

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Shanghai Kindly Medical Instruments Co., Ltd.*

上海康德萊醫療器械股份有限公司

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

(Stock Code: 1501)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

FINANCIAL SUMMARY

	2020	2019	Change
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	358,428	286,457	25.12%
Gross profit	234,415	174,442	34.38%
Profit for the year	116,517	96,535	20.70%
Earnings per share			
Basic and diluted (<i>in RMB</i>)	0.73	0.79	(7.59%)

* For identification purposes only

- The Group's revenue in the Reporting Period was approximately RMB358.43 million, representing an increase of approximately 25.12% or approximately RMB71.97 million as compared to approximately RMB286.46 million for the year ended 31 December 2019. The Group's revenue generated from sales of interventional medical devices in the Reporting Period was approximately RMB266.45 million (2019: approximately RMB257.63 million), representing an increase of approximately RMB8.82 million as compared to those of the year ended 31 December 2019. The Group's revenue generated from sales of masks and medical accessories in the Reporting Period was approximately RMB70.39 million and RMB12.20 million (2019: nil and approximately RMB19.82 million) respectively. The masks business which launched in 2020, in response to the COVID-19 outbreak, contributed 19.64% of the revenue during the Reporting Period.
- During the Reporting Period, the Group's gross profit was approximately RMB234.42 million, as compared to approximately RMB174.44 million for the year ended 31 December 2019. Gross profit margin increased from 60.90% to 65.40% as compared to the year ended 31 December 2019, mainly due to the sales of masks which had a higher profit margin.
- During the Reporting Period, foreign exchange losses were approximately RMB12.31 million due to the sharp depreciation in US Dollar and HK\$ while foreign exchange gains were approximately RMB5.77 million for the year ended 31 December 2019.
- The research and development expenses of the Group in the Reporting Period were approximately RMB64.59 million, representing an increase of approximately 109.98% or approximately RMB33.83 million as compared to approximately RMB30.76 million for the year ended 31 December 2019. The rise was primarily due to the Group's continued development and commercialisation of the existing pipeline products, as well as new products of the Group.
- The Group's profit for the year in the Reporting Period was approximately RMB116.52 million, representing an increase of approximately 20.70% from approximately RMB96.54 million for the year ended 31 December 2019.
- The Group's basic and diluted earnings per share in the Reporting Period was RMB0.73, as compared to RMB0.79 for the year ended 31 December 2019.
- The Board recommended the payment of a final dividend of RMB0.285 per share (equivalent to HK\$0.341 per share) (inclusive of applicable tax) for the year ended 31 December 2020.

The board (the “**Board**”) of directors (the “**Directors**”) of Shanghai Kindly Medical Instruments Co., Ltd. (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**”, “**our**” or “**us**”) for the year ended 31 December 2020 (the “**Reporting Period**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in Renminbi (“**RMB**”))

		2020	2019
	Note	RMB’000	RMB’000
Revenue	3	358,428	286,457
Cost of sales		<u>(124,013)</u>	<u>(112,015)</u>
Gross profit		234,415	174,442
Other income	4	24,752	28,173
Distribution costs		(21,475)	(23,959)
Administrative expenses		(35,966)	(34,175)
Research and development expenses		(64,593)	(30,764)
Reversal of impairment losses		<u>44</u>	<u>21</u>
Profit from operations		137,177	113,738
Finance costs	5(a)	<u>(92)</u>	<u>(1,825)</u>
Profit before taxation	5	137,085	111,913
Income tax	6	<u>(20,568)</u>	<u>(15,378)</u>
Profit for the year		116,517	96,535
Profit attributable to:			
Equity shareholders of the Company		121,354	99,614
Non-controlling interests		<u>(4,837)</u>	<u>(3,079)</u>
Profit for the year		<u>116,517</u>	<u>96,535</u>
Earnings per share (RMB)	7		
Basic and diluted (RMB)		<u>0.73</u>	<u>0.79</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in RMB)

	2020 RMB'000	2019 RMB'000
Profit for the year	<u>116,517</u>	<u>96,535</u>
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that will not be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of an overseas subsidiary	<u>(1,133)</u>	<u>500</u>
Other comprehensive income	<u>(1,133)</u>	<u>500</u>
Total comprehensive income for the year	<u><u>115,384</u></u>	<u><u>97,035</u></u>
Attributable to:		
Equity shareholders of the Company	120,221	100,114
Non-controlling interests	<u>(4,837)</u>	<u>(3,079)</u>
Total comprehensive income for the year	<u><u>115,384</u></u>	<u><u>97,035</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

(Expressed in RMB)

		31 December 2020	31 December 2019
	<i>Note</i>	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		199,253	114,573
Right-of-use assets		100,917	44,621
Intangible assets		7,603	5,899
Other non-current assets		15,582	7,978
Deferred tax assets		2,153	1,847
Financial assets at fair value through profit or loss	8	49,060	–
		374,568	174,918
Current assets			
Inventories		55,206	43,421
Trade and other receivables	9	31,149	14,939
Other current assets		20,176	7,117
Financial assets at fair value through profit or loss		71,453	21,402
Cash and cash equivalents		870,132	1,036,783
		1,048,116	1,123,662
Current liabilities			
Trade and other payables	10	65,016	42,588
Contract liabilities		14,347	9,681
Lease liabilities		320	206
Deferred income		449	494
Current taxation		8,180	6,234
		88,312	59,203
Net current assets		959,804	1,064,459
Total assets less current liabilities		1,334,372	1,239,377
Non-current liabilities			
Lease liabilities		1,413	1,620
Deferred income		5,311	3,442
Deferred tax liabilities		–	28
		6,724	5,090
NET ASSETS		1,327,648	1,234,287
CAPITAL AND RESERVES			
Share capital	11	166,000	166,000
Reserves		1,139,650	1,050,381
Total equity attributable to equity shareholders of the Company		1,305,650	1,216,381
Non-controlling interests		21,998	17,906
TOTAL EQUITY		1,327,648	1,234,287

NOTES

1 STATEMENT OF COMPLIANCE

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

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

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

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries.

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

3 REVENUE AND SEGMENT REPORTING

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

(a) Disaggregation of revenue

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

	2020 RMB'000	2019 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>	265,545	256,513
<i>Orthopaedics and other devices</i>	902	1,113
	<hr/>	<hr/>
Subtotal	266,447	257,626
— Sales of medical masks	70,390	—
— Sales of medical accessories	12,202	19,822
— Moulds and others	9,389	9,009
	<hr/>	<hr/>
	358,428	286,457
	<hr/>	<hr/>

The Group's customer base is diversified. There is no individual customer with whom transactions have exceeded 10% of the Group's revenue for the years ended 31 December 2020 and 2019.

During the year ended 31 December 2020, revenue from Shanghai Kindly Enterprise Development Group Co., Ltd. and its subsidiaries/associate (exclude the Group) was RMB7,991,000 (2019: RMB13,047,000), which represents 2.2% (2019: 4.6%) of total revenue for the year.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for medical devices, accessories and moulds, as the Group will be entitled to those revenue when it satisfies the remaining performance obligations under the contracts sales that had an original expected duration of one year or less.

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

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	246,511	192,586
Europe	38,909	31,910
The United States	14,185	14,018
Other countries and regions	58,823	47,943
	358,428	286,457

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 People's Republic of China (the "PRC").

(b) Segment reporting

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

(i) Segment results, assets and liabilities

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

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

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

Information regarding the Group's segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below:

	2020		
	Cardiovascular Interventional business RMB'000	All others RMB'000	Total RMB'000
Revenue from external customers	337,876	20,552	358,428
Inter-segment revenue	<u>3,415</u>	<u>10,720</u>	<u>14,135</u>
Segment revenue	<u>341,291</u>	<u>31,272</u>	<u>372,563</u>
Segment net profit/(loss)	<u>125,949</u>	<u>(6,940)</u>	<u>119,009</u>
	2019		
	Cardiovascular Interventional business RMB'000	All others RMB'000	Total RMB'000
Revenue from external customers	273,443	13,014	286,457
Inter-segment revenue	<u>3,470</u>	<u>6,879</u>	<u>10,349</u>
Segment revenue	<u>276,913</u>	<u>19,893</u>	<u>296,806</u>
Segment net profit/(loss)	<u>100,219</u>	<u>(1,664)</u>	<u>98,555</u>

(ii) *Reconciliation of revenue and segment profit*

	2020 RMB'000	2019 RMB'000
Revenue		
Segment revenue	372,563	296,806
Elimination of inter-segment revenue	<u>(14,135)</u>	<u>(10,349)</u>
Consolidated revenue	<u>358,428</u>	<u>286,457</u>
Profit		
Segment net profit	119,009	98,555
Elimination of inter-segment net profit	<u>(2,492)</u>	<u>(2,020)</u>
Consolidated net profit	<u>116,517</u>	<u>96,535</u>

4 OTHER INCOME

	2020 RMB'000	2019 RMB'000
Government grants (<i>note</i>)	13,641	4,639
Interest income	24,095	9,950
Net realised and unrealised gains from fair value changes on financial assets measured at fair value through profit or loss	2,395	4,347
Foreign exchange (losses)/gains	(12,312)	5,771
Others	<u>(3,067)</u>	<u>3,466</u>
	<u>24,752</u>	<u>28,173</u>

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

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2020 RMB'000	2019 RMB'000
(a) Finance costs		
Interest on lease liabilities	<u>92</u>	<u>1,825</u>
(b) Staff costs		
Salaries, wages and other benefits	80,838	66,367
Contributions to defined contribution retirement plan	<u>4,528</u>	<u>9,147</u>
	<u>85,366</u>	<u>75,514</u>
(i)	Pursuant to the relevant labour rules and regulations in the PRC, the Company and its subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the “ Schemes ”) organised by the local government authorities whereby the Company and its subsidiaries in the PRC are required to make contributions to the Schemes based on certain percentages of the eligible employee’s salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees. The Group has no other obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.	
(ii)	In 2020, the Group also received one-time government subsidy related to COVID-19 in the form of a reduction in social security contributions which was recognised as reduction to the related staff expenses when it was granted.	
(iii)	Staff costs includes remuneration of directors and senior management.	

	2020 RMB'000	2019 <i>RMB'000</i>
(c) Other items		
Depreciation and amortisation		
— property, plant and equipment	17,558	11,495
— right-of-use assets	3,769	6,758
— intangible assets	637	390
	21,964	18,643
Reversal of impairment loss on trade and other receivables	44	21
Auditors' remuneration		
— audit services	2,138	1,430
— other services	80	100
Research and development costs [#]	64,593	30,764
Cost of inventories ^{##}	125,342	112,015

[#] During the year ended 31 December 2020, research and development costs includes staff costs and depreciation and amortization of RMB25,607,000 (2019: RMB16,407,000), which amount is also included in the respective total amounts disclosed separately above.

^{##} During the year ended 31 December 2020, cost of inventories includes staff costs and depreciation and amortization expenses of RMB49,619,000 (2019: RMB46,396,000), which amount is also included in the respective total amounts disclosed separately above.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2020 RMB'000	2019 <i>RMB'000</i>
Current tax — PRC corporate income tax (“CIT”)	20,902	15,413
Deferred tax	(334)	(35)
Total	20,568	15,378

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

	2020 RMB'000	2019 <i>RMB'000</i>
Profit before taxation	<u>137,085</u>	<u>111,913</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	34,255	27,980
Effect of preferential tax rate	(13,047)	(9,936)
Effect of super deduction on research and development expenses	(10,740)	(5,537)
Effect of unused tax losses not recognised as deferred tax assets	8,800	3,320
Others	<u>1,300</u>	<u>(449)</u>
Actual tax expense	<u>20,568</u>	<u>15,378</u>

Notes:

PRC CIT

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

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

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

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

The 15% preferential tax rate applicable to HNTe is subject to renewal approval 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 million) or 10% (taxable income ranges between RMB1 million to RMB3 million).

Shanghai Kindly Medical Instruments Automation Research Centre Co., Ltd.* (上海康德萊醫療器械自動化研究所有限公司) (“**Shanghai KDL Research Center**”), Shanghai Qimu Medical Instruments Co., Ltd.* (上海七木醫療器械有限公司) (“**Shanghai Qimu**”), Shanghai Puhui Medical Instruments Co., Ltd.* (上海璞慧醫療器械有限公司) (“**Shanghai Puhui**”) and Shanghai Healing Medical Instruments Co., Ltd.* (上海翰凌醫療器械有限公司) (“**Shanghai Healing**”) were qualified as SME in 2019. Shanghai KDL Research Center enjoyed the preferential income tax rate of 5% for the year ended 31 December 2019. No provision has been made for Shanghai Qimu, Shanghai Puhui and Shanghai Healing as these subsidiaries have no assessable profits for the year ended 31 December 2019.

Shanghai Qimu, Shanghai Puhui, Shanghai Healing and Shanghai Pumei Medical Instruments Co., Ltd.* (上海璞鎂醫療器械有限公司) were qualified as SME in 2020 and no provision has been made as these subsidiaries have no assessable profits for the year ended 31 December 2020.

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

Hong Kong profit tax

The Company’s subsidiary incorporated in Hong Kong is subject to Hong Kong Profits tax at 8.25% of the taxable profit less than HKD2 million or 16.5% of the taxable profit exceeding HKD2 million. No provision for Hong Kong Profits Tax as the subsidiary in Hong Kong had no assessable profits for the year ended 31 December 2020 (2019: nil).

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 RMB121,354,000 (2019: RMB99,614,000), and the weighted average number of shares of 166,000,000 (2019: 126,679,000) in issue, calculated as follows:

Weighted average number of ordinary shares

	2020 ’000	2019 ’000
Issued ordinary shares at the beginning of the year	166,000	60,000
Effect of increase share capital by capital reserve transfer on 20 April 2019	–	60,000
Effect of issuance of H shares	–	6,679
	<hr/>	<hr/>
Weighted average number of ordinary shares	166,000	126,679

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

* English translation is for identification purposes only.

8 INVESTMENT IN FUNDS

As at 31 December 2020, the non-current financial asset at fair value through profit or loss represents the investment in unlisted 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.

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.

9 TRADE AND OTHER RECEIVABLES

	31 December 2020 RMB’000	31 December 2019 RMB’000
Trade receivables^(a)		
Receivables from third parties	20,448	11,507
Receivables from related parties	3,223	3,254
Less: losses allowance on trade receivables	(16)	(60)
	<hr/>	<hr/>
Trade receivables, net	23,655	14,701
Deposit for construction project	6,959	–
Others	535	238
	<hr/>	<hr/>
Trade and other receivables, net	31,149	14,939
	<hr/> <hr/>	<hr/> <hr/>

(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:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Within 3 months	22,698	13,598
3 to 6 months	957	1,103
	23,655	14,701

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

10 TRADE AND OTHER PAYABLES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade payables (i)	15,857	16,430
Payroll payables	13,021	14,754
Construction payable	29,274	–
Amounts due to related parties	164	277
Listing expenses payable	–	5,524
Others	6,700	5,603
	65,016	42,588

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Within 3 months	14,459	16,116
Over 3 months but within 6 months	128	152
Over 6 months but within 1 year	519	19
Over 1 year	751	143
	15,857	16,430

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

11 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	2020		2019	
	No. of shares ('000)	RMB'000	No. of shares ('000)	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	166,000	166,000	60,000	60,000
Transfer from capital reserve (i)	–	–	60,000	60,000
Issuance of H shares (ii)	–	–	46,000	46,000
	<u>166,000</u>	<u>166,000</u>	<u>166,000</u>	<u>166,000</u>
At 31 December	<u>166,000</u>	<u>166,000</u>	<u>166,000</u>	<u>166,000</u>
Representing:				
Domestic shares issued	120,000	120,000	120,000	120,000
H shares issued	<u>46,000</u>	<u>46,000</u>	<u>46,000</u>	<u>46,000</u>
Total ordinary shares issued at 31 December	<u>166,000</u>	<u>166,000</u>	<u>166,000</u>	<u>166,000</u>

(i) Share capital increase by capital reserve transfer

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

(ii) Issuance of H shares

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

(b) Dividends

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

	2020 RMB'000	2019 <i>RMB'000</i>
Final dividend proposed after the end of the reporting period of RMB0.285 per ordinary share (2019: RMB0.175 per ordinary share)	<u>47,310</u>	<u>29,050</u>

On 19 March 2021, the directors of the Company proposed a final dividend for the year ended 31 December 2020 of RMB0.285 per ordinary share, which has not been recognized as a liability at 31 December 2020.

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

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

	2020 RMB'000	2019 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, RMB0.175 per ordinary share (2019: RMB1.27 per ordinary share)	<u>29,050</u>	<u>53,382</u>

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

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.

The year 2020 saw the COVID-19 pandemic (“**COVID-19**”) spread around the world, with many countries and regions being affected to various extent. While the prevention, control, diagnosis and treatment of COVID-19 stimulated demand in the global medical industry, outpatient visits and elective surgeries except for COVID-19 treatment were postponed, negatively impacting on the Group’s business promotion in China and overseas.

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 RMB358.43 million, representing an increase of approximately 25.12% or approximately RMB71.97 million as compared to approximately RMB286.46 million for the year ended 31 December 2019. The Group's revenue generated from sales of interventional medical devices in the Reporting Period was approximately RMB266.45 million (2019: approximately RMB257.63 million), representing an increase of approximately RMB8.82 million as compared to those of the year ended 31 December 2019. The Group's revenue generated from sales of masks and medical accessories in the Reporting Period was approximately RMB70.39 million and RMB12.20 million (2019: nil and approximately RMB19.82 million) respectively. The masks business which launched in early 2020 to respond COVID-19 outbreak contributed 19.64% of the revenue during the Reporting Period.

Comprehensive medical device registration certificates

During the Reporting Period, the Group obtained 3 National Medical Products Administration of China ("NMPA") registration certificates for Class III medical devices, 4 Shanghai Medical Products Administration ("SHMPA") registration certificates for Class II medical devices, 6 European CE certificates and 2 United States Food and Drug Administration ("FDA") approvals. As at 31 December 2020, we have an aggregate of 19 NMPA registration certificates for Class III medical devices, 16 SHMPA registration certificates for Class II medical devices, 40 European CE certificates and 12 United States FDA approvals.

Strong research and development capabilities

Our research and development team consists of professionals who possess Doctorate degrees and Master's degrees and numerous talents who have over 10 years of experience in research and development of production, with adequate capabilities in the development of innovation products and sustainable improvement of research and development. As at 31 December 2020, we had 127 registered patents, 135 patents under application and 5 registered software.

Extensive distribution and sales network

We have an extensive distribution network and have developed and maintained stable relationships with our distributors. By the end of 2020, we had 434 (2019: 360) PRC distributors covering 23 (2019: 23) provinces, 4 (2019: 4) directly-administered municipalities and 4 (2019: 4) autonomous regions in the PRC, and covering 1,436 (2019: 1,234) domestic hospitals in the PRC including 664 (2019: 612) Tier III hospitals. In addition, we had 143 (2019: 129) overseas customers covering over 51 (2019: 44) countries and regions.

ACTIVITIES REVIEW

Subsidiaries

As at 31 December 2020, the Group was comprised of 8 (2019: 7) wholly-owned or holding subsidiaries engaging in the design and development of medical devices used in fields including peripheral intervention, neurological intervention, cardiovascular intervention or implantation, and the design and development of equipment and molds used for production of medical devices.

OUTLOOK FOR 2021

The outbreak of the COVID-19 since the beginning of 2020 is a challenging situation faced by the global society. As a result, the Group's main business performance in 2020, the progress of use of proceeds from the global offering of the Company (the “**Global Offering**”) and the progress of research and development pipeline were therefore affected to some extent. Looking forward to 2021, we will (1) fully leverage on our brand recognition and sales distribution network to further expand our market share, and strengthen and maintain our leading position in the interventional medical devices industry; and (2) further development the product pipeline, allocating more resources for research and development, further progress on the research and development, core product pipeline and obtaining approvals for new products.

FINANCIAL REVIEW

REVENUE

The Group's revenue in the Reporting Period was approximately RMB358.43 million, representing an increase of approximately 25.12% or approximately RMB71.97 million as compared to approximately RMB286.46 million for the year ended 31 December 2019. The increase was due to the contribution from the manufacturing and sales of masks.

With respect to revenue categorized by different products, the Group's revenue generated from sales of interventional medical devices in the Reporting Period was approximately RMB266.45 million (2019: approximately RMB257.63 million), representing an increase of approximately RMB8.82 million as compared to those of the year ended 31 December 2019. The Group's revenue generated from sales of masks and medical accessories in the Reporting Period was approximately RMB70.39 million and RMB12.20 million (2019: nil and approximately RMB19.82 million) respectively. The masks business which was launched in 2020 in response to the COVID-19 outbreak contributed 19.64% revenue of the Reporting Period.

Cost of Sales

The cost of sales in the Reporting Period was approximately RMB124.01 million, representing an increase of approximately 10.70% or approximately RMB11.99 million as compared to approximately RMB112.01 million for the year ended 31 December 2019. It was mainly due to the increase in revenue.

Gross Profit and Gross Profit Margin

During the Reporting Period, gross profit was approximately RMB234.42 million, as compared to approximately RMB174.44 million for the year ended 31 December 2019. Gross profit margin increased from 60.90% for the year ended 31 December 2019 to 65.40% for the year ended 31 December 2020. The increase was mainly due to the sales of masks which has a higher profit margin given the COVID-19 outbreak.

Other Income

During the Reporting Period, other income was approximately RMB24.75 million, representing a decrease of approximately 12.14% or approximately RMB3.42 million as compared to approximately RMB28.17 million for the year ended 31 December 2019. The decrease was mainly due to the increase in foreign exchange losses as the sharp depreciation in US Dollar and HK\$ since the second half of 2020.

Finance Costs

During the Reporting Period, the finance costs were approximately RMB0.09 million as compared to approximately RMB1.83 million for the year ended 31 December 2019. The finance costs were interests arising from lease liabilities.

Distribution Costs

The distribution costs in the Reporting Period were approximately RMB21.48 million, decreased by approximately 10.35% or approximately RMB2.48 million as compared to approximately RMB23.96 million for the year ended 31 December 2019. It constituted 5.99% of the total revenue as compared to 8.36% for the year ended 31 December 2019. The decrease in distribution costs was primarily because domestic and oversea exhibitions were affected by the COVID-19.

Administrative Expenses

The administrative expenses of the Group in the Reporting Period were approximately RMB35.97 million, as compared to approximately RMB34.18 million for the year ended 31 December 2019, mainly due to the increase in professional services expenses after the Global Offering.

Research and Development Expenses

The research and development expenses of the Group in the Reporting Period were approximately RMB64.59 million, representing an increase of approximately 109.98% or approximately RMB33.83 million as compared to approximately RMB30.76 million for the year ended 31 December 2019. The rise was primarily due to the Group's continued development and commercialisation of the exciting pipeline products, as well as new products of the Group.

Income Tax Expenses

The income tax expenses in the Reporting Period was approximately RMB20.57 million, representing an increase of approximately 33.75% or approximately RMB5.19 million as compared to approximately RMB15.38 million for the year ended 31 December 2019. It was mainly because of the increase of the profit before taxation.

Profit for the year

The Group's profit for the year in the Reporting Period was approximately RMB116.52 million, representing an increase of approximately 20.70% as compared to approximately RMB96.54 million for the year ended 31 December 2019.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has maintained a sound financial position during the Reporting Period. As at 31 December 2020, the Group's cash and bank balance amounted to approximately RMB870.13 million (2019: approximately RMB1,036.78 million). For the year ended 31 December 2020, net cash flow from operating activities of the Group amounted to approximately RMB95.71 million (2019: approximately RMB92.08 million).

The Group recorded total current assets of approximately RMB1,048.12 million as at 31 December 2020 (2019: approximately RMB1,123.66 million) and total current liabilities of approximately RMB88.31 million as at 31 December 2020 (2019: approximately RMB59.20 million). The current ratio (calculated by dividing the current assets by the current liabilities) of the Group was approximately 11.87 as at 31 December 2020 (2019: approximately 18.98).

BORROWINGS AND GEARING RATIO

The Group has no bank borrowings or other borrowings for the Reporting Period and for the year ended 31 December 2019. As such, the gearing ratio is not applicable.

CAPITAL STRUCTURE

Total equity attributable to equity shareholders of the Company amounted to approximately RMB1,305.65 million as at 31 December 2020 as compared to approximately RMB1,216.38 million as at 31 December 2019.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB0.285 per share (equivalent to HK\$0.341 per share) (inclusive of applicable tax) (the “**Proposed Final Dividend**”) for the year ended 31 December 2020 (2019: RMB0.175 per share). Subject to the approval of the Proposed Final Dividend by the shareholders of the Company (the “**Shareholders**”) at the 2021 annual general meeting of the Company (the “**2021 AGM**”) to be held on Monday, 17 May 2021, the Proposed Final Dividend will be distributed on or about Monday, 21 June 2021 to the Shareholders whose names appear on the register of members of the Company on Sunday, 30 May 2021 (the “**Record Date**”).

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

In accordance with the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) which was passed by the Standing Committee of the National People’s Congress on 16 March 2007 and amended on 24 February 2017 and 29 December 2018 (the latest amendment which has taken effect on the even date), and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise Shareholders whose names appear on the register of members for H shares when distributing the cash dividends. Any H shares

not registered under the name of an individual Shareholder, including HKSCC Nominees Limited, other nominees, agents or trustees, or other organizations or groups, shall be deemed as Shares held by non-resident enterprise Shareholders. Therefore, on this basis, enterprise income tax shall be withheld from dividends payable to such Shareholders. If holders of H shares intend to change its Shareholder status, please enquire about the relevant procedures with your agents or trustees. The Company will strictly comply with the law or the requirements of the relevant government authority and withhold and pay enterprise income tax on behalf of the relevant Shareholders based on the register of members for H shares as of the Record Date.

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

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

USE OF PROCEEDS FROM THE GLOBAL OFFERING

Upon completion of the Global Offering, the Company raised net proceeds of approximately RMB797.62 million (after deducting the listing fees and other expenses). As at 31 December 2020, the Company has utilized approximately RMB200.66 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 announcement of the Company dated 7 July 2020, the details of intended application of net proceeds are set out as follows:

	Revised allocation of net proceed (RMB million)	Utilized net proceeds up to 31 December 2020 (RMB million)	Unutilized net proceeds up to 31 December 2020 (RMB million)	Expected timeline of full utilisation of the unutilized proceeds
Set up a research and development center and an additional production facility in Jiading, Shanghai	271.99	73.77	198.22	December 2022
Purchase additional and replacement of existing production equipment and automate production lines	110.07	6.43	103.64	December 2022
Expand our distribution network and coverage, collaborate with local distributors and intensify our marketing efforts	69.39	–	69.39	December 2022
Fund potential strategic investments including acquisition, partnership and license-in	156.33	–	156.33	December 2021
General corporate purposes and fund our working capital	79.84	79.84	–	December 2020
Zhuhai Derui New Factory Project	110.00	40.62	69.38	December 2021
Total	<u>797.62</u>	<u>200.66</u>	<u>596.96</u>	

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

EMPLOYEE REMUNERATION AND RELATIONS

As at 31 December 2020, the Group had a total of 967 employees, comparing to 757 employees as at 31 December 2019. The total cost of employees for the Reporting Period amounted to approximately RMB85.37 million (2019: approximately RMB75.51 million). The Group provides employees with competitive remuneration and benefits, which includes basic salaries, allowances, bonus, share incentive scheme and other employee benefits. The Group's remuneration policies are formulated according to the assessment of individual performance and are periodically reviewed. The Group provides training programs to employees, including new hire training for new employees and continuing technical training primarily for our research and development team to enhance their skill and knowledge.

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

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

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

	2020				
	Percentage of interest %	Cost of investment RMB'000	Fair value RMB'000	Losses RMB'000	Dividend received 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	25,000	24,340	660	—
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")	29.41	25,000	24,720	280	—
		<u>50,000</u>	<u>49,060</u>	<u>940</u>	<u>—</u>

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

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

The Group will make further capital contribution of RMB25.00 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 year ended 31 December 2020.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

CONTINGENT LIABILITIES

As at 31 December 2020 and 2019, the Group did not have any material contingent liabilities.

FINANCIAL INSTRUMENTS

As at 31 December 2020, the Group had entered into foreign currency forward contracts to reduce its exposure to fluctuation in foreign exchange rate, with a carrying amount of RMB131 thousand under financial assets at FVTPL (2019: Nil). These foreign currency forward contracts are not hedge accounted.

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

CAPITAL EXPENDITURE

The capital expenditure of the Group for property, plant and equipment (the “**PPE**”), construction in progress, intangible assets, prepaid lease payments and deposits for PPE amounted to approximately RMB165.30 million for the Reporting Period (2019: approximately RMB109.82 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, 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. In the normal course of business, the Group enter into foreign currency forward contracts for trading transactions denominated in US Dollar to reduce exposure to the fluctuation in foreign exchange rates. The Group will continuously monitor its foreign exchange exposure and will consider hedging of foreign currency risk should the need arise.

CHARGE ON GROUP ASSETS

As at 31 December 2020, the Group did not have any charges on its assets.

CAPITAL COMMITMENT

The Group’s outstanding capital commitments authorized but not contracted for at 31 December 2020 not provided for in the financial statements amounted to approximately RMB230.85 million (2019: approximately RMB418.77 million). The Group’s outstanding capital commitment contracted for at 31 December 2020 not provided for in the financial statements amounted to approximately RMB308.78 million (2019: nil).

The capital commitments mainly includes the unpaid capital commitments to the investment funds and the capital expenditures on the construction of Shanghai and Zhuhai production base as well as upgrading of production lines.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

- (i) According to the Company's announcement dated 21 September 2020 and the circular dated 6 November 2020, the Company announced the adoption of share incentive scheme. Pursuant to which the restricted share units (the "RSUs") administered under the share incentive scheme shall not exceed 5,000,000 domestic shares and shall be granted to no more than 100 employees of the Group. The RSUs will be granted to the grantees at a price equivalent to RMB12.00 per share. The share incentive scheme will be administered from 2020 to 2024. The proposed grantees shall be subject to performance review from 2020 to 2022.

On 17 December 2020, the share incentive scheme was approved on the extraordinary general meeting of the Company. Under relevant rules, the Company shall apply for approval from China Securities Regulatory Commission ("CSRC") in relation to its issuance of new domestic shares to be used for the above share incentive scheme. As of date of this announcement, the Company is still under the process of communication with CSRC about this matter.

- (ii) In January 2021, the Company established a wholly-owned subsidiary Shandong Int Medical Instruments Co., Ltd.* (山東瑛泰醫療器械有限公司) in Rizhao, Shandong Province, the PRC. It's registered capital was RMB50,000,000.
- (iii) In February 2021, the Company established Shanghai Pulin Medical Instruments Co., Ltd.* (上海璞霖醫療器械有限公司) in Shanghai, the PRC, with 65% equity interest. It's registered capital was RMB20,000,000.
- (iv) In March 2021, the Company established Shanghai Puyue Medical Instruments Co., Ltd.* (上海璞躍醫療器械有限公司) in Shanghai, the PRC, with 60% equity interest. The registered capital was RMB20,000,000.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code 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 audited consolidated annual results for the Reporting Period and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The Audit Committee has also discussed the auditing, internal control and financial reporting matters.

SCOPE OF WORK OF KPMG

The financial figures in respect of the preliminary announcement of the Group's annual results for the year ended 31 December 2020 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2021 AGM will be held on Monday, 17 May 2021. For the purpose of determining the identity of the Shareholders who are entitled to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Saturday, 17 April 2021 to Monday, 17 May 2021, both days inclusive, during which period no transfer of shares of the Company will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for the holders of H shares), or the Company's registered office at Block 2, No. 925 Jin Yuan Yi Road, Jiading District, Shanghai, PRC (for the holders of domestic shares), by no later than 4:30 p.m. on Friday, 16 April 2021.

For the purpose of determining the identity of the Shareholders who are entitled to receive the Proposed Final Dividend, the register of members of the Company will be closed from Tuesday, 25 May 2021 to Sunday, 30 May 2021, both days inclusive, during which period no transfer of shares of the Company will be effected. All transfer accompanied by the relevant share certificates must be lodged with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares), or the Company's registered office at Block 2, No. 925 Jin Yuan Yi Road Jiading District, Shanghai, PRC (for holders of domestic shares), no later than 4:30 p.m. on Monday, 24 May 2021.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.kdl-int.com). The Group's 2020 annual report will be dispatched to the Shareholders and will be published on the aforementioned websites in due course.

APPRECIATION

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

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

Shanghai, the PRC
19 March 2021

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

* For identification purposes only