



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

* For identification purposes only

INTERIM REPORT 2021

CONTENTS

2	CORPORATE INFORMATION
4	INTERIM RESULTS HIGHLIGHTS
5	MANAGEMENT DISCUSSION AND ANALYSIS
13	SUPPLEMENTARY INFORMATION
21	INDEPENDENT AUDITOR'S REVIEW REPORT
22	CONSOLIDATED STATEMENT OF PROFIT OR LOSS
23	CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
24	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
26	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
27	CONDENSED CONSOLIDATED CASH FLOW STATEMENT
28	NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
49	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)

Auditors

International auditor:

KPMG

(*Certified Public Accountants*)

8th Floor

Prince's Building

10 Chater Road

Central

Hong Kong

Domestic auditor:

BDO China Shu Lun Pan

Certified Public Accountants LLP

4th Floor

No.61 Nanjing East Road

Shanghai 200002

PRC

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

Registered Office in the PRC

Block 2, No. 925 Jin Yuan Yi Road

Jiading District, Shanghai

PRC

CORPORATE INFORMATION

Headquarters and Principal Place of Business in the PRC

Block 2, No. 925 Jin Yuan Yi Road
Jiading District, Shanghai
PRC

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 30 June		Change
	2021 RMB'000	2020 RMB'000	
Revenue	180,613	171,844	5.10%
Gross profit	115,936	113,822	1.86%
Profit for the period	51,294	64,701	(20.72%)
Earnings per share			
Basic and diluted (<i>in RMB</i>)	0.30	0.41	(26.83%)

- The Group's revenue in the Reporting Period was approximately RMB180.61 million, representing an increase of approximately 5.10% or approximately RMB8.77 million as compared to approximately RMB171.84 million for the six-month period ended 30 June 2020.
- During the Reporting Period, gross profit was approximately RMB115.94 million, as compared to approximately RMB113.82 million for the six-month period ended 30 June 2020. Gross profit margin decreased from 66.24% to 64.19%. The revenue generated from sales of masks which had a higher gross profit margin was approximately RMB43.68 million for the six-month period ended 30 June 2020, while the revenue generated from sales of masks for the Reporting Period was RMB0.35 million.
- The Group's profit for the Reporting Period was approximately RMB51.29 million, representing a decrease of approximately 20.72% as compared to approximately RMB64.70 million for the six-month period ended 30 June 2020. The decrease was mainly due to more research and development expenses occurred for the existing and new products in pipeline during the Reporting Period.
- The Group's basic and diluted earnings per share in the Reporting Period was RMB0.30, as compared to RMB0.41 for the six-month period ended 30 June 2020.
- 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 China, the government introduced reform policies to support the healthy and orderly development of the medical industry. The Central Committee of the Communist Party of China and the State Council issued “Opinions on Deepening the Reform of the Medical Security System”, calling for the incorporation of drugs, diagnosis and treatment items, and medical consumables with high clinical value and good economic evaluation into the scope of medical insurance payment, continued reform of centralized volume and full implementation of volume-based procurement of medical consumables, reflecting the trend of centralized purchasing and negotiation in the field of high value consumables, in which evidence of value in clinical and health economics will play an important role. In July 2019, the State Council issued the Reform Plan for Intelligent High-Value Medical Consumables (“**Plan**”), which mentioned the improvement of the methods of classification of centralized purchasing. Its aims to be explored classification of centralized purchasing in accordance with the principles of volume-based procurement, linking of price with volume, and promoting market competition. Since the promulgation of the Plan, various regions of China have implemented a pilot policy for volume-based procurement of consumables. Since November 2020, the National Medical Insurance Bureau has organized the centralized procurement of coronary stents, which indicates the official start of the centralized procurement of high-value consumables in China. This will accelerate the optimization of resource allocation and consolidation of the industry, from which the leading companies with scale advantages, advanced technology and leading innovations are expected to benefit.

The Group’s revenue in the Reporting Period was approximately RMB180.61 million, representing an increase of approximately 5.10% or approximately RMB8.77 million as compared to approximately RMB171.84 million for the six-month period ended 30 June 2020. During the Reporting Period, the revenue generated from sales of masks was approximately RMB0.35 million (six-month period ended 30 June 2020: RMB43.68 million).

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, 4 National Medical Products Administration of China registration certificates for Class III medical devices and 1 United States Food and Drug Administration approvals. As at 30 June 2021, we have an aggregate of 23 National Medical Products Administration of China registration certificates for Class III medical devices, 18 Shanghai Medical Products Administration registration certificates for Class II medical devices, 40 European CE certificates and 13 United States Food and Drug Administration approvals.

Strong research and development capabilities

The Company is a state-level high and new technology enterprise (國家級高新技術企業). Our research and development team consists of professionals who possess Doctorate degrees and Master’s degrees and numerous talents who have over 10 years of experience in research and development of production, with adequate capabilities in the development of innovation products and sustainable improvement of research and development. As at 30 June 2021, we have 149 registered patents, 167 patents under application and 5 registered softwares.

MANAGEMENT DISCUSSION AND ANALYSIS

Extensive distribution and sales network

We have an extensive distribution network and have developed and maintained stable relationships with our distributors. By the end of 30 June 2021, our PRC distributors cover 23 (31 December 2020: 23) provinces, 4 (31 December 2020: 4) directly-administered municipalities and 4 (31 December 2020: 4) autonomous regions in the PRC, and covering 1,896 (31 December 2020: 1,436) domestic hospitals in the PRC including 817 (31 December 2020: 664) Tier III hospitals. In addition, we had 152 (31 December 2020: 143) overseas customers covering 51 (31 December 2020: 51) countries and regions.

ACTIVITIES REVIEW

Subsidiaries

As at 30 June 2021, the Group was comprised of 12 (31 December 2020: 8) wholly-owned or holding subsidiaries engaging in the design and development of medical devices used in fields including peripheral intervention, neurological intervention, cardiovascular intervention or implantation, and the design and development of equipment and molds used for production of medical devices.

During the Reporting Period, the Group established the following four subsidiaries:

Company name	Place of incorporation	Date of incorporation	Proportion of ownership interests directly held by the Company
Shandong Int Medical Instruments Co., Ltd.* (山東英泰醫療器械有限公司)	PRC	13 January 2021	100%
Shanghai Pulin Medical Instruments Co., Ltd.* (上海璞霖醫療器械有限公司)	PRC	7 February 2021	65%
Shanghai Puyue Medical Instruments Co., Ltd.* (上海璞躍醫療器械有限公司)	PRC	18 March 2021	60%
Shanghai Yikai Medical Instruments Co., Ltd.* (上海益凱醫療器械有限公司)	PRC	23 June 2021	100%

* For identification purpose

Full Circulation of Certain Domestic Shares of the Company

Reference is made to the announcements of the Company dated 25 May 2021 and 16 June 2021 in relation to the application by the Company, upon receiving proposals from Shanghai Kindly Enterprise Development Group Co., Ltd.* (上海康德萊企業發展集團股份有限公司) and Ningbo Huaige Taiyi Equity Investment Partnership (Limited Partnership) (寧波懷格泰益股權投資合夥企業(有限合夥)) (collectively the **"Converting Shareholders"**), to the CSRC for conversion of a total of 58,213,392 Domestic Shares held by the Converting Shareholders to H Shares and the listing thereof on the Stock Exchange (the **"Proposed Conversion and Listing"**). The Company received the official acceptance letter from the CSRC on 16 June 2021, pursuant to which the CSRC had accepted the Company's application for the Proposed Conversion and Listing. As at the date of this report, the details of implementation of the Proposed Conversion and Listing have not been finalized. The Company will make further announcements on the progress of the Proposed Conversion and Listing in compliance with the applicable requirements under the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

Equity Subscription of Shanghai Healing

Reference is made to the announcements of the Company dated 7 June 2021, 8 June 2021 and 29 July 2021 in relation to first capital increase and equity subscription of Shanghai Healing by Ningbo Hansheng Enterprise Management Partnership (Limited Partnership)* (寧波翰昇企業管理合夥企業(有限合夥)) (the “**Share Incentive Platform**”) and Dr. Liang Dongke (梁棟科) (the “**First Equity Subscription**”) and the second capital increase and equity subscription of Shanghai Healing by Shanghai Huaige Int Start-up Investment Limited Partnership (L.P.)* (上海懷格英泰創業投資合夥企業(有限合夥)) (“**Huaige Int**”) and Mr. Ke Wei (柯偉) (the “**Second Equity Subscription**”).

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

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

OUTLOOK FOR THE SECOND HALF OF 2021

In the second half of 2021, we remain reasonably optimistic about sustaining our core business despite the economic uncertainties owing to the COVID-19 (“**COVID-19**”). We will continue to (1) explore potential opportunities to develop our core and related business, and strengthen and maintain our leading position in the interventional medical devices industry; and (2) further develop the product pipeline, allocate more resources for research and development, further progress on the research and development, core product pipeline and obtain approvals for new products.

FINANCIAL REVIEW

Revenue

The Group’s revenue in the Reporting Period was approximately RMB180.61 million, representing an increase of approximately 5.10% or approximately RMB8.77 million as compared to approximately RMB171.84 million for the six-month period ended 30 June 2020.

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 RMB171.71 million (six-month period ended 30 June 2020: RMB116.70 million), representing an increase of RMB55.01 million as compared to those of the six-month period ended 30 June 2020. The Group’s revenue generated from sales of masks and medical accessories in the Reporting Period was approximately RMB0.35 million and RMB4.92 million (six-month period ended 30 June 2020: RMB43.68 million and RMB6.18 million) respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

The cost of sales in the Reporting Period was approximately RMB64.68 million, representing an increase of approximately 11.48% or approximately RMB6.66 million as compared to approximately RMB58.02 million for the six-month period ended 30 June 2020.

Gross Profit and Gross Profit Margin

During the Reporting Period, gross profit was approximately RMB115.94 million, as compared to approximately RMB113.82 million for the six-month period ended 30 June 2020. Gross profit margin decreased from 66.24% for the six-month period ended 30 June 2020 to 64.19% for the six-month period ended 30 June 2021. The revenue generated from sales of masks which had a higher profit margin was approximately RMB43.68 million for the six-month period ended 30 June 2020, while the revenue generated from sales of masks for the Reporting Period was RMB0.35 million.

Other Income

During the Reporting Period, other income was approximately RMB23.45 million, representing a decrease of approximately 5.52% or approximately RMB1.37 million as compared to approximately RMB24.82 million for the six-month period ended 30 June 2020.

Finance Costs

During the Reporting Period, the finance cost was approximately RMB0.32 million as compared to approximately RMB0.05 million for the six-month period ended 30 June 2020. The finance costs were interests arising from lease liabilities.

Distribution Costs

The distribution costs in the Reporting Period were approximately RMB13.42 million, increased by approximately 5.17% or approximately RMB0.66 million as compared to approximately RMB12.76 million for the six-month period ended 30 June 2020, which increased in line with revenue. It constituted 7.43% of the total revenue as compared to 7.42% for the six-month period ended 30 June 2020, which remained stable.

Administrative Expenses

The administrative expenses of the Group in the Reporting Period were approximately RMB20.70 million, as compared to approximately RMB19.08 million for the six-month period ended 30 June 2020.

Research and Development Expenses

The research and development expenses of the Group in the Reporting Period were approximately RMB45.06 million, representing an increase of approximately 49.11% or approximately RMB14.84 million as compared to approximately RMB30.22 million for the six-month period ended 30 June 2020. The rise was primarily due to the Group's continued development and commercialisation of the existing and new pipeline products during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expenses

The income tax expenses in the Reporting Period was approximately RMB8.57 million, representing a decrease of approximately 27.50% or approximately RMB3.25 million as compared to approximately RMB11.82 million for the six-month period ended 30 June 2020. The effective income tax rate was 14.32% for the Reporting Period as compared to 15.44% for the six-month period ended 30 June 2020. According to the PRC income tax law and its relevant regulations, an additional 100% (six-month period ended 30 June 2020: 75%) of qualified research and development expenses so incurred is allowed to be deducted from taxable income during the Reporting Period.

Profit for the period

The Group's profit for the Reporting Period was approximately RMB51.29 million, representing a decrease of approximately 20.72% as compared to approximately RMB64.70 million for the six-month period ended 30 June 2020. The decrease was mainly due to more research and development expenses occurred for the existing and new products in pipeline during the Reporting Period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has maintained a sound financial position during the Reporting Period. As at 30 June 2021, the Group's cash and cash equivalents amounted to approximately RMB719.72 million (31 December 2020: RMB870.13 million). For the six-month period ended 30 June 2021, net cash flow from operating activities of the Group amounted to approximately RMB24.00 million (six-month period ended 30 June 2020: RMB46.90 million).

The Group recorded total current assets of approximately RMB880.42 million as at 30 June 2021 (31 December 2020: approximately RMB1,048.12 million) and total current liabilities of approximately RMB75.76 million as at 30 June 2021 (31 December 2020: approximately RMB88.31 million). The current ratio (calculated by dividing the current assets by the current liabilities) of the Group was approximately 11.62 as at 30 June 2021 (31 December 2020: approximately 11.87).

BORROWINGS AND GEARING RATIO

The Group has no bank borrowings or other borrowings as at 30 June 2021 and 31 December 2020. As such, the gearing ratio is not applicable.

CAPITAL STRUCTURE

Total equity attributable to equity shareholders of the Company amounted to approximately RMB1,274.44 million as at 30 June 2021 as compared to approximately RMB1,305.65 million as at 31 December 2020.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six-month period ended 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM THE GLOBAL OFFERING

Upon completion of the Global Offering, the Company raised net proceeds of approximately RMB797.62 million (after deducting the listing fees and other expenses). As at 30 June 2021, the Company has utilized approximately RMB283.39 million of the net proceeds. As disclosed in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 28 October 2019 and the announcements of the Company dated 7 July 2020 and 31 March 2021, the details of intended application of net proceeds are set out as follows:

	Revised allocation of net proceeds (RMB million)	Utilized net proceeds up to 30 June 2021 (RMB million)	Unutilized net proceeds up to 30 June 2021 (RMB million)	Expected timeline of full utilization of the unutilized net proceeds
Set up a research and development center and an additional facility in Jiading, Shanghai	271.99	119.59	152.40	December 2022
Purchase additional and replacement of existing production equipment and automate production lines	110.07	10.74	99.33	December 2022
Expand our distribution network and coverage, collaborate with local distributors and intensify our marketing efforts	69.39	2.98	66.41	December 2022
General corporate purposes and fund our working capital	79.84	79.84	–	Not applicable
Zhuhai Derui New Factory Project	110.00	63.60	46.40	December 2021
Construction of the Shandong INT Innovative Medical Instruments Industrial Park	156.33	6.64	149.69	December 2022
Total	797.62	283.39	514.23	

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

EMPLOYEE REMUNERATION AND RELATIONS

As at 30 June 2021, the Group had a total of 1,100 employees, comparing to 967 employees as at 31 December 2020. The total cost of employees for the Reporting Period amounted to approximately RMB70.75 million (six-month period ended 30 June 2020: approximately RMB49.77 million). The Group provides employees with competitive remuneration and benefits, and the Group’s remuneration policies are formulated according to the assessment of individual performance and are periodically reviewed. The Group provides training programs to employees, including new hire training for new employees and continuing technical training primarily for our research and development team to enhance their skill and knowledge.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2021 and 31 December 2020, the Group had below significant investments.

	At 30 June 2021					At 31 December 2020				
	Percentage of interests	Cost of investment	Fair Value	Accumulated losses/(gain)	Dividend Received	Percentage of interests	Cost of investment	Fair Value	Accumulated losses	Dividend Received
	%	RMB'000	RMB'000	RMB'000	RMB'000	%	RMB'000	RMB'000	RMB'000	RMB'000
Recognised as "financial assets at fair value through profit or loss"										
Jingning Huaige Ruixin Venture Investment Partnership (Limited Partnership)* 景寧懷格瑞信創業投資合夥企業 (有限合夥) (the "Ruixin Fund")	15.83	37,500	48,048	(10,548)	-	15.83	25,000	24,340	660	-
Shanghai Huaige Int Start-up Investment Limited Partnership (LP)* (上海懷格瑞信創業投資合夥企業 (有限合夥)) (the "Int Fund")	25.00	25,000	24,777	223	-	29.41	25,000	24,720	280	-
		62,500	72,825	(10,325)	-		50,000	49,060	940	-

The primary objective of the Ruixin Fund is investments in equity interest of entities in the medical devices, pharmaceutical, biologics, medical services and contract research organisation services industries mainly in the PRC and investments in other equity funds with focus of investing in the medical device and biomedical fields. The Group has made additional investment of RMB12.50 million to Ruixin Fund for the six-month period ended 30 June 2021.

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

The Group will make further capital contribution of RMB12.50 million and RMB25.00 million to Ruixin Fund and Int Fund, respectively, in 2021.

Save as disclosed above, the Group has no other significant investment in the six-month ended 30 June 2021.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

CONTINGENT LIABILITIES

As at 30 June 2021 and 31 December 2020, the Group did not have any material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL INSTRUMENTS

As at 30 June 2021, the Group had entered into foreign currency forward contracts to reduce its exposure to fluctuation in foreign exchange rate, with a carrying amount of RMB32 thousand under financial assets at FVTPL (31 December 2020: RMB131 thousand). These foreign currency forward contracts are not hedge accounted.

The Group did not have any other 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 RMB141.35 million for the Reporting Period (six-month period ended 30 June 2020: approximately RMB23.94 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.

CHARGE ON GROUP ASSETS

As at 30 June 2021, the Group did not have any charges on its assets.

CAPITAL COMMITMENT

The Group’s outstanding capital commitments authorized but not contracted for at 30 June 2021 not provided for in the financial statements amounted to approximately RMB299.37 million (31 December 2020: RMB230.85 million). The Group’s outstanding capital commitment contracted for at 30 June 2021 not provided for in the financial statements amounted to approximately RMB234.80 million (31 December 2020: RMB309.12 million).

SUPPLEMENTARY INFORMATION

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the Reporting Period.

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 period from 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.

SUPPLEMENTARY INFORMATION

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

During the Reporting Period, Dr. Liang Dongke was appointed to hold the following positions in the subsidiaries of the Group:

Name of subsidiary	Position	Period
Shandong Int Medical Instruments Co., Ltd.* (山東瑛泰醫療器械有限公司)	Executive director	13 January 2021 to present
Shanghai Yikai Medical Instruments Co., Ltd.* (上海益凱醫療器械有限公司)	Executive director	23 June 2021 to present

Save as disclosed above, 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.

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 Auditor Financial Report

KPMG, the Company's auditor, has reviewed the Company's unaudited 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 unaudited review report is included in the interim report to be sent to the Shareholders.

SUPPLEMENTARY INFORMATION

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 30 June 2021, 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 keen to 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 30 June 2021.

Save as disclosed above, as of 30 June 2021, 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 30 June 2021, 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):

SUPPLEMENTARY INFORMATION

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 capital ⁽⁷⁾	Percentage in total number of Shares ⁽⁷⁾
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%
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%

SUPPLEMENTARY INFORMATION

Name	Class of Shares	Nature of Interest	Number of Shares	Approximate percentage in the respective class of share capital ⁽⁷⁾	Percentage in total number of Shares ⁽⁷⁾
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%
Mr. Wang Kai (王鏜) ⁽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%
Wasatch Advisors, Inc.	H Shares	Investment manager	4,588,605 (L)	9.98%	2.76%
UBS Group AG	H Shares	Interest of controlled corporation	3,701,399 (L)	8.05%	2.23%
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	2,508,482 (L) 306,233 (S)	5.45% 0.67%	1.51% 0.18%

SUPPLEMENTARY INFORMATION

Name	Class of Shares	Nature of Interest	Number of Shares	Approximate percentage in the respective class of share capital ⁽⁷⁾	Percentage in total number of Shares ⁽⁷⁾
Boyu Capital Group Holdings Ltd ⁽⁶⁾	H Shares	Interest of controlled corporation	2,301,000 (L)	5.00%	1.39%
Boyu Capital Investment Management Limited ⁽⁶⁾	H Shares	Interest of controlled corporation	2,301,000 (L)	5.00%	1.39%
Boyu Capital Opportunities Master Fund ⁽⁶⁾	H Shares	Beneficial owner	2,301,000 (L)	5.00%	1.39%

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.
- (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) To the best of the Directors' knowledge, Boyu Capital Opportunities Master Fund is controlled as to 100% by Boyu Capital Investment Management Limited, which is in turn controlled as to 100% by Boyu Capital Group Holdings Ltd, 100% of the voting power of which is controlled by Boyu Capital Group Holdings Ltd.
- (7) 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 30 June 2021.

SUPPLEMENTARY INFORMATION

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	15.0%
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	24.5%
Chen Caizheng (陳才正)	Shanghai Puhui Medical Instruments Co., Ltd. (上海璞慧醫療器械有限公司)	Beneficial owner	26.3%
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	11.0%
Sun Peng (孫鵬)	Shanghai Qimu	Beneficial owner	10.0%
Lin Peng (林鵬)	Shanghai Pumei Medical Instruments Co., Ltd. (上海璞鎂醫療器械有限公司)	Beneficial owner	30.0%
Hengyi Enterprise Management (Wei Fang) Center (Limited Partnership)* (恆熠企業管理(淮坊)中心(有限合夥))	Shanghai Pulin Medical Instruments Co., Ltd. (上海璞霖醫療器械有限公司)	Beneficial owner	35.0%
Ningbo Liufang Enterprise Management Partnership (Limited Partnership)* (寧波六方企業管理合夥企業(有限合夥))	Shanghai Puyue Medical Instruments Co., Ltd. (上海璞躍醫療器械有限公司)	Beneficial owner	40.0%

SUPPLEMENTARY INFORMATION

Save as disclosed above, as of 30 June 2021, 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.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

Capital Increase and Equity Subscription of Shanghai Healing

Reference is made to the Company's announcement dated 29 July 2021 in relation to the capital increase agreement among the Company, Huaige Int, Mr. Ke Wei (柯偉) and the other existing shareholders of Shanghai Healing, pursuant to which, the share capital of Shanghai Healing will be increased from RMB58,150,000 to RMB61,210,526. Huaige Int and Mr. Ke Wei (柯偉) subscribed for a total of 5% enlarged equity interest of Shanghai Healing at a cash consideration of RMB50,000,000 in aggregate. The consideration was determined with reference to the then fair value of equity interests of Shanghai Healing as determined by an independent valuation firm.

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

Shanghai, the PRC
18 August 2021

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 22 to 48 which comprises the consolidated statement of financial position of Shanghai Kindly Medical Instruments Co., Ltd. (the "Company") as of 30 June 2021 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 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 2021 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 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2021 — unaudited
(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Revenue	3	180,613	171,844
Cost of sales		(64,677)	(58,022)
Gross profit		115,936	113,822
Other income	4	23,453	24,818
Distribution costs		(13,419)	(12,757)
Administrative expenses		(20,700)	(19,082)
Research and development expenses		(45,061)	(30,221)
Impairment losses		(30)	(13)
Profit from operations		60,179	76,567
Finance costs	5(a)	(315)	(48)
Profit before taxation	5	59,864	76,519
Income tax	6	(8,570)	(11,818)
Profit for the period		51,294	64,701
Attributable to:			
Equity shareholders of the Company		50,605	67,393
Non-controlling interests		689	(2,692)
Profit for the period		51,294	64,701
Earnings per share (RMB)	7		
Basic and diluted (RMB)		0.30	0.41

The notes on pages 28 to 48 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 16.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2021 — unaudited
(Expressed in Renminbi Yuan)

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Profit for the period	51,294	64,701
Other comprehensive income for the period (after tax and reclassification adjustments)		
Item that will not be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiary	(211)	388
Other comprehensive income	(211)	388
Total comprehensive income for the period	51,083	65,089
Attributable to:		
Equity shareholders of the Company	50,394	67,781
Non-controlling interests	689	(2,692)
Total comprehensive income for the period	51,083	65,089

The notes on pages 28 to 48 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021 — unaudited
(Expressed in Renminbi Yuan)

	Note	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Non-current assets			
Property, plant and equipment	8	296,078	199,253
Intangible assets		9,042	7,603
Right-of-use assets		109,524	100,917
Other non-current assets		28,975	15,582
Financial assets at fair value through profit or loss	13	72,825	49,060
Deferred tax assets		620	2,153
		517,064	374,568
Current assets			
Inventories		83,620	55,206
Trade and other receivables	11	28,298	31,149
Other current assets	12	30,748	20,176
Financial assets at fair value through profit or loss	13	18,032	71,453
Cash and cash equivalents	14	719,724	870,132
		880,422	1,048,116
Current liabilities			
Trade and other payables	15	54,613	65,016
Contract liabilities		16,610	14,347
Lease liabilities		194	320
Deferred income		412	449
Current taxation		3,934	8,180
		75,763	88,312
Net current assets		804,659	959,804
Total assets less current liabilities		1,321,723	1,334,372

The notes on pages 28 to 48 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021 — unaudited
(Expressed in Renminbi Yuan)

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Note		
Non-current liabilities		
Lease liabilities	13,026	1,413
Deferred income	5,132	5,311
	18,158	6,724
NET ASSETS	1,303,565	1,327,648
CAPITAL AND RESERVE		
Share capital	166,000	166,000
Reserves	1,108,442	1,139,650
Total equity attributable to equity shareholders of the Company	1,274,442	1,305,650
Non-controlling interests	29,123	21,998
TOTAL EQUITY	1,303,565	1,327,648

Approved and authorised for issue by the board of directors on 18 August 2021.

LIANG DONGKE

Director

WANG CAILIANG

Director

(Company Stamp)

The notes on pages 28 to 48 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2021 — unaudited
(Expressed in Renminbi Yuan)

Note	Attributable to equity shareholders of the Company					Total	Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory surplus reserve	Exchange reserve	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 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 16	—	—	—	—	(29,050)	(29,050)	—	(29,050)
Balance at 30 June 2020 and 1 July 2020	166,000	934,504	24,443	888	129,277	1,255,112	20,254	1,275,366
Changes in equity for the six months ended 31 December 2020								
Profit/(loss) for the period	—	—	—	—	53,961	53,961	(2,145)	51,816
Other comprehensive income	—	—	—	(1,521)	—	(1,521)	—	(1,521)
Adjustment on the listing expense	—	738	—	—	—	738	—	738
Acquisition of non-controlling interests	—	(2,048)	—	—	—	(2,048)	648	(1,400)
Disposal of interest in a subsidiary 9	—	(592)	—	—	—	(592)	4,592	4,000
Dividends to holders of non-controlling interests	—	—	—	—	—	—	(1,351)	(1,351)
Appropriation for surplus reserve	—	—	12,504	—	(12,504)	—	—	—
Balance at 31 December 2020	166,000	932,602	36,947	(633)	170,734	1,305,650	21,998	1,327,648
Balance at 31 December 2020 and 1 January 2021	166,000	932,602	36,947	(633)	170,734	1,305,650	21,998	1,327,648
Changes in equity for the six months ended 30 June 2021								
Profit for the period	—	—	—	—	50,605	50,605	689	51,294
Other comprehensive income	—	—	—	(211)	—	(211)	—	(211)
Capital injection from non-controlling interests	—	—	—	—	—	—	13,300	13,300
Acquisition of non-controlling interests 9(a)	—	(34,313)	—	—	—	(34,313)	(4,401)	(38,714)
Equity settled share-based payments 9(b)	—	21	—	—	—	21	—	21
Dividends to holders of non-controlling interests	—	—	—	—	—	—	(2,463)	(2,463)
Dividends approved in respect of previous year 16	—	—	—	—	(47,310)	(47,310)	—	(47,310)
Balance at 30 June 2021	166,000	898,310	36,947	(844)	174,029	1,274,442	29,123	1,303,565

The notes on pages 28 to 48 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENTfor the six months ended 30 June 2021 — unaudited
(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June 2021 RMB'000	2020 RMB'000
Operating activities			
Cash generated from operations		35,321	55,808
Payment for interest element of leases liabilities		(38)	(48)
Tax paid		(11,283)	(8,859)
Net cash generated from operating activities		24,000	46,901
Investing activities			
Payment for purchase of property, plant and equipment and intangible assets		(141,354)	(23,938)
Proceeds from sale of property, plant and equipment		7	434
Payment for purchase of land use right		(6,640)	—
Interest received from bank deposits		5,232	15,304
Payment for purchase of financial assets measured at fair value through profit or loss		(534,000)	—
Proceeds from sale of financial assets measured at fair value through profit or loss		591,474	5,435
Payment for the investment in funds	10	(12,500)	(1,000)
Net cash used in investing activities		(97,781)	(3,765)
Financing activities			
Capital injection received from non-controlling interests		13,300	5,500
Payment of acquisition of non-controlling interests	9(a)	(38,714)	—
Payment for capital element of lease liabilities		(221)	(195)
Dividends paid to equity shareholders of the Company	16	(47,310)	(29,050)
Dividends paid to holders of non-controlling interests		(2,463)	(460)
Net cash used in financing activities		(75,408)	(24,205)
Net (decrease)/increase in cash and cash equivalents		(149,189)	18,931
Cash and cash equivalents at the beginning of period	14	870,132	1,036,783
Effects of foreign exchange rates changes		(1,219)	4,175
Cash and cash equivalents at the end of period	14	719,724	1,059,889

The notes on pages 28 to 48 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 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 2020 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 21.

The financial information relating to the financial year ended 31 December 2020 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 2020 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 2021.

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 16, Covid-19-Related Rent Concessions beyond 30 June 2021
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform-phase 2

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 primary 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	
	2021	2020
	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>	171,232	116,448
<i>Orthopaedics and other devices</i>	478	253
Subtotal	171,710	116,701
— Sales of medical masks	351	43,676
— Sales of medical accessories	4,920	6,184
— Moulds and others	3,632	5,283
	180,613	171,844

During the six months ended 30 June 2021 and 2020, 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	
	2021	2020
	RMB'000	RMB'000
Mainland China (the "PRC")	145,333	102,647
Europe	11,979	20,918
The United States	4,529	6,163
Other countries and regions	18,772	42,116
	180,613	171,844

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 2021		
	Cardiovascular interventional business RMB'000	All others RMB'000	Total RMB'000
Revenue from external customers	146,907	33,706	180,613
Inter-segment revenue	3,244	5,411	8,655
Segment revenue	150,151	39,117	189,268
Segment net profit	49,850	2,298	52,148

	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

(ii) Reconciliation of segment profit

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Revenue		
Segment revenue	189,268	178,616
Elimination of inter-segment revenue	(8,655)	(6,772)
Consolidated revenue	180,613	171,844
Profit		
Segment net profit	52,148	68,855
Elimination of inter-segment net profit	(854)	(4,154)
Consolidated net profit	51,294	64,701

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

4 OTHER INCOME

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Government grants (note)	3,171	7,674
Interest income from bank deposits	5,923	15,304
Net realised and unrealised gains from fair value changes on financial assets at fair value through profit or loss	15,936	347
Others	(1,577)	1,493
	23,453	24,818

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

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
(a) Finance costs		
Interest on lease liabilities	315	48
(b) Other items		
Depreciation and amortisation		
— property, plant and equipment	10,829	8,314
— right-of-use assets	2,824	1,593
— intangible assets	380	291
Impairment loss on trade and other receivables	30	13
Research and development costs (other than depreciation and amortisation)	43,159	28,758

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

6 INCOME TAX

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Current tax-the PRC corporate income tax ("CIT")	7,037	11,745
Deferred tax	1,533	73
Total	8,570	11,818

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 certain subsidiaries are qualified as HNTE and are subject to income tax at the rate of 15% for six months ended 30 June 2021 and 2020.

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 2021 and 2020.

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

HONG KONG PROFIT TAX

The Company's subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at 8.25% of the taxable profit less than HKD2,000,000 or 16.5% of the taxable profit exceeding HKD2,000,000. No provision for Hong Kong profits tax has been made as the subsidiary in Hong Kong has no assessable profits for the six months ended 30 June 2021 and 2020.

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 RMB50,605,000 (six months ended 30 June 2020: RMB67,393,000), and the weighted average number of shares of 166,000,000 (six months ended 30 June 2020: 166,000,000) in issue during the interim period.

There were no potential dilutive ordinary shares during the interim period and therefore dilutive 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 2021, the Group acquired items of property, plant and equipment with a cost of RMB107,730,000 (six months ended 30 June 2020: RMB21,611,000).

Items of property, plant and equipment with a net book value of RMB76,000 were disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB501,000), resulting in a loss on disposal of RMB69,000 (six months ended 30 June 2020: RMB67,000).

9 EMPLOYEE SHARE PURCHASE PLAN ("ESPP") — EQUITY SETTLED

(a) Pukon ESPP

In 2020, the Group adopted ESPP to one of its subsidiary, Shanghai Pukon Medical Instruments Co., Ltd* 上海璞康醫療器械有限公司 ("Shanghai Pukon") (the "Pukon ESPP"). Pursuant to which, Mr. Jiang Xiannan ("Mr. Jiang") who is key management personnel as well as the holder of non-controlling interest of Shanghai Pukon, acquired 20% equity interest in Shanghai Pukon from the Company at a price of RMB4,000,000. The terms and conditions of the Pukon ESPP are disclosed in the consolidated financial statements for the year ended 31 December 2020.

Fair value of the Pukon ESPP at the grant date, being the difference between the considerations paid by Mr. Jiang and the fair value of the equity interests transferred recognised as staff costs in the profit or loss immediately. No expenses were recognised for the year ended 31 December 2020 in relation to the aforesaid Pukon ESPP as the transferred consideration approximated to the then fair value of the equity interests transferred, as determined by an independent valuation firm.

During the six months ended 30 June 2021, the Company (as the Buyer), Mr. Jiang (as the Seller) and Shanghai Pukon (as the Target) entered into a share transfer agreement. Pursuant to which, the Company acquired 20% equity interest of Shanghai Pukon from Mr. Jiang at a cash consideration of RMB38,714,000. The consideration price is determined with reference to the then fair value of equity interests acquired, as determined by an independent valuation firm. Other key terms of the share transfer agreement are summarised as follows:

* English translation is for identification purpose only.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

9 EMPLOYEE SHARE PURCHASE PLAN ("ESPP") — EQUITY SETTLED *(Continued)*

(a) Pukon ESPP *(Continued)*

Performance guarantee

Mr. Jiang guarantee one of the either that: (i) the net profit of Shanghai Pukon shall be no less than RMB65 million in aggregate for three years ending 31 December 2023 (the "Commitment Period"), or (ii) the sales growth rate of Shanghai Pukon shall be no less than 20% year on year during the Commitment Period (together referred to as the "Guaranteed Performance").

If Shanghai Pukon fail to meet the Guaranteed Performance, Mr. Jiang is required to pay a compensation amount to the Company, subject to an upper limit in accordance with the share transfer agreement.

All legal process in relation to the share transfer was completed on 27 May 2021. Following the completion of the transaction, the Company's equity interest of Shanghai Pukon increased from 65% as of 31 December 2020 to 85% as of 30 June 2021.

The transaction was accounted for as transaction within the shareholders of Shanghai Pukon in their capacity as equity holder. At completion date, the difference between (A) the consideration price of RMB38,714,000 and (B) the carrying amount of the acquired non-controlling interest of RMB4,401,000, which amounting to RMB34,313,000 was credited to the capital reserve during the six months ended 30 June 2021.

Detailed information is disclosed in the announcement of Shanghai Kindly Enterprise Development Group Co., Ltd.* 上海康德萊企業發展集團股份有限公司 dated 7 May 2021.

(b) Healing ESPP

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

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

* English translation is for identification purpose only.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

9 EMPLOYEE SHARE PURCHASE PLAN ("ESPP") — EQUITY SETTLED (Continued)

(b) Healing ESPP (Continued)

(i) The terms and conditions of the ESPP are as follows:

ESPP granted on 31 May 2021	Exercise Price	Number of instruments	Vesting conditions <i>Non-market performance vesting condition (note)</i>	Contractual life of options
Instruments granted to directors:	RMB1.0000	467,000 700,500 700,500 467,000	till 30 September 2021 till 31 May 2022 till 31 October 2023 till 31 December 2025	55 months
Instruments granted to employees:		1,163,000 1,744,500 1,744,500 1,163,000	till 30 September 2021 till 31 May 2022 till 31 October 2023 till 31 December 2025	55 months
Total ESPP granted		8,150,000		

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

9 EMPLOYEE SHARE PURCHASE PLAN ("ESPP") — EQUITY SETTLED *(Continued)*

(b) Healing ESPP *(Continued)*

(ii) Fair value of ESPP and assumptions

The fair value of services received in return for Healing ESPP granted is measured by reference to the fair value of equity instruments granted as determined by an independent valuation firm. The fair value of the equity instruments granted has been measured using discounted cash flows based on a 10-year financial forecast prepared by the management. The inputs used in the measurement of the fair values at grant date of the Healing ESPP were as follows.

Fair value of ESPP granted on 31 May 2021 and assumptions

Fair value at grant date	RMB0.0112
Equity price at grant date	RMB1.0112
Exercise price	RMB1.0000
Forecast period	11 years
Sales growth rate	19.9%-160.0%
Terminal growth rate	0%
Discount rate	15%
Discount for lack of marketability (DLOM)	28%

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

(iii) Outstanding ESPP

The number of Healing ESPP outstanding at 30 June 2021 is 8,150,000 with an exercise price of RMB1.0000 and a weighted average remaining contractual life of 54 months.

(iv) Expense recognised in profit or loss

During the six months ended 30 June 2021, RMB21,000 was recognised in the profit or loss in relation to the Healing ESPP.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

10 INVESTMENT IN FUNDS

Ruixin Fund

According to the Company's announcements dated 19 March 2020 and 29 April 2020 and the circular dated 22 May 2020, the Company and Ningbo Huaige Health Investment Management Partnership (Limited Partnership)* (as the general partner and fund manager, Chinese name as 寧波懷格健康投資管理合夥企業(有限合夥), "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(有限合夥) (the "Ruixin Fund"). Under the Ruixin Subscription, the total contribution by the general partner and all the limited partners of the Ruixin Fund is no less than RMB300 million and no more than RMB400 million, and the capital contribution by the Company as a limited partner will be RMB50 million. The primary objective of the Ruixin Fund is investments in equity interest of entities in the medical devices, pharmaceutical, biologics, medical services and contract research organisation ("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 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.

During the year ended 31 December 2020, the Company made capital contribution of RMB25 million to the Ruixin Fund. During the six months ended 30 June 2021, the Company paid an additional capital contribution of RMB12.5 million to the Ruixin Fund.

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 million and not more than RMB200 million, and the capital contribution by the Company as a limited partner will be RMB50 million.

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

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 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.

During the year ended 31 December 2020, the Company made capital contribution of RMB25 million to the Int Fund.

* English translation is for identification purpose only.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

11 TRADE AND OTHER RECEIVABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Receivables from third parties	16,780	20,448
Receivables from related parties	2,267	3,223
Less: losses allowance on trade receivables	(46)	(16)
Trade receivables, net of loss allowance	19,001	23,655
Deposit for construction project	6,959	6,959
Interest receivable	691	—
Other receivables	1,647	535
Trade and other receivables, net	28,298	31,149

(a) Ageing analysis

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Within 3 months	16,696	22,698
3 to 6 months	1,685	957
6 to 9 months	620	—
	19,001	23,655

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

12 OTHER CURRENT ASSET

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
VAT recoverable	8,791	5,404
Prepayments for goods and services	20,289	14,504
Others	1,668	268
	30,748	20,176

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Non-current portion		
Unlisted units in investment funds (note 10)	72,825	49,060
Current portion		
Net value-based wealth management products issued by banks	6,000	33,322
Variable income-based wealth management products issued by banks and financial institutions	7,000	12,000
Structured bank deposits	5,000	26,000
Foreign currency forward contracts	32	131
	18,032	71,453

The non-current financial assets at FVPL represent investment in units in investment funds incorporated in the PRC as set forth in note 10.

The current financial assets at FVPL represent wealth management products, structured bank deposits and foreign currency forward contracts issued by banks and financial institutions 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. The structure bank deposits are at variables rates on return, and principals are guaranteed.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

14 CASH AND CASH EQUIVALENTS

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Cash at bank	719,655	870,127
Cash on hand	69	5
Cash and cash equivalents	719,724	870,132

Cash at bank includes demand deposits and time deposits placed at banks in the PRC with original maturities of three months or less.

15 TRADE AND OTHER PAYABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Trade payables	19,444	15,857
Payroll payables	11,936	13,021
Construction payables	16,500	29,274
Amounts due to related parties	34	164
Others	6,699	6,700
Total trade and other payables	54,613	65,016

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 2021 RMB'000	At 31 December 2020 RMB'000
Within 3 months	16,661	14,459
3 to 6 months	1,198	128
6 months to 1 year	431	519
Over 1 year	1,154	751
	19,444	15,857

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

16 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	
	2021	2020
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, RMB0.285 per ordinary share (2020: RMB0.175 per ordinary share)	47,310	29,050

Pursuant to the shareholders' approval of the Company on 17 May 2021, a final cash dividend of RMB0.285 per share in respect of the year ended 31 December 2020 based on 166,000,000 ordinary shares totaling amount of RMB47,310,000 was declared and paid during the six months ended 30 June 2021.

17 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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

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.

	At 30 June 2021			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Financial assets at FVTPL				
— Net value-based wealth management products issued by banks	—	6,000	—	6,000
— Variable income-based wealth management products issued by banks and financial institutions	—	—	7,000	7,000
— Structured bank deposits	—	—	5,000	5,000
— Foreign currency forward contracts	—	32	—	32
— Investment in unlisted funds	—	—	72,825	72,825
Total	—	6,032	84,825	90,857

	At 31 December 2020			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Financial assets at FVTPL				
— Net value-based wealth management products issued by banks	—	33,322	—	33,322
— Variable income-based wealth management products issued by banks and financial institutions	—	—	12,000	12,000
— Structured bank deposits	—	—	26,000	26,000
— Foreign currency forward contracts	—	131	—	131
— Investment in unlisted funds	—	—	49,060	49,060
Total	—	33,453	87,060	120,513

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

(i) Financial assets and liabilities measured at fair value *(Continued)*

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 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.

These foreign currency forward contracts are fair valued by comparing the contracted rate to the exchange rate of relevant currency issued by Bank of China at the end of reporting period. All movements in fair value are recognised in profit or loss in the period they occur.

Information about Level 3 fair value measurements

The fair value of variable income-based wealth management products issued by banks and financial institutions, structured bank deposits 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)

17 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 2021:

	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Variable income-based wealth management products issued by banks and financial instruments	Discounted cash flow method	Expected rate on return	3.15% to 4.70% (2020: 3.15% to 4.90%)	0.5% increase/(decrease) in expected rate on return would result in increase/(decrease) in fair value by RMB65,000 (2020: RMB19,000)
Structured bank deposits	Discounted cash flow method	Expected rate on return	1.30% to 3.30% (2020: 1.20% to 3.15%)	0.5% increase/(decrease) in expected rate on return would result in increase/(decrease) in fair value by RMB21,000 (2020: RMB96,000)

Investment in unlisted fund

The fair value of unlisted units in investment funds have been estimated using market approach by reference to the recent funds raised of each underlying portfolio companies invested by the funds. A valuation analysis of changes in fair value of each fund is prepared by the fund manager, Ningbo Huaige Health, to the Company at each interim and annual reporting date.

During the six months period ended 30 June 2021, 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Investment in unlisted fund (Continued)

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

2021	Wealth management products issued by banks RMB'000	Wealth management products issued by financial institutions RMB'000	Structured bank deposits RMB'000	Investment in unlisted funds RMB'000	Total RMB'000
At 31 December 2020 and 1 January 2021	2,000	10,000	26,000	49,060	87,060
Purchase of wealth management products	-	24,000	-	-	24,000
Purchase of structured bank deposits	-	-	461,000	-	461,000
Investment in unlisted funds	-	-	-	12,500	12,500
Net realised and unrealised gains recognised in profit or loss	17	332	3,213	11,265	14,827
Redemption of wealth management products	(1,017)	(28,332)	(485,213)	-	(514,562)
At 30 June 2021	1,000	6,000	5,000	72,825	84,825

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Investment in unlisted fund (Continued)

2020	Wealth management products issued by banks RMB'000	Wealth management products issued by financial institutions RMB'000	Structured bank deposits RMB'000	Investment in unlisted funds RMB'000	Total RMB'000
At 31 December 2019 and 1 January 2020	4,509	–	–	–	4,509
Net unrealised gains recognised in profit or loss	82	–	–	–	82
Redemption of wealth management products	(1,275)	–	–	–	(1,275)
At 30 June 2020 and 1 July 2020	3,316	–	–	–	3,316
Purchase of wealth management products	3,000	10,000	–	–	13,000
Purchase of structured bank deposits	–	–	26,000	–	26,000
Investment in unlisted funds	–	–	–	50,000	50,000
Net realised and unrealised gains/ (loss) recognised in profit or loss	95	–	–	(940)	(845)
Redemption of wealth management products	(4,411)	–	–	–	(4,411)
At 31 December 2020	2,000	10,000	26,000	49,060	87,060

(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 2020 and 30 June 2021.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

18 CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2021 and not provided for in the interim financial report were as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Contracted for	234,800	309,119
Authorised but not contracted for	299,365	230,854
Total	534,165	539,973

19 MATERIAL RELATED PARTY TRANSACTIONS

As of 30 June 2021 as well as date of this report, Ningbo Huaige Health is general partner of 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), which holds 15.18% equity interest in the Company. Therefore, the investments in funds as set out in note 10 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

According to the Company's announcement dated 29 July 2021, the Company has entered into a capital increase agreement with Int Fund, Mr. Ke Wei and the other existing shareholders of Shanghai Healing. Pursuant to which, the share capital of Shanghai Healing will be increased from RMB58,150,000 to RMB61,210,526. Int Fund and Mr. Ke Wei (together referred to as the "Investors") will subscribe for 5% equity interest of Shanghai Healing at a cash consideration of RMB50,000,000 in aggregate. The consideration price is determined with reference to the then fair value of equity interests of Shanghai Healing as determined by an independent valuation firm.

The Company and the other existing shareholder of Shanghai Healing as well as the Investors entered into a separate shareholder agreement on 29 July 2021. Key terms of the shareholder agreement are summarised as follows:

Redemption feature

If certain condition or events failed to meet within agreed periods as set out in the shareholder agreement, Shanghai Healing shall redeem the equity interests from the Investors at a redemption price which shall be no less than the higher of (a) the then net asset of Shanghai Healing, or (b) subscription prices paid by the Investors, plus interest at a rate of 8% less dividends paid to the Investors (if any) on demand.

* English translation is for identification purpose only.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

20 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD *(Continued)*

Liquidation preference

Upon the occurrence of liquidation events as agreed in the shareholder agreement, the then net assets of Shanghai Healing shall be distributed in the following order and manner:

- (i) The Investors shall be entitled to receive amount which represents the subscription price paid, plus interest at a rate of 8% and any dividends declared but not paid as of the liquidation date ("Liquidation Preference Amount");
- (ii) If the then net assets of Shanghai Healing legally available for distribution is less than the Liquidation Preference Amount, the net assets shall be distributed to the Investors on pro rata basis; and
- (iii) If the then net assets of Shanghai Healing legally available for distribution exceeds the Liquidation Preference Amount, the remaining net assets after deducting the Liquidation Preference Amount shall be distributed to all the shareholders (include the Investors) on pro rata basis.

Anti-dilution and valuation adjustment clause

Upon the occurrence of events which would trigger the anti-dilution clause and/or valuation adjustment clause in the shareholder agreement, the Investors is eligible to require Shanghai Healing to issue additional capital to them, at a nil consideration or the lowest price allowed under relevant laws and legislations, whereas applicable.

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"
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"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
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules

DEFINITIONS

"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 annual 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 30 June 2021
"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
"Shanghai Healing"	Shanghai Healing Medical Instruments Co. Ltd.* (上海翰凌醫療器械有限公司), a subsidiary owned as to 56.36% by 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 the H Share(s)
"Shareholder(s)"	the shareholders of the Company
"Share Incentive Platforms"	Jingning Int Chuangyuan Partnership (Limited Partnership)* (景寧瑛泰創源合夥企業(有限合夥)) and Jingning Int Chuangqi Partnership (Limited Partnership)* (景寧瑛泰創啟合夥企業(有限合夥)), limited partnerships established in the PRC whose general partner is Dr. Liang Dongke
"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