other receivables | 168 | 238 |
| Trade and other receivables, net | 16,355 | 14,939 |

* English translation is for identification purpose only.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT*(Expressed in Renminbi Yuan unless otherwise indicated)***10 TRADE AND OTHER RECEIVABLES** *(Continued)***(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:

| | At 30 June 2020 RMB'000 | At 31 December 2019 RMB'000 |
|-----------------|--|--|
| Within 3 months | 15,936 | 13,598 |
| 3 to 6 months | 49 | 1,103 |
| 6 to 9 months | 202 | – |
| | 16,187 | 14,701 |

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.

11 OTHER CURRENT ASSETS

| | At 30 June 2020 RMB'000 | At 31 December 2019 RMB'000 |
|------------------------------------|--|--|
| VAT recoverable | 2,141 | 1,343 |
| Prepayments for goods and services | 12,951 | 5,572 |
| Others | 205 | 202 |
| | 15,297 | 7,117 |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | At 30 June 2020 RMB'000 | At 31 December 2019 RMB'000 |
|--|----------------------------------|--------------------------------------|
| Non-current portion | | |
| Unlisted units in investment funds (note 9) | 1,000 | – |
| Current portion | | |
| Net value-based wealth management products issued by banks | 12,998 | 16,893 |
| Variable income-based wealth management products issued by banks | 3,316 | 4,509 |
| | 16,314 | 21,402 |

The non-current financial assets at fair value through profit or loss represent investment in units in investment funds incorporated in the PRC as set forth in note 9.

The current financial assets at fair value through profit or loss represent wealth management products issued by banks in the PRC. The wealth management products are at variable rates on return and principals are unguaranteed, and are redeemable at the agreed trade periods with prior notice.

13 CASH AND CASH EQUIVALENTS

| | At 30 June 2020 RMB'000 | At 31 December 2019 RMB'000 |
|---------------------------|----------------------------------|--------------------------------------|
| Cash at bank | 1,059,867 | 1,036,758 |
| Cash on hand | 22 | 25 |
| Cash and cash equivalents | 1,059,889 | 1,036,783 |

Cash at bank includes demand deposits and time deposits placed at banks in the PRC with original maturities of three months or less. These time deposits are guaranteed for principal repayment with fixed or determinable returns. The balance of these time deposits approximately amounted to RMB769,769,000 as at 30 June 2020 (2019: RMB844,984,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT*(Expressed in Renminbi Yuan unless otherwise indicated)***14 TRADE AND OTHER PAYABLES**

| | At 30 June 2020 RMB'000 | At 31 December 2019 RMB'000 |
|---------------------------------------|----------------------------------|--------------------------------------|
| Trade payables | 18,123 | 16,430 |
| Payroll payables | 13,350 | 14,754 |
| Amounts due to related parties | 186 | 277 |
| Others | 15,841 | 11,127 |
| Total trade and other payables | 47,500 | 42,588 |

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:

| | At 30 June 2020 RMB'000 | At 31 December 2019 RMB'000 |
|--------------------|----------------------------------|--------------------------------------|
| Within 3 months | 15,499 | 16,116 |
| 3 to 6 months | 1,287 | 152 |
| 6 months to 1 year | 1,239 | 19 |
| Over 1 year | 98 | 143 |
| | 18,123 | 16,430 |

15 CAPITAL, RESERVES AND DIVIDENDS**(a) Share capital****(i) Share capital increase by capital reserve transfer**

Pursuant to the resolution of shareholders passed on 20 April 2019, the Company transferred capital reserve of RMB60,000,000 to share capital and issued additional 60,000,000 shares at RMB1.00 per share.

(ii) Issuance of shares

On 8 November 2019, 46,000,000 H shares of the Company were listed on the Stock Exchange at RMB1.00 per share and at the issue price of HK\$20.80 each, with total proceeds of HK\$956,800,000 (equivalent to approximately RMB855,531,000) raised. The share capital increased by RMB46,000,000 and corresponding premium of RMB751,624,000 (after deduction of listing expenses) was recognised in capital reserve.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

15 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(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 | |
|---|--------------------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 |
| Final dividend in respect of the previous financial year, approved and paid during the interim period, RMB0.175 per ordinary share (2019: RMB1.27 per ordinary share) | 29,050 | 53,382 |

Pursuant to the shareholders' approval of the Company on 18 May 2020, a final cash dividend of RMB0.175 per share in respect of the year ended 31 December 2019 based on 166,000,000 ordinary shares totaling amount of RMB29,050,000 was declared and paid during the six months ended 30 June 2020.

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

A valuation report with analysis of changes in fair value measurement is prepared by the finance team at each interim and annual reporting date, and is reviewed and approved by the head of finance department. Discussion of the valuation process and results with the head of finance department and the directors is held twice a year, to coincide with the reporting dates.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT*(Expressed in Renminbi Yuan unless otherwise indicated)***16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS** *(Continued)***i) Financial assets and liabilities measured at fair value** *(Continued)***Fair value hierarchy** *(Continued)*

| | At 30 June 2020 | | | Total RMB'000 |
|--|--------------------|--------------------|--------------------|------------------|
| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | |
| <i>Financial assets at fair value through profit or loss</i> | | | | |
| — Net value-based wealth management products issued by banks | – | 12,998 | – | 12,998 |
| — Variable income-based wealth management products issued by banks | – | – | 3,316 | 3,316 |
| — Unlisted units in investment fund | 1,000 | – | – | 1,000 |

| | As at 31 December 2019 | | | Total RMB'000 |
|--|------------------------|--------------------|--------------------|------------------|
| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | |
| <i>Financial assets at fair value through profit or loss</i> | | | | |
| — Net value-based wealth management products issued by banks | – | 16,893 | – | 16,893 |
| — Variable income-based wealth management products issued by banks | – | – | 4,509 | 4,509 |

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of net value-based wealth management products issued by banks have been estimated using the market comparison approach by reference to the prices provided by the counterparty banks which represented the prices they would pay to redeem the products at the end of each reporting period.

Information about Level 3 fair value measurements

The fair value of variable income-based wealth management products issued by banks are determined by discounting the cash flow associated with the product which is based on the expected rate of return in the product manual. The expected rate of return is not guaranteed and depends on the market price of underlying financial instruments, including bonds and debentures, monetary funds, listed shares and other financial assets, etc.

The valuation requires the directors to make estimates about the expected future cash flows including expected rate of return on maturity of the wealth management products. The directors believe that the estimated fair values resulting from the valuation techniques are reasonable, and that they were the most appropriate values at the end of the reporting period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT*(Expressed in Renminbi Yuan unless otherwise indicated)***16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS** *(Continued)***i) Financial assets and liabilities measured at fair value** *(Continued)***Information about Level 3 fair value measurements** *(Continued)*

Below is a summary of significant unobservable inputs to the valuation of these wealth management products together with a quantitative sensitivity analysis at 30 June 2020:

| | Valuation techniques | Significant unobservable inputs | Range | Sensitivity of fair value to the input |
|--|-----------------------------|---------------------------------|--|--|
| Variable income-based wealth management products issued by banks | Discounted cash flow method | Expected rate on return | 3.15% to 3.50% (2019: 3.50% to 3.85%) | 0.5% increase/(decrease) in expected rate on return would result in increase/(decrease) in fair value by RMB11,000 (2019: RMB87,000) |

The fair value of unlisted units in investment fund are determined using the recent comparable market transaction price, if available, or other acceptable valuation techniques. As of 30 June 2020, the Ruixin Fund is under initial set up stage without any investment portfolio. The management is of the view that fair value of the investment in Ruixin Fund is the capital contribution amount at the end of the reporting period.

During the six months ended 30 June 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The movements during the periods in the balance of these Level 3 fair value measurements was as follows:

| | Variable income-based wealth management products issued by banks <i>RMB'000</i> |
|--|---|
| At 31 December 2019 and 1 January 2020 | 4,509 |
| Net realised and unrealised gains recognised in profit or loss | 82 |
| Redemption of wealth management products | (1,275) |
| At 30 June 2020 | 3,316 |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT*(Expressed in Renminbi Yuan unless otherwise indicated)***16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS** *(Continued)***i) Financial assets and liabilities measured at fair value** *(Continued)***Information about Level 3 fair value measurements** *(Continued)*

| | Variable income-based wealth management products | | |
|---|---|---|-------------------------|
| | Issued by banks <i>RMB'000</i> | Issued by financial institution <i>RMB'000</i> | Total <i>RMB'000</i> |
| At 31 December 2018 and 1 January 2019 | – | – | – |
| Purchase of wealth management products | 11,000 | 150,000 | 161,000 |
| Net realised and unrealised gains recognised in profit or loss | 176 | 2,106 | 2,282 |
| Redemption of wealth management products | (2,630) | (152,106) | (154,736) |
| At 30 June 2019 | 8,546 | – | 8,546 |

(ii) Fair values of financial assets and liabilities carried at other than fair value

All financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2019 and 30 June 2020.

17 CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2020 and not provided for in the interim financial report were as follows:

| | At 30 June 2020 <i>RMB'000</i> | At 31 December 2019 <i>RMB'000</i> |
|-----------------------------------|---|---|
| Contracted for | 49,459 | – |
| Authorised but not contracted for | 599,412 | 418,768 |
| Total | 648,871 | 418,768 |

18 IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment. It is expected that the operation of the Group, the progress of use of proceeds from global offering of the Company as well as the progress of research and development of pipeline products might be affected to certain extent. The Group has resumed to work in early February 2020 and taken all possible effective measures to response the impact.

The Group has been closely monitoring the impact of the developments on the Group's business and has put in place contingency measures.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

19 MATERIAL RELATED PARTY TRANSACTIONS

As disclosed in the Company's announcement dated 19 March 2020 and circular dated 22 May 2020, Ningbo Huaige Health is a limited partnership established in the PRC in 2017, which has two RMB funds under management including 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) ("Ningbo Huaige Taiyi").

As of 30 June 2020 as well as date of this report, Ningbo Huaige Health is general partner of Ningbo Huaige Taiyi, which holds 15.18% equity interest in the Company. Therefore, the investments in Ruixin Fund and Int Fund as set for in note 9 constitute related party transactions under HKAS24, Related Party Disclosure and connected transactions as defined in Chapter 14A of the Listing Rules.

20 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

- On 24 July 2020, the Company paid the capital call of RMB24.00 million to the Ruixin Fund as set forth in note 9.

On 14 August 2020, all partners of the Int Fund entered into Int LPA, pursuant to which the Company's capital contribution commitment was RMB50.00 million which shall be payable on or before December 31, 2021. On August 18, 2020, the Int Fund was registered in the PRC as a limited partnership as set forth in note 9.

- On 18 August 2020, the board of directors resolved not to declare interim dividend for the six months ended 30 June 2020.

* English translation is for identification purpose only.

DEFINITIONS

| | |
|---------------------------------|---|
| “Articles” | the articles of association of the Company, as amended, modified or supplemented from time to time |
| “Audit Committee” | the audit committee of the Board |
| “Board of Directors” or “Board” | the board of Directors of the Company |
| “CG Code” | the Corporate Governance Code contained in Appendix 14 to the Listing Rules |
| “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, the H Shares of which are listed on the Hong Kong Stock Exchange (Stock code: 1501) |
| “Controlling Shareholder(s)” | has the meaning ascribed under the Listing Rules and unless the context otherwise requires, refers to Shanghai Kindly Enterprise Development Group Co., Ltd. (上海康德萊企業發展集團股份有限公司), Shanghai Kindly Holding Group Co., Ltd. (上海康德萊控股集團有限公司), Mr. Zhang Xianmiao (張憲淼), Ms. Zheng Aiping (鄭愛平) and Mr. Zhang Wei (張偉) as a group of Controlling Shareholders of the Company, and each of them, a “Controlling Shareholder” |
| “Director(s)” | the director(s) of the Company |
| “Domestic Share(s)” | ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and are unlisted Shares which are currently not listed or traded on any stock exchange |
| “Group” or “we” or “our” | the Company and its subsidiaries |
| “H Shares” | overseas listed foreign invested ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, listed on the Main Board of the Hong Kong Stock Exchange |
| “HK\$” or “Hong Kong dollars” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party(ies)” | Any entity or person who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules |
| “Listing” | the listing of the H Shares of the Company on the Main Board of the Stock Exchange |
| “Listing Date” | November 8, 2019 |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time |

DEFINITIONS

| | |
|-------------------------------|--|
| “Model Code” | the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules |
| “Nomination Committee” | the nomination committee of the Board |
| “Non-Competition Undertaking” | the non-competition undertakings dated October 14, 2019 provided by the Controlling Shareholders in favor of the Company |
| “NMPA” | the National Medical Products Administration of China |
| “PCI” | percutaneous coronary intervention |
| “PRC” or “China” | the People’s Republic of China, for the purpose of this interim report, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan |
| “Prospectus” | the prospectus of the Company dated October 28, 2019 in relation to global offering of H Shares of the Company |
| “PTCA” | percutaneous coronary angioplasty, a minimally invasive procedure to open up blocked coronary arteries, allowing blood to circulate unobstructed to the heart muscle |
| “Reporting Period” | the six-month period ended June 30, 2020 |
| “Remuneration Committee” | the remuneration committee of the Board |
| “RMB” | the lawful currency of the PRC |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “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 the H Share(s) |
| “Shareholder(s)” | the shareholders of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subsidiary(ies)” | has the meaning ascribed thereto in the Companies Ordinance (Chapter 622 of the laws of Hong Kong) |
| “Substantial Shareholder(s)” | has the meaning ascribed thereto in the Listing Rules |
| “Supervisor(s)” | the supervisor(s) of the Company |
| “Supervisory Committee” | the supervisory committee of the Company |