

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shanghai Kindly Medical Instruments Co., Ltd.* (上海康德萊醫療器械股份有限公司), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Shanghai Kindly Medical Instruments Co., Ltd.*

上海康德萊醫療器械股份有限公司

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

(Stock Code : 1501)

- (1) REPORT OF THE DIRECTORS FOR THE YEAR 2020**
- (2) REPORT OF THE SUPERVISORY COMMITTEE FOR THE YEAR 2020**
- (3) ANNUAL REPORT FOR THE YEAR 2020**
- (4) AUDITED FINANCIAL STATEMENTS FOR THE YEAR 2020**
- (5) PROFIT DISTRIBUTION PLAN FOR THE YEAR 2020**
- (6) ANNUAL FINANCIAL BUDGET FOR THE YEAR 2021**
- (7) REMUNERATION OF DIRECTORS FOR THE YEAR 2021**
- (8) REMUNERATION OF SUPERVISORS FOR THE YEAR 2021**
- (9) RE-APPOINTMENT OF INTERNATIONAL AND DOMESTIC AUDITORS FOR THE YEAR 2021**
- (10) PROPOSED AMENDMENTS TO THE SHARE INCENTIVE SCHEME**
- (11) PROPOSED AUTHORIZATION OF THE BOARD TO HANDLE MATTERS PERTAINING TO THE SHARE INCENTIVE SCHEME**
- (12) RSU MANDATE TO ISSUE DOMESTIC SHARES**
- (13) GENERAL MANDATE TO ISSUE SHARES AND**
- (14) NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the annual general meeting (the "AGM") of Shanghai Kindly Medical Instruments Co., Ltd.* (上海康德萊醫療器械股份有限公司) to be held at Block 2, No. 925 Jin Yuan Yi Road, Jiading District, Shanghai, the PRC on Monday, 17 May 2021 at 2:00 p.m. is set out on pages AGM-1 to AGM-5 of this circular. A form of proxy for use at the AGM is also enclosed. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kdl-int.com).

Whether or not you are able to attend the AGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for H Shareholders) or the Company's registered office at Block 2, No. 925 Jin Yuan Yi Road, Jiading District, Shanghai, the PRC (for Domestic Shareholders) as soon as possible but in any event not less than 24 hours before the time appointed for the holding of the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the AGM or any adjournment thereof (as the case may be) if they so wish and in such event, the form of proxy shall be deemed to be revoked.

* For identification purposes only

16 April 2021

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the followings meanings:

“AGM”	the annual general meeting of the Company to be held at Block 2, No. 925 Jin Yuan Yi Road, Jiading District, Shanghai, the PRC on Monday, 17 May 2021 at 2:00 p.m., or any adjournment thereof (as the case may be) and notice of which is set out on pages AGM-1 to AGM-5 of this circular
“Articles of Association”	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“Award Shares”	the 5,000,000 new Domestic Shares to be allotted to Dr. Liang Dongke and the Share Incentive Platforms or other designated persons for administration of the Share Incentive Scheme
“Board” or “Board of Directors”	the board of Directors
“Company”	Shanghai Kindly Medical Instruments Co., Ltd.* (上海康德萊醫療器械股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Stock Exchange (stock code: 1501)
“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)”	domestic ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company
“Domestic Shareholder(s)”	holder(s) of Domestic Share(s)
“Grantee(s)”	the person(s) to whom the RSU is/are granted
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign invested ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, listed on the Main Board of the Stock Exchange
“H Shareholder(s)”	holder(s) of H Share(s)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Mandate”	a general mandate proposed to be granted to the Board by the Shareholders at the AGM to issue not exceeding 20% of the respective number of Domestic Shares and H Shares in issue as at the date of passing of the relevant special resolution set out in the notice of the AGM, and make corresponding amendments to the Articles of Association as and when deemed appropriate
“Latest Practicable Date”	1 April 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Ningbo Int”	Ningbo Int Investment Partnership (Limited Partnership)* (寧波瑛泰投資合夥企業(有限合夥)), being an employee share incentive platform and Shareholder of the Company
“PRC”	the People’s Republic of China but excluding, for the purposes of this circular only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“PRC Company Law”	the Company Law of the People’s Republic of China, as the same may be amended, supplemented or otherwise modified from time to time
“RMB”	Renminbi, the lawful currency of the PRC
“RSU”	the restricted share units under the Share Incentive Scheme, which are in the form of Award Shares to be directly held by Dr. Liang Dongke and equity interest in the Share Incentive Platforms
“RSU Mandate”	a specific and unconditional mandate proposed to be granted to the Board at the AGM to exercise the power of the Company to allot and issue 5,000,000 new Domestic Shares as Award Shares under the Share Incentive Scheme
“Share(s)”	H Share(s) and Domestic Share(s)
“Shareholder(s)”	the holder(s) of the Share(s)

DEFINITIONS

“Share Incentive Platforms”	Jingning Int Chuangyuan Enterprise Management Partnership (Limited Partnership)* (景寧瑛泰創源企業管理合夥企業(有限合夥)) and Jingning Int Chuangqi Enterprise Management Partnership (Limited Partnership)* (景寧瑛泰創啟企業管理合夥企業(有限合夥)), limited partnerships established in the PRC whose general partner is Dr. Liang Dongke
“Share Incentive Scheme”	the share incentive scheme approved by the Shareholders on 17 December 2020
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“%”	per cent

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LETTER FROM THE BOARD



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)

Executive Directors:

Dr. Liang Dongke
(Chairman and General Manager)
Mr. Wang Cailiang

*Registered office, headquarters and
principal place of business in the PRC:*
Block 2, No. 925 Jin Yuan Yi Road
Jiading District, Shanghai
the PRC

Non-executive Directors:

Mr. Zhang Weixin
Ms. Chen Hongqin
Mr. Fang Shengshi

Principal place of business in Hong Kong:
31/F, Tower Two, Times Square
1 Matheson Street, Causeway Bay
Hong Kong

Independent Non-executive Directors:

Mr. Dai Kerong
Mr. Jian Xigao
Dr. Ge Junbo
Mr. Hui Hung Kwan

16 April 2021

To the Shareholders

Dear Sir or Madam,

- (1) REPORT OF THE DIRECTORS FOR THE YEAR 2020**
- (2) REPORT OF THE SUPERVISORY COMMITTEE FOR THE YEAR 2020**
- (3) ANNUAL REPORT FOR THE YEAR 2020**
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AUDITORS FOR THE YEAR 2021**
- (10) PROPOSED AMENDMENTS TO THE SHARE INCENTIVE SCHEME**
- (11) PROPOSED AUTHORIZATION OF THE BOARD TO HANDLE
MATTERS PERTAINING TO THE SHARE INCENTIVE SCHEME**
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AND**
- (14) NOTICE OF ANNUAL GENERAL MEETING**

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LETTER FROM THE BOARD

INTRODUCTION

The purpose of this circular is to give you a notice of AGM, which is set out on pages AGM-1 to AGM-5 of this circular and to provide you with information reasonably necessary to enable you to make informed decision on whether to vote on those resolutions to be proposed at the AGM as described below.

At the AGM, ordinary resolutions concerning the following matters of the Company will be proposed to consider and approve (1) the report of the Directors for the year 2020; (2) the report of the Supervisory Committee for the year 2020; (3) the annual report of the Company for the year 2020; (4) the audited financial statements of the Group for the year 2020; (5) the profit distribution plan for the year 2020; (6) the annual financial budget of the Company for the year 2021; (7) the remuneration plan for Directors for the year 2021; (8) the remuneration plan for Supervisors for the year 2021; (9) the re-appointment of international and domestic auditors of the Company for the year 2021; (10) the proposed amendments to the Share Incentive Scheme; and (11) the proposed authorization of the Board to handle matters pertaining to the Share Incentive Scheme.

At the AGM, special resolutions will also be proposed to consider and approve (1) the grant of RSU Mandate to the Board to issue Domestic Shares; and (2) the grant of general mandate to the Board to issue Shares.

MATTERS TO BE RESOLVED AT THE AGM

(1) Report of the Directors for the year 2020

An ordinary resolution will be proposed at the AGM to approve the report of the Directors for the year 2020. The full text of the report of the Directors for the year 2020 is set out in the Company's 2020 annual report.

(2) Report of the Supervisory Committee for the year 2020

An ordinary resolution will be proposed at the AGM to approve the report of the Supervisory Committee for the year 2020. The full text of the report of the Supervisory Committee for the year 2020 is set out in the Company's 2020 annual report.

(3) The annual report of the Company for the year 2020

An ordinary resolution will be proposed at the AGM to approve the Company's annual report for the year 2020.

(4) The audited financial statements of the Group for the year 2020

An ordinary resolution will be proposed at the AGM to approve the Group's audited financial statements for the year 2020. The audited financial statements which were prepared in compliance with the Hong Kong Financial Reporting Standards and the full text of the independent auditor's report for the year 2020 are set out in the Company's 2020 annual report.

LETTER FROM THE BOARD

(5) The profit distribution plan for the year 2020

Pursuant to the Articles of Association, an ordinary resolution will be proposed at the AGM to approve the profit distribution plan of the Company.

On 19 March 2021, the Board recommended the payment of the proposed 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. Subject to the approval of the proposed final dividend by the Shareholders at the 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 distribution shall be calculated based on the total number of Shares in issue as of the Record Date and the final cash dividend distribution shall be based on RMB0.285 per Share (equivalent to HK\$0.341 per Share) (inclusive of applicable tax). In order to qualify for the final dividend, the Shareholders must lodge all share certificates accompanied by the transfer documents 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, Wan Chai, Hong Kong (for H Shareholders), or the Company’s registered office at Block 2, No. 925 Jin Yuan Yi Road, Jiading District, Shanghai, the PRC (for Domestic Shareholders), before 4:30 p.m. on Monday, 24 May 2021. For the purpose of ascertaining the Shareholders who qualify for the 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 will be effected.

The final dividend will be denominated and declared in RMB. The Domestic Shareholders will be paid in RMB and the H Shareholders will be paid in Hong Kong dollar. The exchange rate for the final dividend to be paid in Hong Kong dollar will be the mean of the exchange rate of Hong Kong dollar 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 H Shareholders intend to change its Shareholder status, please enquire about the relevant procedures with your agents or trustees. The Company will

LETTER FROM THE BOARD

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 H Shareholders 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 H Shareholders 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 H Shareholders 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 H Shareholders 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.

(6) The annual financial budget of the Company for the year 2021

In response to the strategic development and business expansion, the Company intends to set a budget of capital expenditure amounting to approximately RMB335 million for 2021, amongst which (a) approximately RMB150 million will be used to fund potential investments; (b) approximately RMB132 million will be used to set up a research and development center and an additional facility in Jiading, Shanghai, the PRC; (c) approximately RMB20 million will be used to purchase additional and replace existing production equipment; (d) approximately RMB15 million will be used to set up an animal testing center; (e) approximately RMB13 million will be used to expand the existing staff dormitory of the Company; and (f) approximately RMB5 million will be used for upgrade of IT systems.

An ordinary resolution will be proposed at the AGM to approve the Company's annual financial budget for the year 2021.

(7) Remuneration plan for Directors for the year 2021

An ordinary resolution will be proposed at the AGM to consider and approve the remuneration plan for the Directors for the year ending 31 December 2021 formulated in accordance with the Company's internal policies and relevant regulatory requirements.

LETTER FROM THE BOARD

Each of the independent non-executive Directors will be entitled to an annual remuneration of RMB120,000 (before tax) from the Company for the year 2021.

The executive Directors, Dr. Liang Dongke and Mr. Wang Cailiang, shall not receive any Directors' fees for their roles as Directors, but shall be entitled to remuneration based on their other employment positions in the Company and in accordance with the Company's internal policies.

Except for the independent non-executive Directors and executive Directors with other employment positions in the Company, other Directors shall not be entitled to any remuneration from the Company.

(8) Remuneration plan for Supervisors for the year 2021

An ordinary resolution will be proposed at the AGM to consider and approve the remuneration plan for the Supervisors for the year ending 31 December 2021 formulated in accordance with the Company's internal policies and relevant regulatory requirements.

The employee Supervisors, namely Ms. Chen Jie and Mr. Xu Jianhai, shall not receive any remuneration for their roles as Supervisors, but shall be entitled to remuneration, based on their other employment positions and in accordance with the Company's internal policies. The remaining Supervisor, namely Ms. Wang Li, shall not be entitled to any remuneration from the Company.

(9) Re-appointment of international and domestic auditors of the Company for the year 2021

An ordinary resolution will be proposed at the AGM to consider and approve the re-appointment of KPMG and BDO China Shu Lun Pan Certified Public Accountants LLP as international and domestic auditors of the Company for the year 2021, respectively for a term until the conclusion of the next annual general meeting of the Company, and to authorize the Board to determine their remunerations.

(10) Proposed Amendments to the Share Incentive Scheme

Reference is made to the announcement of the Company dated 21 September 2020 and the circular of the Company dated 6 November 2020 in relation to, among others, the proposed adoption of the Share Incentive Scheme.

At the 2020 second extraordinary general meeting of the Company on 17 December 2020, the Shareholders have approved, among others, the adoption of the Share Incentive Scheme. As additional time is required for the Company to obtain CSRC approval to effect the Proposed Allotment (as defined below), the Share Incentive Scheme has not been implemented as of the Latest Practicable Date.

LETTER FROM THE BOARD

In view of the delay in implementation of the Share Incentive Scheme and in order to meet the needs of vetting by the CSRC, the Company proposes to further amend the administration and implementation of the Share Incentive Scheme as follows (the “**Proposed Amendments**”):

	Before the Proposed Amendments	After the Proposed Amendments
Allotment of Award Shares	Upon Shareholders’ approval of the Share Incentive Scheme, the Company will allot all Award Shares (2,500,000 Domestic Shares to Dr. Liang Dongke and 2,500,000 Domestic Shares to Ningbo Int).	<p>The Company will apply to CSRC for the allotment of Award Shares in installments pursuant to the Measures for the Supervision and Administration of Unlisted Public Companies (《非上市公眾公司監督管理辦法》) promulgated by the CSRC. Subject to CSRC approval, the approved portion of Award Shares will be allotted to Dr. Liang Dongke and the Share Incentive Platforms or other designated persons on a 50:50 split.</p> <p>As of the Latest Practicable Date, the Company has applied to the CSRC for allotment of 2,000,000 Domestic Shares (the “First Installment”), not less than half of which will be allotted within 3 months of the CSRC approval and the remaining half will be allotted within 12 months of the CSRC approval in one or more installment(s).</p> <p>The Company will apply for the allotment of the remaining portion of Award Shares, which comprises (a) 3,000,000 Domestic Shares and (b) any number of unissued Domestic Shares in case the approved number of shares to be allotted in the First Installment falls short of 2,000,000 Domestic Shares, in accordance with applicable laws and regulations.</p>

LETTER FROM THE BOARD

	Before the Proposed Amendments	After the Proposed Amendments
Lock-up requirements	<p>The Grantees shall be subject to a lock-up period of sixty months (the “Lock-up Period”) from (a) the date of allotment of Award Shares to Ningbo Int or (b) the date of grant of the Restricted Share Units to the Grantee, whichever is later. If the Domestic Shares become listed in any stock exchange during the Lock-up Period, the Lock-up Period shall be extended in accordance with the relevant regulatory rules of such stock exchange.</p>	<p>The Grantees of the First Installment shall be subject to a lock-up period of sixty months (the “First Lock-up Period”) from the date on which the First Installment is registered with the China Securities Depository and Clearing Corporation Limited. The Grantees of subsequently allotted 3,000,000 Award Shares will be subject to a lock-up period, which shall end on the same date as the First Lock-up Period. If the Domestic Shares become listed in any stock exchange during the First Lock-up Period, the First Lock-up Period shall be extended in accordance with the relevant regulatory rules of such stock exchange.</p>
Capital Contribution of the Award Shares	<p>Each Grantee will pay to their respective Share Incentive Platforms, and each of Dr. Liang Dongke and Ningbo Int will pay to the Company, the total consideration of the Grant Price multiplied by the respective Award Shares (the “Consideration”).</p> <p>The Consideration shall be settled annually in equal installments within the Lock-up Period, and shall be settled in full upon termination of the Lock-up Period or upon demand by the Company, whichever is earlier.</p> <p>Upon receipt of the Consideration, RMB5 million will be added to the registered capital of the Company and the premium of RMB55 million will be credited to the capital reserve of the Company, which will be used for general working capital purposes.</p>	<p>Prior to grant of Restricted Share Unit(s), each Grantee will pay to their respective Share Incentive Platforms, and each of Dr. Liang Dongke and the Share Incentive Platforms or other designated persons will pay to the Company, the total consideration of the Grant Price multiplied by the respective Award Shares (as adjusted pursuant to the CSRC approval) (the “Consideration”).</p> <p>Upon receipt of the Consideration from time to time following the allotment of Award Shares in installments, up to RMB5 million will be added to the registered capital of the Company and the premium of RMB55 million will be credited to the capital reserve of the Company, which will be used for general working capital purposes.</p>

LETTER FROM THE BOARD

	Before the Proposed Amendments	After the Proposed Amendments
Vesting of the Restricted Share Units	Subject to the terms and conditions of the Share Incentive Scheme and the fulfillment of all relevant vesting conditions, upon expiry of the Lock-up Period, the respective Restricted Share Units shall be vested in the Grantees and such Grantees may freely sell, transfer or otherwise dispose of the underlying equity interest in the Share Incentive Platforms.	Subject to the CSRC approval, terms and conditions of the Share Incentive Scheme and the fulfillment of all relevant vesting conditions, upon expiry of the First Lock-up Period, the respective Restricted Share Units shall be vested in the Grantees and such Grantees may freely sell, transfer or otherwise dispose of the underlying equity interest in the Share Incentive Platforms.

Save for the above Proposed Amendments, there are no other material changes to the other terms of the Share Incentive Scheme and the rights and obligations of the Company and the Grantees.

(11) Proposed Authorization to the Board to Handle Matters Pertaining to the Share Incentive Scheme

In order to implement and adjust the Proposed Amendments and the Share Incentive Scheme in accordance with requirements and/or comments of the CSRC, applicable laws and regulations (as amended or revised from time to time) and other regulatory authorities, the Company proposed to authorize the Board and/or its authorized person(s) to handle matters pertaining to the Share Incentive Scheme and the Proposed Allotment (as defined below) with full authority, including but not limited to the following matters (the “**Proposed Authorization**”):

1. to deal with all filing matters required for the Share Incentive Scheme and the proposed allotment and issuance of the Award Shares (the “**Proposed Allotment**”) pursuant to the laws and regulations of the PRC, relevant requirements of the regulatory authorities and the Shareholders’ resolution at the AGM, including but not limited to preparing, revising, signing, filing, refiling, implementing and publishing relevant filings in relation to the Share Incentive Scheme and Proposed Allotment and other legal documents as required by the regulatory authorities, and responding to comments from the CSRC and other regulatory authorities;
2. to take charge of the implementation of the resolution at its absolute discretion pursuant to the laws and regulations of the PRC, and relevant requirements of the regulatory authorities, including but not limited to determining and adjusting the implementation, timing, size of the Proposed Allotment, issuing price of the Proposed Allotment, method of subscription, proportion of subscription, special escrow account and relevant intermediaries, etc. in relation to the Share Incentive Scheme and the Proposed Allotment;

LETTER FROM THE BOARD

3. to sign, revise, supplement, submit, file and implement all agreements and application documents in respect of the Share Incentive Scheme and the Proposed Allotment, process relevant application, reporting, registration, filing and other procedures and sign relevant material contracts and documents in implementing the Share Incentive Scheme and the Proposed Allotment;
4. to make appropriate amendments and adjustments to the terms, method of the Proposed Allotment, amount of raised funds and utilization schedule in respect of the Share Incentive Scheme and the Proposed Allotment pursuant to the requirements of the regulatory authorities;
5. to revise the registered capital, share capital and other related terms set out in the Articles of Association upon completion of the Share Incentive Scheme and the Proposed Allotment according to the results of the Proposed Allotment, and authorize the Board and its authorized person to handle the registration procedures for the corporate changes;
6. to deal with the registration and lock-up issues with the China Securities Depository and Clearing Corporation Limited or its branches in relation to the shares under the Share Incentive Scheme and the Proposed Allotment (including shares issued in installments);
7. to make corresponding adjustments to the size of the Proposed Allotment under the Share Incentive Scheme and the Proposed Allotment in the event of any changes in the total share capital of the Company due to issue of Shares, capital increase by conversion and other factors;
8. to make corresponding adjustments to and proceed with the Share Incentive Scheme and the Proposed Allotment pursuant to the new policy in the event of any changes in the applicable policies and market conditions;
9. to make adjustments to, defer the implementation of or cancel the issuance application for the Proposed Allotment of the Share Incentive Scheme and the Proposed Allotment at its discretion in the event of force majeure or other events which may make the Share Incentive Scheme and the Proposed Allotment hard to implement or otherwise bring adverse effect to the Company;
10. to authorize the Board and its authorized person to engage intermediaries for the filing and implementation of the Share Incentive Scheme and the Proposed Allotment; and
11. to authorize the Board and its authorized person to deal with other matters in relation to the Share Incentive Scheme and the Proposed Allotment to the extent permitted by the relevant laws and regulations.

The Proposed Authorization shall become effective from the date passing this resolution at the AGM and will expire upon the completion of the implementation of the Share Incentive Scheme and the Proposed Allotment.

LETTER FROM THE BOARD

(12) Grant of RSU Mandate to the Board

Reference is made to the announcement of the Company dated 21 September 2020 and the circular of the Company dated 6 November 2020 in relation to, among others, the proposed allotment and issue of the Award Shares to Dr. Liang Dongke and the Share Incentive Platforms or other designated persons.

At the 2020 second extraordinary general meeting of the Company on 17 December 2020, the Shareholders have approved, among others, the adoption of the Share Incentive Scheme, the Proposed Allotment, and the specific mandate to effect the Proposed Allotment (the “**Specific Mandate**”). The Specific Mandate approved by the Shareholders on 17 December 2020 is in force until the AGM.

The Company is in the process of applying to the CSRC for approval of the Proposed Allotment, and additional time is required for the Company to obtain the CSRC approval and to effect the Proposed Allotment.

A special resolution will be proposed at the AGM that the Board be granted the RSU Mandate to exercise the power of the Company to allot and issue 5,000,000 new Domestic Shares, and to authorize the Board to make amendments to the Articles of Association as it thinks fit so as to reflect the new share capital structure upon the allotment or issue of additional Domestic Shares pursuant to such RSU Mandate.

The RSU Mandate will continue to be in force from the passing of the said resolution until whichever the following first occurs: (i) the completion of the Proposed Allotment; or (ii) the variation of or revocation of such mandate by the ordinary resolution of the Shareholders at a general meeting.

The 5,000,000 new Domestic Shares to be issued pursuant to the Specific Mandate and represent approximately 3.01% and 2.92% of the total number of Shares in issue as of the Latest Practicable Date and as enlarged by the Proposed Allotment and issue of the Award Shares, respectively.

(13) Grant of general mandate to the Board of Directors to Issue Shares

A special resolution will be proposed at the AGM that the Board be granted the Issue Mandate to exercise the power of the Company to allot, issue or otherwise deal with new Shares (otherwise than pursuant to the issue of Shares by conversion of the surplus reserve into the share capital in accordance with the PRC Company Law and the Articles of Association) not exceeding 20% of the respective number of Domestic Shares and/or H Shares in issue as of the date of passing this special resolution, and to authorize the Board to make amendments to the Articles of Association as it thinks fit so as to reflect the new share capital structure upon the allotment or issue of additional shares pursuant to such mandate.

LETTER FROM THE BOARD

The number of Domestic Shares and H Shares in issue of the Company as at the Latest Practicable Date was 120,000,000 Domestic Shares and 46,000,000 H Shares, respectively. Assuming that the number of Shares remains unchanged as at the date of passing this special resolution, the Board will be allowed under the Issue Mandate to issue a maximum of 24,000,000 Domestic Shares and 9,200,000 H Shares, subject to the passing of the special resolution approving the grant of the Issue Mandate to the Board. Meanwhile, the Board is authorized to make necessary amendments to the Articles of Association so as to reflect the new share capital structure upon the allotment or issue of additional Shares pursuant to such mandate.

The Directors believe that it is in the best interests of the Company and the Shareholders to grant the Issue Mandate to the Board to issue new Shares. Whilst it is not possible to anticipate in advance any special circumstances in which the Board might think it appropriate to issue Shares, the ability to do so would give the Directors the flexibility to capture the opportunity if it so arises.

The Issue Mandate would expire on the earlier of: (a) the conclusion of the next annual general meeting following the passing of this special resolution; or (b) the expiration of 12 months after the passing of this special resolution; or (c) the date on which the authorization set out in this special resolution are revoked or amended by a special resolution in a general meeting of the Company.

IMPLICATIONS UNDER THE LISTING RULES

The Share Incentive Scheme does not constitute a share option scheme nor an arrangement analogous to share option scheme for the purpose of Chapter 17 of the Listing Rules. Pursuant to the Articles of Association, Shareholders' approval is required for consideration of any equity incentive scheme. Therefore, the Proposed Amendments are subject to the Shareholders' approval at the AGM.

THE AGM

A notice convening the AGM to be held at Block 2, No. 925 Jin Yuan Yi Road, Jiading District, Shanghai, the PRC on Monday, 17 May 2021 at 2:00 p.m. is set out on pages AGM-1 to AGM-5 of this circular. A form of proxy for use at the AGM is also enclosed. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kdl-int.com).

Whether or not you are able to attend the AGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for H Shareholders) or the Company's registered office at Block 2, No. 925 Jin Yuan Yi Road, Jiading District, Shanghai, the PRC (for Domestic Shareholders) as soon as possible but in any event not less than 24 hours before the time appointed for the holding of the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the AGM or any adjournment thereof (as the case may be) if they so wish and in such event, the form of proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the Shareholders who are entitled to attend and vote at the 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 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, Wan Chai, Hong Kong (for H Shareholders), or the Company's registered office at Block 2, No. 925 Jin Yuan Yi Road, Jiading District, Shanghai, the PRC (for Domestic Shareholders), 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 (subject to approval by the Shareholders at the AGM), 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 will be registered. All transfer forms 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, Wan Chai, Hong Kong (for H Shareholders), or the Company's registered office at Block 2, No. 925 Jin Yuan Yi Road, Jiading District, Shanghai, the PRC (for Domestic Shareholders), by no later than 4:30 p.m. on Monday, 24 May 2021.

VOTING BY POLL

According to Rule 13.39(4) of the Listing Rules, apart from certain exceptions, any vote of Shareholders at a general meeting must be taken by poll.

On a poll, every Shareholder present in person or by proxy (or being a corporation by its duly authorized representative) shall have one vote for each Share registered in his/her/its name in the register of members. A Shareholder entitled to more than one vote needs not use all his/her/its votes or cast all the votes he/she/it has in the same manner.

RECOMMENDATION

The Board considers that each ordinary resolution and special resolution to be proposed at the AGM is in the interests of the Company and the Shareholders as a whole, and accordingly, recommends the Shareholders to vote in favour of all the resolutions to be proposed at the AGM.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

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

* *For identification purposes only*

NOTICE OF ANNUAL GENERAL MEETING



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)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the annual general meeting (the “AGM”) of Shanghai Kindly Medical Instruments Co., Ltd.* (上海康德萊醫療器械股份有限公司) (the “Company”) will be held at Block 2, No. 925 Jin Yuan Yi Road, Jiading District, Shanghai, the PRC on Monday, 17 May 2021 at 2:00 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions:

ORDINARY RESOLUTIONS

1. To consider and approve the adoptions of the report of the Directors for the year ended 31 December 2020.
2. To consider and approve the adoption of the report of the Supervisory Committee for the year ended 31 December 2020.
3. To consider and approve the annual report of the Company for the year 2020.
4. To consider and approve the audited financial statements of the Group for the year 2020.
5. To consider and approve the Company's profit distribution plan for the year ended 31 December 2020.
6. To consider and approve the annual financial budget of the Company for the year 2021.
7. To consider and approve the remuneration plan for the Directors for the year ending 31 December 2021.
8. To consider and approve the remuneration plan for the Supervisors for the year ending 31 December 2021.
9. To consider and approve the re-appointment of KPMG and BDO China Shu Lun Pan Certified Public Accountants LLP as international and domestic auditors of the Company for the year 2021, respectively and to authorize the Board to determine their remunerations.

* *For identification purposes only*

NOTICE OF ANNUAL GENERAL MEETING

10. To consider and approve the proposed amendments to the Share Incentive Scheme (the “**Proposed Amendments**”).
11. To consider and approve the proposed authorization to the Board and/or its authorized person(s) to implement and adjust the Proposed Amendments and the Share Incentive Scheme to handle matters pertaining to the Share Incentive Scheme and the Proposed Allotment with full authority.

SPECIAL RESOLUTIONS

12. To consider and approve the grant of a specific and unconditional mandate (the “**RSU Mandate**”) to the Board to exercise the power of the Company to allot and issue 5,000,000 new Domestic Shares, and that:
 - (i) The exercise of the RSU Mandate will continue to be in force from the passing of the said resolution until whichever the following first occurs: (i) the completion of the Proposed Allotment; or (ii) the variation of or revocation of such mandate by the ordinary resolution at a general meeting; and
 - (ii) The Board be and is hereby authorized to make such amendments to the Articles of Association of the Company as it thinks fit so as to increase the registered share capital and reflect the new capital structure of the Company upon the allotment, issuance of and dealing with shares as contemplated in this resolution in accordance with the PRC Company Law, other applicable laws and regulations in the PRC and the Listing Rules.
13. (A) To consider and approve the grant of a general mandate to the Board to allot, issue and deal with additional Domestic Shares and/or H Shares during the Relevant Period. The Board may, independently or simultaneously, allot, issue and deal with additional Domestic Shares and/or H Shares (otherwise than pursuant to the issue of shares by conversion of the surplus reserve into the share capital in accordance with the PRC Company Law and the Articles of Association) that shall not exceed 20% of the respective number of Domestic Shares and/or H Shares in issue as at the date of passing the resolution. The exercise of the general mandate shall comply with conditions below:
 - (i) The Board may make or grant Share sales proposal and agreements which would or might require the exercise of such power after expiry of the Relevant Period:

For the purpose of this resolution, the “Relevant Period” means the period from the date of passing this resolution until the earliest of either:

 - (a) the conclusion of the next annual general meeting of the Company following the passing of this resolution at the general meeting; or

NOTICE OF ANNUAL GENERAL MEETING

- (b) the expiry date of 12 months after the passing of this resolution at the general meeting; or
 - (c) the date on which the authorization set out in this resolution is revoked or amended by a special resolution in a general meeting of the Company.
- (ii) The number of Domestic Shares and/or H Shares to be allotted, issued or dealt with or conditionally or unconditionally agreed to be allotted, issued or dealt with (whether pursuant to the exercise of options or otherwise by the Board) shall not exceed 20% of the respective number of Domestic Shares and/or H Shares in issue as at the date of passing the resolutions.
- (iii) The Board will exercise the power under such mandate in accordance with the PRC Company Law, other applicable laws and regulations of the PRC and the Listing Rules as amended from time to time and upon the necessary approval from the PRC Securities Regulatory Commission and other relevant authorities.
- (B) The Board be and is hereby authorized to make such amendments to the Articles of Association of the Company as it thinks fit so as to increase the registered share capital and reflect the new capital structure of the Company upon the allotment, issuance of and dealing with shares as contemplated in the above paragraph (A) of this resolution in accordance with the PRC Company Law, other applicable laws and regulations in the PRC and the Listing Rules; and
- (C) Contingent on the Board resolving to allot, issue and deal with shares of the Company pursuant to paragraph (A) of this resolution, the Board be and is hereby authorized to approve, execute and do or procure to be approved, executed and done, all such documents, deeds and things as it may consider necessary in connection with the issuance, allotment of and dealing with such shares including, without limitation, determining the size of the issue, the issue price, the use of proceeds from the issue, the target of the issue and the place and time of the issue, making all necessary applications to the relevant authorities, entering into an underwriting agreement or any other agreements, and making all necessary filings and registrations with the relevant PRC, Hong Kong and other authorities.

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, 16 April 2021

* For identification purposes only

NOTICE OF ANNUAL GENERAL MEETING

Registered office, headquarters and principal place of business in the PRC:

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

Principal place of business in Hong Kong:

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

Notes:

- (i) Any Shareholder who wishes to appoint a proxy to attend the AGM shall refer to the Company's AGM circular dated 16 April 2021 and the annual report for the year 2020. The annual report for the year 2020 includes the report of the Directors for the year 2020, the report of the Supervisory Committee for the year 2020 and the audited financial statements of the Group for the year 2020, for the information of the Shareholders.
- (ii) A Shareholder entitled to attend and vote at the AGM or its adjournment (as the case may be) is entitled to appoint one (or, if he/she/it holds two or more issued shares of RMB1.00 each in the Company more than one) proxy to attend and vote, on a poll, in his/her/its stead in accordance with the Articles of Association. A proxy needs not be a Shareholder.
- (iii) A form of proxy for use at the AGM is issued and published by the Company on 16 April 2021. Whether or not you intend to attend the AGM in person, you are urged to complete and return the form of proxy in accordance with the instructions printed on the form of proxy issued and published by the Company as soon as possible. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof (as the case may be) if you so wish. In such event, your form of proxy will be deemed to have been revoked.
- (iv) In the case of the H Shareholders, a form of proxy together with any power of attorney or other authorization documents (if any) under which it is signed or a notarized copy of that power of attorney or authorization documents must be lodged with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, and in the case of the Domestic Shareholders, to the Company's registered office at Block 2, No. 925 Jin Yuan Yi Road, Jiading District, Shanghai, the PRC, no less than 24 hours before the time appointed for holding the AGM or any adjournment thereof (as the case may be), in order to be valid.
- (v) In order to determine the entitlement of the Shareholders to attend and vote at the 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 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, Wan Chai, Hong Kong (for H Shareholders), or the Company's registered office at Block 2, No. 925 Jin Yuan Yi Road, Jiading District, Shanghai, the PRC (for Domestic Shareholders), by no later than 4:30 p.m. on Friday, 16 April 2021.
- (vi) In the event that the profit distribution plan for the year ended 31 December 2020 be approved at the AGM, the final dividend to be approved by the Shareholders will be paid to the H Shareholders and Domestic Shareholders whose names appear on the register of members of the Company on Sunday, 30 May 2021. 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 will be registered. All transfer forms 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, Wan Chai, Hong Kong (for H Shareholders), or the Company's registered office at Block 2, No. 925 Jin Yuan Yi Road, Jiading District, Shanghai, the PRC (for Domestic Shareholders), by no later than 4:30 p.m. on Monday, 24 May 2021.

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- (vii) In the case of joint registered holders of any Shares, any one of such joint registered holders may vote at the AGM, either in person or by proxy, in respect of such Shares as if he/she/it were solely entitled thereto; but should more than one of such joint registered holders be present at the AGM, either in person or by proxy, the vote of that one of them so present, whose name stands first on the register of members in respect of such Shares shall be accepted to the exclusion of the votes of the other joint registered holder(s).
- (viii) The AGM is expected to take less than half a day. Shareholders who attend the AGM shall be responsible for their own travel and accommodation expenses.

As at the date of this notice, the Board 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.