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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)

CHANGE IN USE OF UNUTILIZED NET PROCEEDS

Reference is made to (i) the prospectus of Shanghai Kindly Medical Instruments Co., Ltd.* (上海康德萊醫療器械股份有限公司) (the “**Company**” and together with its subsidiaries, the “**Group**”) dated October 28, 2019 (the “**Prospectus**”) in relation to the Global Offering, (ii) the annual report of the Company for the year December 31, 2021 in relation to use of Net Proceeds, and (iii) the announcements of the Company dated March 31, 2021 and dated June 20, 2022 in relation to the change in use of Unutilized Net Proceeds (the “**Announcements**”).

Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as defined in the Prospectus and the Announcements.

CHANGE IN USE OF UNUTILIZED NET PROCEEDS

As at the date of this announcement, the Company has utilized approximately RMB585.86 million of the Net Proceeds and the unutilized Net Proceeds amounted to approximately RMB211.76 million (the “**Unutilized Net Proceeds**”).

Having considered the Group’s business needs and efficiency in utilization of the Net Proceeds, the Board resolved on March 3, 2023 to change the use of the Unutilized Net Proceeds designated for “potential acquisitions” to “set up a research and development center and an additional production facility in Jiading, Shanghai”.

Set out below is the utilization of the Net Proceeds up to the date of this announcement and the proposed change in use of the Unutilized Net Proceeds:

	Planned use of Net Proceeds as stated in the Announcements	Utilized Net Proceeds up to March 3, 2023	Unutilized Net Proceeds up to March 3, 2023	Revised allocation of Unutilized Net Proceeds
		<i>(RMB million)</i>		
Set up a research and development center and an additional production facility in Jiading, Shanghai	271.99	271.99	—	56.39
Purchase additional and replacement of existing production equipment and automate production lines	110.07	63.44	46.63	46.63
Expand our distribution network and coverage, collaborate with local distributors and intensify our marketing efforts	13.00	13.00	—	—
General corporate purposes and fund our working capital	79.84	79.84	—	—
Zhuhai Derui New Factory Project	110.00	110.00	—	—
Construction of the Shandong INT Innovative Medical Instruments Industrial Park	156.33	47.59	108.74	108.74
Potential acquisitions	56.39	—	56.39	—
Total	797.62	585.86	211.76	211.76

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF UNUTILIZED NET PROCEEDS

As at the date of this announcement, the net proceeds allocated for the setting up of a research and development center and an additional production facility in Jiading, Shanghai (the “**Project**”) have been fully utilized. The Project still needs subsequent investment in the relevant construction, overall internal renovation and office facilities, and therefore additional net proceeds are required for the Project to satisfy the basic conditions for the Company to materialize the Project, while the implementation of the Project is beneficial to accelerate the progress of the Company’s research and development pipeline, incubate new projects and improve our production capacity.

The Board considers the increase of planned use of net proceeds in setting up research and development center and additional production facility in Jiading, Shanghai beneficial to accelerate the completion of the Project and the progress of the Company's research and development pipeline, and the re-allocation of the Unutilized Net Proceeds would not impede or otherwise adversely affect the Group's product portfolio or business operation. The Board confirms that there is no material change in the business nature of the Group as set out in the Prospectus and considered that the proposed change in the use of the Unutilized Net Proceeds will not have any material adverse impact on the operations of the Group and is in the best interests of the Company and its shareholders as a whole.

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
March 3, 2023

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*