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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

FINANCIAL SUMMARY

	2022	2021	Change
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	585,883	464,675	26.08%
Gross profit	332,486	275,745	20.58%
Profit for the year	133,833	140,445	-4.71%
Earnings per share			
Basic (<i>in RMB</i>)	0.79	0.86	-8.14%
Diluted (<i>in RMB</i>)	0.78	0.86	-9.30%

* For identification purposes only

- The Group's revenue in the Reporting Period was approximately RMB585.88 million, representing an increase of approximately 26.08% or approximately RMB121.20 million as compared to approximately RMB464.68 million for the year ended 31 December 2021, due to the growth in sales volume of interventional medical devices as a result of proactively expanding our distribution network and the growth in sale volume of agent business. The Group's revenue generated from sales of interventional medical devices in the Reporting Period was approximately RMB505.48 million, representing an increase of approximately 15.89% or approximately RMB69.32 million as compared to approximately RMB436.16 million for the year ended 31 December 2021.
- During the Reporting Period, the Group's gross profit was approximately RMB332.49 million, as compared to approximately RMB275.75 million for the year ended 31 December 2021. Gross profit margin decreased from approximately 59.34% to approximately 56.75% as compared to the year ended 31 December 2021. The Group's gross profit margin from interventional medical devices in the Reporting Period increased from approximately 62.5% to approximately 65.4% as compared to the year ended 31 December 2021.
- The Group's profit for the Reporting Period was approximately RMB133.83 million, representing a decrease of approximately 4.71% as compared to approximately RMB140.45 million for the year ended 31 December 2021.
- The Group's basic earnings per share and diluted earnings per share in the Reporting Period was approximately RMB0.79 and RMB0.78, as compared to approximately RMB0.86 and RMB0.86 for the year ended 31 December 2021.
- The Board recommended the payment of a final dividend of RMB0.24 per share (equivalent to HK\$0.27 per share) (inclusive of applicable tax) for the year ended 31 December 2022.

The board (the “**Board**”) of directors (the “**Directors**”) of Shanghai Kindly Medical Instruments Co., Ltd.* (上海康德萊醫療器械股份有限公司) (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 2022 (the “**Reporting Period**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2022

(Expressed in Renminbi (“**RMB**”))

	<i>Note</i>	2022 <i>RMB’000</i>	2021 <i>RMB’000</i>
Revenue	3	585,883	464,675
Cost of sales		<u>(253,397)</u>	<u>(188,930)</u>
Gross profit		332,486	275,745
Other income	4	34,042	50,172
Distribution costs		(56,394)	(30,020)
Administrative expenses		(64,289)	(49,051)
Research and development expenses		(99,634)	(89,955)
Recognition of impairment losses		<u>(925)</u>	<u>(567)</u>
Profit from operations		145,286	156,324
Finance costs		<u>(818)</u>	<u>(633)</u>
Profit before taxation	5	144,468	155,691
Income tax	6	<u>(10,635)</u>	<u>(15,246)</u>
Profit for the year		<u>133,833</u>	<u>140,445</u>
Attributable to:			
Equity shareholders of the Company		131,713	142,960
Non-controlling interests		<u>2,120</u>	<u>(2,515)</u>
Profit for the year		<u>133,833</u>	<u>140,445</u>
Earnings per share (RMB)	7		
Basic (RMB)		0.79	0.86
Diluted (RMB)		<u>0.78</u>	<u>0.86</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in RMB)

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	<u>133,833</u>	<u>140,445</u>
Other comprehensive income for the year (after tax and reclassification adjustments)		
Item that will not be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of an overseas subsidiary	<u>1,890</u>	<u>(531)</u>
Other comprehensive income	<u>1,890</u>	<u>(531)</u>
Total comprehensive income for the year	<u><u>135,723</u></u>	<u><u>139,914</u></u>
Attributable to:		
Equity shareholders of the Company	133,603	142,429
Non-controlling interests	<u>2,120</u>	<u>(2,515)</u>
Total comprehensive income for the year	<u><u>135,723</u></u>	<u><u>139,914</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

(Expressed in RMB)

	<i>Note</i>	31 December 2022 RMB'000	31 December 2021 RMB'000
Non-current assets			
Property, plant and equipment		633,671	458,153
Right-of-use assets		115,943	106,820
Intangible assets		69,920	27,877
Other non-current assets		28,369	30,627
Deferred tax assets		15,036	9,458
Financial assets at fair value through profit or loss	8	162,454	130,174
		<u>1,025,393</u>	<u>763,109</u>
Current assets			
Inventories		154,277	92,494
Trade and other receivables	9	79,531	82,773
Other current assets		39,867	42,487
Financial assets at fair value through profit or loss		–	132
Cash and cash equivalents		518,266	640,550
Time deposits		10,000	–
		<u>801,941</u>	<u>858,436</u>
Current liabilities			
Trade and other payables	10	127,386	104,707
Contract liabilities		65,453	35,723
Loans and borrowings		32,683	–
Lease liabilities		201	192
Deferred income		1,345	383
Current taxation		12,597	12,216
		<u>239,665</u>	<u>153,221</u>
Net current assets		<u>562,276</u>	<u>705,215</u>
Total assets less current liabilities		<u>1,587,669</u>	<u>1,468,324</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022 (continued)

(Expressed in RMB)

	<i>Note</i>	31 December 2022 RMB'000	31 December 2021 RMB'000
Non-current liabilities			
Lease liabilities		15,944	13,212
Deferred income		10,949	13,696
Deferred tax liabilities		6,672	3,496
		<u>33,565</u>	<u>30,404</u>
NET ASSETS		<u>1,554,104</u>	<u>1,437,920</u>
CAPITAL AND RESERVES	<i>11</i>		
Share capital		168,000	166,000
Reserves		1,344,015	1,229,472
Total equity attributable to equity shareholders of the Company		1,512,015	1,395,472
Non-controlling interests		42,089	42,448
TOTAL EQUITY		<u>1,554,104</u>	<u>1,437,920</u>

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 “**Listing Rules**”). Significant accounting policies adopted by the Group are disclosed below.

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 HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

None of these 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 2022 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
— Sales of interventional medical devices		
Cardiovascular devices	483,059	427,163
Neurological and peripheral devices	19,755	7,123
Orthopaedics and other devices	2,670	1,872
	<u>505,484</u>	<u>436,158</u>
Subtotal	505,484	436,158
— Sales of medical accessories	16,851	12,024
— Agent business	50,325	13,997
— Moulds and others	12,952	2,496
	<u>585,612</u>	<u>464,675</u>
Revenue from other source		
Rental income	271	—
	<u>585,883</u>	<u>464,675</u>

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 2022 and 2021.

During the years ended 31 December 2022 and 2021, the Group recognised its revenue from contract with customers at point in time in accordance with the accounting policies. 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:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	437,344	361,762
Europe	46,922	26,990
The United States	28,161	18,882
Other countries and regions	73,456	57,041
	585,883	464,675

The geographical location of customers is based on the location at which the customers operate. The Group's revenue from customers located in mainland China included entrusted export sales of approximately RMB18,949,800 for the year ended 31 December 2022 (2021: approximately RMB27,268,000). All of the non-current assets of the Group are physically located in mainland China.

(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 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 2022 and 2021 is set out below:

	2022		
	Cardiovascular interventional business RMB'000	All others RMB'000	Total RMB'000
Revenue from external customers	489,704	96,179	585,883
Inter-segment revenue	<u>7,350</u>	<u>37,083</u>	<u>44,433</u>
Segment revenue	<u>497,054</u>	<u>133,262</u>	<u>630,316</u>
Segment net profit	<u>84,920</u>	<u>54,257</u>	<u>139,177</u>
	2021		
	Cardiovascular interventional business RMB'000	All others RMB'000	Total RMB'000
Revenue from external customers	404,223	60,452	464,675
Inter-segment revenue	<u>6,955</u>	<u>21,280</u>	<u>28,235</u>
Segment revenue	<u>411,178</u>	<u>81,732</u>	<u>492,910</u>
Segment net profit	<u>128,698</u>	<u>12,176</u>	<u>140,874</u>

(ii) *Reconciliation of revenue and segment profit*

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue		
Segment revenue	630,316	492,910
Elimination of inter-segment revenue	<u>(44,433)</u>	<u>(28,235)</u>
Consolidated revenue	<u><u>585,883</u></u>	<u><u>464,675</u></u>
Profit		
Segment net profit	139,177	140,874
Elimination of inter-segment net profit	<u>(5,344)</u>	<u>(429)</u>
Consolidated net profit	<u><u>133,833</u></u>	<u><u>140,445</u></u>

4 OTHER INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Government grants (<i>note</i>)	11,008	7,976
Interest income	13,408	14,525
Net realised and unrealised gains from fair value changes on financial assets measured at fair value through profit or loss	7,360	29,293
Foreign exchange gains/(losses)	2,536	(2,840)
Others	<u>(270)</u>	<u>1,218</u>
	<u><u>34,042</u></u>	<u><u>50,172</u></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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(a) Finance costs		
Interest on lease liabilities	705	633
Interest on loans and borrowings	<u>113</u>	<u>–</u>
	<u>818</u>	<u>633</u>
(b) Staff costs		
Salaries, wages and other benefits	164,853	112,416
Equity-settled share-based payment expenses	3,107	1,107
Contributions to defined contribution retirement plan	<u>22,707</u>	<u>20,402</u>
	<u>190,667</u>	<u>133,925</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) Staff costs includes remuneration of Directors and senior management.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(c) Other items		
Depreciation and amortisation		
— property, plant and equipment	30,321	23,840
— right-of-use assets	5,764	5,528
— intangible assets	992	848
	<u>37,077</u>	<u>30,216</u>
Recognition of impairment loss on trade and other receivables	925	567
Auditors' remuneration		
— audit services	2,600	2,320
— other services	85	85
Research and development costs [#]	140,941	109,801
Less: Costs capitalised into intangible assets	<u>(41,307)</u>	<u>(19,846)</u>
	99,634	89,955
Cost of inventories ^{##}	253,397	188,930

[#] During the year ended 31 December 2022, research and development costs includes staff costs and depreciation and amortisation of RMB76,492,000 (2021: RMB44,033,000), which amount is also included in the respective total amounts disclosed separately above.

^{##} During the year ended 31 December 2022, cost of inventories includes staff costs and depreciation and amortisation expenses of RMB84,600,000 (2021: RMB68,530,000), 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax-PRC corporate income tax ("CIT")	13,037	19,055
Deferred tax	<u>(2,402)</u>	<u>(3,809)</u>
Total	<u><u>10,635</u></u>	<u><u>15,246</u></u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit before taxation	<u>144,468</u>	<u>155,691</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned (<i>note (i)</i>)	36,117	38,924
Effect of preferential tax rates (<i>notes (ii) & (iii)</i>)	(8,388)	(13,861)
Effect of super deduction on research and development expenses (<i>note (iv)</i>)	(21,832)	(19,492)
Effect of unused tax losses not recognised as deferred tax assets	6,137	11,001
Effect of super deduction on fixed assets procurement (<i>note (v)</i>)	(3,015)	–
Others	<u>1,616</u>	<u>(1,326)</u>
Actual tax expenses	<u>10,635</u>	<u>15,246</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 15 November 2022 and is subject to income tax at 15% for the three years ending 31 December 2024.

Zhuhai Derui Medical Instruments Co., Ltd. obtained its renewed certificate of HNTE on 22 December 2022 and is subject to income tax at 15% for the three years ending 31 December 2024.

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 ended 31 December 2022.

The 15% preferential tax rate applicable to HNTE is subject to renewal approval 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 and renewed policy issued in 2022, entities that qualified as SME are entitled to a preferential income tax rate of 2.5% (taxable income less than RMB1,000,000) or 5% (taxable income ranges between RMB1,000,000 to RMB3,000,000).

During the years ended 31 December 2022 and 2021, certain subsidiaries of the Group are qualified as small and low profit enterprise and enjoyed a preferential tax rate of 2.5%, whereas applicable.

(iv) According to the PRC income tax law and its relevant regulations, an additional 100% of qualified research and development expenses for manufacturing enterprises and High-tech SMEs so incurred is allowed to be deducted from taxable income.

(v) According to the PRC income tax law and its relevant regulations issued in 2022, entities that qualified as HNTE are entitled to an additional 100% of qualified equipment newly purchased from 1 October 2022 to 31 December 2022, which is allowed to be deducted from taxable income.

Hong Kong Profits Tax

During the years ended 31 December 2022 and 2021, the Company’s subsidiary incorporated in Hong Kong is subject to Hong Kong Profits Tax at 8.25% of the taxable profit less than HKD2,000,000 or 16.50% of the taxable profit exceeding HKD2,000,000.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB131,713,000 (2021: RMB142,960,000), and the weighted average number of shares of 167,271,000 (2021: 166,000,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2022 '000	2021 '000
Issued ordinary shares at 1 January	166,000	166,000
Effect of restricted shares issued	<u>1,271</u>	<u>–</u>
Weighted average number of ordinary shares at 31 December	<u><u>167,271</u></u>	<u><u>166,000</u></u>

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB131,713,000 (2021: RMB142,960,000) and the weighted average number of ordinary shares of 168,396,000 (2021: 166,796,000) in issue.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume outstanding restricted shares, issued at the grant date, which are dilutive and adjusting the weighted average number of ordinary shares in issue during the year, calculated as follows.

Weighted average number of ordinary shares

	2022 '000	2021 '000
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share	167,271	166,000
Effect of outstanding restricted shares	<u>1,125</u>	<u>796</u>
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share	<u><u>168,396</u></u>	<u><u>166,796</u></u>

The effect of outstanding employee share purchase plan issued by subsidiaries is anti-dilutive, therefore is not included calculation of diluted earnings per share of the Company.

8 INVESTMENT IN FUNDS

Since 2020, the Company invested in unlisted funds managed by Ningbo Huaige Health Investment Management Partnership (Limited Partnership) (the “**Huaige Health**”), together with other limited partners. The primary objectives of these unlisted funds are investment in equity interest of entities in the life science and healthcare industries in the PRC. Detailed information is disclosed in the Company’s announcements dated 19 March 2020 and 29 April 2020 and the circular dated 22 May 2020.

Chengdu Fund

According to the Company’s announcements dated 18 August 2022 and 23 August 2022, the Company entered into the partnership agreement with Huaige Health (as the fund manager) and other investors (the “**Partnership Agreement**”) in relation to the establishment of, and investment in 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) (the “**Chengdu Fund**”). Under the Partnership Agreement, the capital commitment payable by each limited partner (including the Company) shall be no less than RMB10 million, and the capital committed by the Company is RMB50 million, which shall be payable on or before 30 June 2026. The primary objective of the Chengdu Fund is investments in equity interests of early-stage or growth stage businesses in the healthcare and biotechnology sectors. During the year ended 31 December 2022, the Company made capital contribution of RMB25 million to the fund.

9 TRADE AND OTHER RECEIVABLES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Trade receivables (a)		
Receivables from third parties	69,155	78,316
Receivables from related parties	3,734	940
Less: losses allowance on trade receivables	(1,508)	(583)
	<hr/>	<hr/>
Trade receivables, net	71,381	78,673
Deposits for construction project	5,454	3,191
Others	2,696	909
	<hr/>	<hr/>
Trade and other receivables, net	79,531	82,773
	<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 2022 RMB'000	31 December 2021 RMB'000
Within 3 months	64,166	76,900
3 to 6 months	5,225	1,588
6 to 9 months	1,990	185
	<hr/>	<hr/>
	71,381	78,673
	<hr/> <hr/>	<hr/> <hr/>

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

10 TRADE AND OTHER PAYABLES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Trade payables (i)	36,376	26,815
Payroll payables	34,109	18,916
Payables for purchase of property, plant and equipment	37,886	49,090
Amounts due to related parties	37	174
Refund liabilities – arising from volume rebates	3,013	1,423
Others	15,965	8,289
	127,386	104,707

- (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 2022 RMB'000	31 December 2021 RMB'000
Within 3 months	30,474	23,088
Over 3 months but within 6 months	2,287	1,921
Over 6 months but within 1 year	2,697	582
Over 1 year	918	1,224
	36,376	26,815

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

11 CAPITAL, RESERVES AND DIVIDENDS

(i) Share capital

	2022		2021	
	<i>No. of shares ('000)</i>	<i>RMB'000</i>	<i>No. of shares ('000)</i>	<i>RMB'000</i>
Ordinary shares, issued and fully paid:				
At the beginning of the year	166,000	166,000	166,000	166,000
Domestic shares issued during the period	<u>2,000</u>	<u>2,000</u>	<u>–</u>	<u>–</u>
At 31 December	<u>168,000</u>	<u>168,000</u>	<u>166,000</u>	<u>166,000</u>
Representing:				
Domestic shares issued	63,787	63,787	61,787	61,787
H shares issued	<u>104,213</u>	<u>104,213</u>	<u>104,213</u>	<u>104,213</u>
Total ordinary shares issued at 31 December	<u>168,000</u>	<u>168,000</u>	<u>166,000</u>	<u>166,000</u>

As disclosed in the Company's announcement dated 16 May 2022, the Company issued 2,000,000 domestic shares at a price of RMB12.00 per share to the participants under share incentive scheme during the year ended 31 December 2022, of which, RMB2,000,000 was recorded under share capital and the remaining of RMB22,000,000 was charged to capital reserve.

(ii) Dividends

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

	2022 RMB'000	2021 RMB'000
Final dividend proposed after the end of the Reporting Period of RMB0.24 per ordinary share (2021: RMB0.26 per ordinary share)	<u>40,320</u>	<u>43,680</u>

On 20 March 2023, the directors of the Company proposed a final dividend for the year ended 31 December 2022 of RMB0.24 per ordinary share, which has not been recognised as a liability at 31 December 2022.

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

	2022 RMB'000	2021 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, RMB0.26 per ordinary share (2021: RMB0.285 per ordinary share)	<u>43,680</u>	<u>47,310</u>

Pursuant to the shareholders' approval of the Company held on 16 May 2022, a final cash dividend of RMB0.26 per share in respect of the year ended 31 December 2021 based on 168,000,000 ordinary shares with total amount of RMB43,680,000 was paid in June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS OVERVIEW

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 mould and equipment, product injection, product assembly, product packaging to sterilisation in the PRC. Our major products are primarily used for cardiovascular surgeries.

In 2022, the COVID-19 epidemic (“COVID-19”) was sealed off in Shanghai and COVID-19 is still severe in China. Non-emergency surgeries were postponed, so the total number of surgeries in China also decreased significantly. Despite the impact of the COVID-19, the Company’s business still maintained growth, with an overall year-on-year growth rate of approximately 26.08%.

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. In 2022, the State Council issued “the 14th Five-Year Plan for National Medical Security”, further promoting the normalization and institutionalization of centralized volume procurement, and continuously expanding the scope of centralized volume procurement of high-value medical consumables. National Healthcare Security Administration issued the “Notice on Issuing the Three-year Action Plan for the Reform of DRG/DIP Payment Mode”, aiming to establish a national unified, top-down linkage and internal and external coordination of payment mechanism, and continue to expand the coverage area of DRG/DIP payment mode. The Company, with comprehensive medical device registration certificates, strong research and development capabilities and leading brand marketing system, will have a greater advantage in the future DRG/DIP competition.

The Group’s revenue in the Reporting Period was approximately RMB585.88 million, representing an increase of approximately 26.08% or approximately RMB121.20 million as compared to approximately RMB464.68 million for the year ended 31 December 2021, due to the growth in sales volume of interventional medical devices as a result of proactively expanding our distribution network and the growth in sale volume of agent business. The Group’s revenue generated from sales of interventional medical devices in the Reporting Period was approximately RMB505.48 million, representing an increase of approximately 15.89% or approximately RMB69.32 million as compared to approximately RMB436.16 million for the year ended 31 December 2021.

Comprehensive medical device registration certificates

During the Reporting Period, the Group has obtained 6 National Medical Products Administration of China (“NMPA”) registration certificates for Class III medical devices, 3 Shanghai Medical Products Administration (“SMPA”) registration certificates for Class II medical devices and 1 United States Food and Drug Administration (“FDA”) approvals. As at 31 December 2022, we have an aggregate of 31 NMPA registration certificates for Class III medical devices, 23 SMPA registration certificates for Class II medical devices, 36 European CE certificates and 18 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 2022, we had 260 registered patents, 184 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 2022, our PRC distributors cover 23 (2021: 23) provinces, 4 (2021: 4) directly-administered municipalities and 5 (2021: 5) autonomous regions in the PRC, and covering 2,317 (2021: 2,100) domestic hospitals in the PRC including 908 (2021: 817) Tier III hospitals. In addition, we had 207 (2021: 184) overseas customers covering over 58 (2021: 51) countries and regions.

ACTIVITIES REVIEW

Subsidiaries

As at 31 December 2022, the Group was comprised of 14 (2021: 12) wholly-owned or holding subsidiaries engaging in the design and development of medical devices used in fields including cardiovascular intervention or implantation, neurological intervention or implantation, peripheral intervention or implantation, urinary intervention, and the design and development of equipment and moulds used for production of medical devices.

Renewal of Continuing Connected Transactions

Reference is made to the announcements of the Company dated 14 January 2022 and 20 January 2022 in relation to renewal of the continuing connected transactions under a procurement framework agreement dated 31 December 2018 entered into between the Company and Shanghai Kindly Enterprise Development Group Co., Ltd.* (上海康德萊企業發展集團股份有限公司) (“**KDL**”) and a procurement framework agreement dated 31 December 2018 entered into between the Company and Zhejiang Kindly Medical Devices Co., Ltd.* (浙江康德萊醫療器械股份有限公司), both of which as amended and supplemented by a supplemental procurement framework agreement dated 14 October 2019 entered into by and between the Company and KDL (collectively, the “**2019 Medical Accessories and Molds Sales Framework Agreement**”). The Company and KDL entered into the 2022 medical accessories and molds sales framework agreement on 14 January 2022 (the “**2022 Medical Accessories and Molds Sales Framework Agreement**”) to update and renew the 2019 Medical Accessories and Molds Sales Framework Agreement for the three years ending 31 December 2024 and the annual transaction amounts shall not exceed RMB10 million of each year. As at the date of the agreement (i.e., 14 January 2022), KDL was one of the controlling shareholders of the Company, which held approximately 25.82% equity interest in the Company. As such KDL is a connected person of the Company under Chapter 14A of the Listing Rules and the transactions under 2022 Medical Accessories and Molds Sales Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14 of the Listing Rules for the transactions under the 2022 Medical Accessories and Molds Sales Framework Agreement are more than 0.1% but less than 5%, the transactions under the 2022 Medical Accessories and Molds Sales Framework Agreement is subject to the reporting, announcement, annual review requirements but is exempted from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Re-election and Appointment of Directors and Supervisors

Reference is made to the announcements of the Company dated 18 March 2022 and 16 May 2022 and the circular of the Company dated 11 April 2022 in relation to, among others, the re-election and appointment of Directors and supervisors of the Company (the “**Supervisors**”).

At the Company's annual general meeting held on 16 May 2022 (the "**2022 AGM**"), Dr. Liang Dongke was re-elected as an executive Director; Mr. Lin Sen was appointed as an executive Director; Mr. Zhang Weixin and Ms. Chen Hongqin were re-elected as non-executive Directors; Dr. Song Yuan and Mr. Wang Ruiqin were appointed as non-executive Directors; Mr. Jian Xigao and Mr. Hui Hung Kwan were re-elected as independent non-executive Directors and Mr. Xu Congli was appointed as an independent non-executive Directors, of the Third Session of the Board. For biographical details of the Directors of the Third Session of the Board and other information required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, please refer to the announcements of the Company dated 18 March 2022 and 16 May 2022 and the circular of the Company dated 11 April 2022.

At the employee representatives' meeting of the Company held on 18 March 2022, Ms. Chen Jie was appointed democratically as an employee representative Supervisor of the Third Session of the supervisory committee of the Company (the "**Supervisory Committee**") and should come into effect from the convening date of the 2022 AGM (i.e. 16 May 2022) until the date of the annual general meeting to be convened in 2025. At the 2022 AGM, Ms. Ma Huifang and Mr. Shen Xiaoru were appointed as the shareholder representative Supervisor of the Third Session of the Supervisory Committee. For biographical details of the Supervisors of the Third Session of the Supervisory Committee and other information required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, please refer to the announcements of the Company dated 18 March 2022 and 16 May 2022 and the circular of the Company dated 11 April 2022.

Adoption of the H Share Award and Trust Scheme

Reference is made to the announcements of the Company dated 18 March 2022 and 16 May 2022 and the circular of the Company dated 11 April 2022 in relation to, among others, the adoption of the H share award and trust scheme (the "**H Share Award and Trust Scheme**"). The adoption of H Share Award and Trust Scheme was approved by the shareholders of the Company (the "**Shareholders**") at the 2022 AGM. For the principal terms of the H Share Award and Trust Scheme, please refer to the circular of the Company dated 11 April 2022. The H Share Award and Trust Scheme involves no issue of new shares or granting of option for any new securities of the Company. The H Share Award and Trust Scheme constitutes a share scheme involving existing shares under Chapter 17 of the Listing Rules as effective since 1 January 2023.

As at 31 December 2022, the Company has not granted any H Shares to any participant under the H Share Award and Trust Scheme.

Change of Company Name

Reference is made to the announcements of the Company dated 18 March 2022 and 16 May 2022 and the circular of the Company dated 11 April 2022 in relation to, among others, the proposed change of the English name of the Company from “Shanghai Kindly Medical Instruments Co., Ltd.” to “Shanghai INT Medical Instruments Co., Ltd.” and change of the Chinese name of the Company from “上海康德萊醫療器械股份有限公司” to “上海康德瑛泰醫療器械股份有限公司” (the “**Change of Company Name**”). The Change of Company Name was approved by the Shareholders at the 2022 AGM. The Company is in the process of registration with the authorities in the PRC. Thereafter, the Company will carry out necessary filing procedures with the Companies Registry in Hong Kong and will further apply to the Stock Exchange for the change in the English and Chinese stock short names for trading in the H Shares on the Stock Exchange.

The Board considered the proposed name of “上海康德瑛泰醫療器械股份有限公司 (Shanghai INT Medical Instruments Co., Ltd.)” will be helpful to establish an independent corporate identity, strengthen market recognition of the Company’s own brand, and will be aligned with the Company’s future strategic development plan.

Connected Transaction of Establishment of Limited Partnership

On 18 August 2022, the Company conditionally entered into a partnership agreement with 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) (as the general partner and fund manager) and other investors (as the limited partners) in relation to establishment of, and investment in, 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) (“**Chengdu Huaige Fund**”). The Company will participate in the Chengdu Huaige Fund as a limited partner and will make a capital commitment of RMB50 million. The Chengdu Huaige Fund will be registered in the PRC as a limited partnership with the primary objective of investments in equity interest of entities in early-stage or growth stage businesses in the healthcare and biotechnology sectors.

Further details are set out in the announcements of the Company dated 18 August 2022 and 23 August 2022.

OUTLOOK FOR 2023

In 2023, the Company will continue to deeply develop various fields of medical devices, and orderly promote the Company's strategic planning and business layout. Looking forward to 2023, we will (1) further development the product pipeline, allocate more resources for research and development, further progress on the research and development, core product pipeline and obtaining approvals for new products; (2) 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 (3) fully use of the Group's investment in the research and development center in Shanghai and the new factory in Zhuhai to further enhance automation and scale production.

FINANCIAL REVIEW

REVENUE

The Group's revenue in the Reporting Period was approximately RMB585.88 million, representing an increase of approximately 26.08% or approximately RMB121.20 million as compared to approximately RMB464.68 million for the year ended 31 December 2021, due to the growth in sales volume of interventional medical devices as a result of proactively expanding our distribution network and the growth in sale volume of agent business.

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 RMB505.48 million (2021: approximately RMB436.16 million), representing approximately 86.28% of the total revenue as compared to approximately 93.86% for the year ended 31 December 2021. The Group's revenue generated from sales of medical accessories was approximately RMB16.85 million (2021: approximately RMB12.02 million), representing approximately 2.88% (2021: approximately 2.59%) of the total revenue. The Group's revenue generated from agent business was approximately RMB50.33 million (2021: approximately RMB14.00 million), representing approximately 8.59% (2021: approximately 3.01%) of the total revenue.

Cost of Sales

The Group's cost of sales in the Reporting Period was approximately RMB253.40 million, representing an increase of approximately 34.12% or approximately RMB64.47 million as compared to approximately RMB188.93 million for the year ended 31 December 2021. It was mainly due to the growth of sale expansion during the Reporting Period.

Gross Profit and Gross Profit Margin

During the Reporting Period, the Group's gross profit was approximately RMB332.49 million, as compared to approximately RMB275.75 million for the year ended 31 December 2021. Gross profit margin decreased from approximately 59.34% to approximately 56.75% as compared to the year ended 31 December 2021. The decrease in gross profit margin was mainly due to the increase in the proportion of revenue from agent business with lower gross profit margin.

Other Income

During the Reporting Period, other income was approximately RMB34.04 million, representing an decrease of approximately 32.15% or approximately RMB16.13 million as compared to approximately RMB50.17 million for the year ended 31 December 2021. Net realised and unrealised gains from fair value changes on financial assets measured at fair value through profit or loss for the Reporting Period was approximately RMB7.36 million (2021: approximately RMB29.29 million).

Finance Costs

During the Reporting Period, the finance cost was approximately RMB0.82 million as compared to approximately RMB0.63 million for the year ended 31 December 2021. The finance costs were interests arising from lease liabilities and loans and borrowings.

Distribution Costs

The distribution costs of the Group in the Reporting Period were approximately RMB56.39 million, increased by approximately 87.85% or approximately RMB26.37 million as compared to approximately RMB30.02 million for the year ended 31 December 2021. It constituted approximately 9.63% of the total revenue as compared to approximately 6.46% for the year ended 31 December 2021. The increase in distribution costs was primarily due to: (1) the sales team was expanded; and (2) the exhibition promotions in the PRC and overseas.

Administrative Expenses

The administrative expenses of the Group in the Reporting Period were approximately RMB64.29 million, as compared to approximately RMB49.05 million for the year ended 31 December 2021. The rise was mainly due to the increase in payroll and other compensation of administrative staff as a result of the business expansion.

Research and Development Expenses

The research and development expenses of the Group in the Reporting Period were approximately RMB140.94 million, of approximately RMB41.31 million (2021: RMB19.85 million) was capitalised as intangible assets and the remaining approximately RMB99.63 million (2021: RMB89.96 million) was charged to profit or loss, representing an increase of 28.35% or RMB31.13 million as compared to approximately RMB109.81 million for the year ended 31 December 2021. 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.

Income Tax Expenses

The income tax expenses in the Reporting Period was approximately RMB10.64 million, representing a decrease of approximately 30.24% or approximately RMB4.61 million as compared to approximately RMB15.25 million for the year ended 31 December 2021. The effective income tax rate was approximately 7.36% for the Reporting Period as compared to approximately 9.81% for the year ended 31 December 2021. The decrease was due to an increase in assets expected to be tax-deductible in 2022.

Profit for the year

The Group's profit for the year in the Reporting Period was approximately RMB133.83 million, representing a decrease of approximately 4.71% as compared to approximately RMB140.45 million for the year ended 31 December 2021.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has maintained a sound financial position during the Reporting Period. As at 31 December 2022, the Group's cash and bank balance amounted to approximately RMB518.27 million (2021: approximately RMB640.55 million). For the year ended 31 December 2022, net cash flow from operating activities of the Group amounted to approximately RMB180.46 million (2021: approximately RMB72.76 million).

The Group recorded total current assets of approximately RMB801.94 million as at 31 December 2022 (31 December 2021: approximately RMB858.44 million) and total current liabilities of approximately RMB239.67 million as at 31 December 2022 (31 December 2021: approximately RMB153.22 million). The current ratio (calculated by dividing the current assets by the current liabilities) of the Group was approximately 3.35 as at 31 December 2022 (31 December 2021: approximately 5.60).

BORROWINGS AND GEARING RATIO

As at 31 December 2022, the Group's loan of approximately RMB32.68 million was borrowed from bank in the PRC. As such, the gearing ratio is 3.14% (2021: 0.93%).

CAPITAL STRUCTURE

Total equity attributable to equity shareholders of the Company amounted to approximately RMB1,512.02 million as at 31 December 2022 as compared to approximately RMB1,395.47 million as at 31 December 2021.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB0.24 per share (equivalent to HK\$0.27 per share) (inclusive of applicable tax) (the “**Proposed Final Dividend**”) for the year ended 31 December 2022 (2021: RMB0.26 per share). Subject to the approval of the Proposed Final Dividend by the Shareholders at the annual general meeting of the Company (the “**2023 AGM**”) to be held on Thursday, 18 May 2023, the Proposed Final Dividend will be distributed on or about Wednesday, 28 June 2023 to the Shareholders whose names appear on the register of members of the Company on Saturday, 3 June 2023 (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 2022, the Company has utilized approximately RMB571.59 million of the net proceeds. As disclosed in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 28 October 2019 and the announcements of the Company dated 7 July 2020, 31 March 2021 and 20 June 2022, the details of intended application of net proceeds are set out as follows:

	Revised allocation of the net proceeds		After revision/ unutilized net proceeds as at 1 January 2022	Utilized net proceeds during the Reporting Period	Utilized net proceeds up to 31 December 2022	Unutilized net proceeds up to 31 December 2022	Expected timeline of full utilization of the net proceeds
	(RMB million)	(Approximate percentage)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	
Set up a research and development center and an additional production facility in Jiading, Shanghai	271.99	34.10%	73.85	73.85	271.99	–	Not applicable
Purchase additional and replacement of existing production equipment and automate production lines	110.07	13.80%	78.89	26.17	57.35	52.72	December 2023
Expand our distribution network and coverage, collaborate with local distributors and intensify our marketing efforts	13.00	1.63%	–	–	13.00	–	Not applicable
General corporate purposes and fund our working capital	79.84	10.01%	–	–	79.84	–	Not applicable
Zhuhai Derui New Factory Project	110.00	13.79%	20.87	20.87	110.00	–	Not applicable
Construction of the Shandong INT Innovative Medical Instruments Industrial Park	156.33	19.60%	149.48	32.56	39.41	116.92	June 2024
Potential acquisitions	56.39	7.07%	56.39	–	–	56.39	December 2023
Total	<u>797.62</u>	<u>100.00%</u>	<u>379.48</u>	<u>153.45</u>	<u>571.59</u>	<u>226.03</u>	

As at the date of this announcement, 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 2022, the Group had a total of 1,632 employees, comparing to 1,189 employees as at 31 December 2021. The total cost of employees for the Reporting Period amounted to approximately RMB190.67 million (2021: approximately RMB133.93 million). The Group provides employees with competitive remuneration and benefits, and the Group's remuneration policies are formulated according to the assessment of individual performance and are periodically reviewed. The Group has adopted two share schemes, including the Share Incentive Scheme and the H Share Award and Trust Scheme to recognise the contributions of certain employees and help in retaining them for the Group's operation and further development. The Group also 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 2022 and 31 December 2021, the Group had below significant investments, (all of which are minority stake investments).

	At 31 December 2022						At 31 December 2021					
	Percentage of interests	Cost of investment	Fair value	Size relative to the		Dividend received	Percentage of interests	Cost of investment	Fair value	Size relative to the		Dividend received
				Group's total assets	Accumulated gain					Group's total assets	Accumulated gain	
%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	
Recognised as "financial assets at fair value through profit or loss"												
Jingning Huaige Ruixin Venture Investment Partnership (Limited Partnership)* (景寧懷格瑞信創業投資合夥企業(有限合夥)) (the "Ruixin Fund")												
15.83	50,000	71,180	3.90	21,180	-	15.83	50,000	63,071	3.89	13,071	-	
Shanghai Huaige Int Start-up Investment Limited Partnership (L.P.)* (上海懷格瑛泰創業投資合夥企業(有限合夥)) (the "Int Fund")												
25.00	50,000	57,671	3.16	7,671	-	25.00	50,000	60,103	3.71	10,103	-	
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)) (the "Chengdu Huaige Fund")												
12.14	25,000	26,602	1.46	1,602	-	-	-	-	-	-	-	
	<u>125,000</u>	<u>155,454</u>	<u>8.52</u>	<u>30,454</u>	<u>-</u>		<u>100,000</u>	<u>123,174</u>	<u>7.60</u>	<u>23,174</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 the Int Fund is venture investment in, among others, equity interests, convertible loans and/or financial assets in relation to start-ups or early-stage businesses in the medical devices industry mainly in the PRC. The investment priorities of the Int Fund include start-ups or early-stage businesses principally engaged in the research and development of cardiovascular interventional devices, neuro interventional procedural medical devices and other interventional medical devices.

The primary objective of the Chengdu Huaige Fund is venture investments in equity interests of early-stage or growth stage businesses in the healthcare and biotechnology sectors. 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.

Save as disclosed above, the Group has no other significant investment during the Reporting Period.

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 2022 and 2021, the Group did not have any material contingent liabilities.

FINANCIAL INSTRUMENTS

As at 31 December 2022, the Group did not enter into foreign forward contracts.

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 RMB301.06 million for the Reporting Period (2021: approximately RMB316.41 million).

FOREIGN EXCHANGE RISK

During the Report Period, the Group’s operations were primarily based in the PRC. The Group’s assets, liabilities and transactions in the PRC are denominated in RMB, while overseas assets and transactions are mainly denominated in US Dollars. There were currency fluctuations among US Dollars, Euro, RMB and Hong Kong Dollars during the Reporting Period, the Group’s operational results and financial condition may be affected by changes in the exchange rates. As the Group reasonably arranges the currency structure, which effectively reduces foreign exchange risk, the Directors believe that there is no significant foreign exchange risk to the Group at the current stage. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the Reporting Period. The Group will continuously monitor its foreign exchange exposure and will consider hedging of foreign currency risk should the need arise.

CHARGE ON GROUP ASSETS

As at 31 December 2022, 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 2022 not provided for in the financial statements amounted to approximately RMB162.08 million (2021: approximately RMB527.20 million). The Group’s outstanding capital commitment contracted for at 31 December 2022 not provided for in the financial statements amounted to approximately RMB104.18 million (2021: approximately RMB71.28 million).

MATERIAL EVENTS AFTER THE REPORTING PERIOD

In January 2023, the Company (the “**Purchaser**”) entered into an acquisition agreement with three individuals (the “**Vendors**”) and Shanghai Hude Automobile Tensioning Wheel Co., Ltd.* 上海滬德汽車張緊輪有限公司 (the “**Target Company**”), pursuant to which, amongst others, the Purchaser has agreed to purchase and the Vendors have agreed to sell its entire equity interest in the Target Company at a consideration of RMB32 million in cash. Upon completion of the acquisition, the Target Company’s property will be used as the Company’s employee dormitory.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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’ and Supervisors’ securities transactions. Having made specific enquiry with the Directors and the Supervisors, all of the Directors and the Supervisors 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 C.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 Dongke), four non-executive Directors and three 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 as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises three members, namely, Mr. Hui Hung Kwan, Dr. Song Yuan and Mr. Xu Congli. Mr. Hui and Mr. Xu are independent non-executive Directors and Dr. Song 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 2022 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 AGM will be held on Thursday, 18 May 2023. 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 Tuesday, 18 April 2023 to Thursday, 18 May 2023, 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 Monday, 17 April 2023.

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 Monday, 29 May 2023 to Saturday, 3 June 2023, 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 Thursday, 25 May 2023.

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 2022 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 our 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
20 March 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*