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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)

**CONNECTED TRANSACTION
ESTABLISHMENT OF LIMITED PARTNERSHIP**

THE PARTNERSHIP AGREEMENT

On August 18, 2022, the Company conditionally entered into the Partnership Agreement with Huaige Health (as the general partner and the Fund Manager) and the Other Investors (as the limited partners) in relation to the establishment of, and investment in, the Chengdu Huaige Fund. The Company shall participate in the Chengdu Huaige Fund as a limited partner and will make a capital commitment of RMB50.0 million.

The Chengdu Huaige Fund will be registered in the PRC as a limited partnership with the primary objective of investment in, among others, equity interests of early-stage or growth stage businesses in the healthcare and biotechnology sectors. As of the date of this announcement, the Chengdu Huaige Fund has not identified any investment targets.

LISTING RULES IMPLICATIONS

As of the date of this announcement, Huaige Health owns approximately 1.56% in and is the general partner of the Substantial Shareholder, Ningbo Huaige Taiyi, which held 15.0% equity interest in the Company. As such, Huaige Health is an associate of Ningbo Huaige Taiyi and therefore a connected person of the Company under Chapter 14A of the Listing. As one or more of the applicable percentage ratios in respect of the Company's capital commitment in Chengdu Huaige Fund exceed 0.1% but are less than 5.0%, the entering into the Partnership Agreement by the Company constitutes connected transaction of the Company which is subject to the reporting and announcement requirements, but exempt from independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE CHENGDU HUAIGE FUND

The Partnership Agreement

On August 18, 2022, the Company conditionally entered into the Partnership Agreement with Huaige Health (as the general partner and the Fund Manager) and the Other Investors (as the limited partners) in relation to the establishment of, and investment in, the Chengdu Huaige Fund. The Company shall participate in the Chengdu Huaige Fund as a limited partner and will make a capital commitment of RMB50.0 million.

Investment Objective

The Chengdu Huaige Fund will be registered in the PRC as a limited partnership with the primary objective of investment in, among others, equity interests of early-stage or growth stage businesses in the healthcare and biotechnology sectors. As of the date of this announcement, the Chengdu Huaige Fund has not identified any investment targets.

Term of the Chengdu Huaige Fund

The term of the Chengdu Huaige Fund shall be seven (7) years from the date of first closing of Chengdu Huaige Fund, namely the date when the first batch of limited partners as independently appointed by Huaige Health are admitted as limited partners of Chengdu Huaige Fund. The first four (4) years of the term shall be the investment period (the “**Investment Period**”), and the remaining years of the term shall be the exit period (the “**Exit Period**”), during which the Chengdu Huaige Fund shall not, aside from certain exceptions set forth in the Partnership Agreement, make capital call to any limited partner to request payment of any outstanding subscribed capital contribution. After the expiration of the initial fund term of seven (7) years, the fund term of Chengdu Huaige Fund may be extended by one (1) year at the independent decision of the general partner and may be further extended for another one (1) year if agreed by both the general partner and the limited partners holding more than fifty percent (50%) of the partnership interest.

Capital Commitment

The total capital commitment of Chengdu Huaige Fund shall be paid-in or subscribed by all the partners and/or subsequently admitted partners. The capital commitment payable by Huaige Health as the general partner will be no less than 1.0% of the total subscribed capital contribution as of the last closing date of Chengdu Huaige Fund. The minimum capital commitment payable by each limited partner (including the Company) shall be RMB10.0 million unless agreed otherwise by the general partner. The capital contribution to the Chengdu Huaige Fund was determined after arm’s length negotiation between the Company, Huaige Health and the Other Investors, with reference to the total capital requirements of the Chengdu Huaige Fund, the parties’ proportionate interests therein and the existing workforce of the Fund Manager. The Company intends to fund its capital contribution from its own capital.

The total capital commitment to the Chengdu Huaige Fund under the Partnership Agreement is targeted to be RMB412.0 million. As at the date of this announcement, the respective capital commitment made by the partners are as follows:

Partners	Capital commitment (RMB million)	Approximate percentage of partnership interest in the Chengdu Huaige Fund
<i>General partner</i>		
Huaige Health	4.2	1.0194%
<i>Limited partners</i>		
The Company	50.0	12.1359%
Xiezihao	150.0	36.4078%
Qingdao Huaige	146.0	35.4369%
Chengdu Biological	61.8	15.0000%
Total	412.0	100.0000%

The Fund Manager will invite other investors who meet the specified criteria to subscribe for limited partnership interests in the Chengdu Huaige Fund. When the committed capital contribution of the Chengdu Huaige Fund shall be increased by way of introduction of additional limited partners, separate legal documents will be signed and the Company will comply with the disclosure requirements under the Listing Rules accordingly.

Fund Management

The Chengdu Huaige Fund shall be managed by Huaige Health, the general partner and the Fund Manager. Subject to the terms of the Partnership Agreement, the Fund Manager shall be entrusted with exclusive management power of the Chengdu Huaige Fund and its main responsibilities will include but not limited to investment management, administrative management and daily operations of the fund.

The Chengdu Huaige Fund shall establish an advisory committee (the “**Advisory Committee**”) comprised of three (3) to five (5) members to be appointed by limited partners with power to appoint member and are recognized by the general partner. The Advisory Committee is mainly responsible for, among others, approving expenses in relation to the establishment, management, investment, operation, termination, winding-up

and liquidation of the Chengdu Huaige Fund that exceed relevant prescribed limit, approving removal of limited partners, approving key person (as define under the Partnership Agreement) and approving change of Fund Manager etc.

The Chengdu Huaige Fund shall establish an investment decision committee (the “**Investment Decision Committee**”) consisting of five (5) members to be appointed by the general partner. The Investment Decision Committee is mainly responsible for making decisions for material matters that are beyond the scope of responsibilities of the Advisory Committee and related to the investment and exit of investment of the Chengdu Huaige Fund, among others.

During the Investment Period, the Fund Manager is entitled to a management fee of 2.0% per annum of the subscribed capital contribution of all limited partners (except one limited partner which shall pay management fee of 2.0% per annum of its actual capital contribution). During the Exit Period, the Fund Manager is entitled to a management fee of 2.0% per annum of the investment costs (without taking into account write-off or depreciation) for those investment projects of the Chengdu Huaige Fund that have not yet achieved investment exits.

Revenue Distribution

Subject to the terms in the Partnership Agreement, the revenue of the Chengdu Huaige Fund shall be initially distributed among all partners according to their respective portion of investment costs. The portion attributable to the general partner according to the aforesaid initial distribution shall be distributed to the general partner, while the portion attributable to each limited partner shall be distributed among the limited partners and the general partner in the following order:

- (1) *Return on costs.* 100% to a limited partner until the total distribution of revenue under this paragraph (1) to the limited partner equals to its paid-in capital;
- (2) *Distribution of Preferred Return.* If there is still distributable revenue after the above distributions, then 100% to a limited partner until it receives a preferred return (“**Preferred Return**”) at a simple interest rate of 8% per annum on the total distributed revenue received by it under paragraph (1) above;
- (3) *Catch-up by general partner.* If there is still distributable revenue after the above distributions, then 100% to the general partner until it receives an amount equal to Preferred Return/80% * 20% under this paragraph (3); and
- (4) *80/20 split.* If there is still distributable revenue after the above distributions, then (a) 80% to the limited partners; and (b) 20% to the general partner.

Transfer Restriction of the Partnership Interests

Subject to the terms in the Partnership Agreement, the general partner may transfer all or part of its interest to a third party in the Chengdu Huaige Fund only with unanimous consent of the Advisory Committee and limited partners holding at least two-third (2/3) of the partnership interest of Chengdu Huaige Fund.

Subject to the terms in the Partnership Agreement, the limited partners may transfer all or part of its interest in the Chengdu Huaige Fund only with the prior written consent of the general partner, and the limited partners may not directly or indirectly pledge, mortgage or create any other form of security over or otherwise dispose to any third party the partnership interest of Chengdu Huaige Fund.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PARTNERSHIP AGREEMENT

The Chengdu Huaige Fund is established with the primary objective of investment in, among others, equity interests, of early-stage or growth stage businesses in the healthcare and biotechnology sectors.

The Board considers that the investment in the Chengdu Huaige Fund provides the Company with an opportunity to facilitate its strategic development in the healthcare and biotechnology and other related industries, enhance its competitiveness, and strengthen its market position.

At the Board meeting approving the Partnership Agreement, the Directors (including the independent non-executive Directors) consider that the Partnership Agreement will be entered into on normal commercial terms, such terms are fair and reasonable so far as the Company and the Shareholders are concerned and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Save for Mr. Fang Shengshi, who is a limited partner with 5.00% partnership interest of Huaige Health and a person who was a director of the Company in the last 12 months, none of the Directors have a material interest in the transaction contemplated under the Partnership Agreement and therefore have abstained from voting on the relevant resolutions.

INFORMATION RELATING TO THE GROUP, HUAIGE HEALTH AND THE OTHER INVESTORS

The Group is a leading Chinese cardiovascular interventional device manufacturer. The major products of the Group are primarily used for cardiovascular surgeries, including inflation device, introducer set, guidewire, pressure bandage, Y connector pack, pressure extension tube, manifold and angiography catheter.

Huaige Health is a limited partnership established in the PRC in 2017 and based in Shanghai. It is a management organization that focuses on private equity investment funds and venture capital funds in the medical and health industry. The management team of Huaige Health currently comprises fourteen management members specializing in various aspects such as health care, investment banking, compliance and risk control, and is equipped with excellent professionals in business, law and finance etc. Currently, Huaige Health has eight RMB funds under management. As of the date of this announcement, Huaige Health owns approximately 1.56% in and is the general partner of the Substantial Shareholder, Ningbo Huaige Taiyi, which held 15.0% equity interest in the Company. Huaige Health is owned as to 82.5% by Mr. Wang Kai as the general partner, and 5.0%, 5.0% and 7.5% by Mr. Ding Lizhong, Mr. Fang Shengshi and Dr. Du Jiangbo as the limited partners, respectively. Mr. Wang Kai is one of the domestic Shareholders and personally holds approximately 3.32% equity interest of the Company.

Xiezihao is a limited liability company established in the PRC on September 7, 2017. It is principally engaged in enterprise management consulting and equity investment. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Xiezihao and its ultimate beneficial owners are third parties independent of the Company and the Company's connected persons.

Qingdao Huaige is a limited partnership established in the PRC on March 22, 2022. It is principally engaged in venture capital investment. As the general partner of Qingdao Huaige is Huaige Health, which is also the general partner of Ningbo Huaige Taiyi, the Substantial Shareholder, Qingdao Huaige is an associate of Ningbo Huaige Taiyi and therefore a connected person of the Company under Chapter 14A of the Listing Rules.

Chengdu Biological is a limited partnership established in the PRC on September 11, 2019. It is principally engaged in equity investment. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Chengdu Biological and its ultimate beneficial owners are third parties independent of the Company and the Company's connected persons.

LISTING RULES IMPLICATIONS

As of the date of this announcement, Huaige Health owns approximately 1.56% in and is the general partner of the Substantial Shareholder, Ningbo Huaige Taiyi, which held 15.0% equity interest in the Company. As such, Huaige Health is an associate of Ningbo Huaige Taiyi and therefore a connected person under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Company's capital commitment under the Chengdu Huaige Fund exceed 0.1% but are less than 5.0%, the entering into the Partnership Agreement by the Company constitutes connected transaction of the Company which is subject to the reporting and announcement requirements, but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Chengdu Biological”	Chengdu Biological City No. 1 Equity Investment Fund Partnership (Limited Partnership)* (成都生物城一號股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC
“Chengdu Huaige Fund”	Chengdu Huaige Guosheng Venture Investment Partnership (Limited Partnership)* 成都懷格國生創業投資合夥企業(有限合夥), a limited partnership to be established and registered under the laws of PRC
“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
“connected person(s)”	has the meanings ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Fund Manager” or “Huaige Health”	Ningbo Huaige Health Investment Management Partnership (Limited Partnership)* 寧波懷格健康投資管理合夥企業(有限合夥), a limited partnership established in the PRC with limited liability
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Ningbo Huaige Taiyi”	Ningbo Huaige Taiyi Equity Investment Partnership (Limited Partnership)* 寧波懷格泰益股權投資合夥企業(有限合夥), a limited partnership established in the PRC
“Other Investors”	Xiezihao, Qingdao Huaige and Chengdu Biological

“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Partnership Agreement”	the partnership agreement conditionally entered into among the Company, Huaige Health (as general partner and Fund Manager) and the Other Investors (as limited partners)
“Qingdao Huaige”	Qingdao Huaige Yixin Venture Capital Partnership (Limited Partnership)* (青島懷格益信創業投資合夥企業(有限合夥)) is a limited partnership established in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the holder(s) of the share(s) of the Company
“Substantial Shareholder”	has the meaning ascribed thereto under the Listing Rules
“Xiezihao”	Changsha Xiezihao Medical Investment Co., Ltd.* (長沙械字號醫療投資有限公司), a limited liability company established in the PRC
“%”	percent

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

Shanghai, the PRC
 August 18, 2022

As at the date of this announcement, the Board comprises Dr. Liang Dongke and Mr. Lin Sen as executive Directors, Mr. Zhang Weixin, Ms. Chen Hongqin, Dr. Song Yuan and Mr. Wang Ruiqin as non-executive Directors, and Mr. Jian Xigao, Mr. Hui Hung Kwan and Mr. Xu Congli as independent non-executive Directors.

* For identification purposes only