

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(s) 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)

**SUPPLEMENTAL CIRCULAR
TO THE CIRCULAR OF THE 2022 ANNUAL GENERAL MEETING
RELATING TO THE PROPOSED AMENDMENTS
TO THE SHARE INCENTIVE SCHEME**

This supplemental circular should be read together with the First Circular. Capitalized terms used in this cover page shall have the same meanings as defined in the First Circular and this supplemental circular. The form of proxy(s) for use in connection with the AGM, H Shareholders' Class Meeting and Domestic Shareholders' Class Meeting is enclosed in the First Circular, which 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, H Shareholders' Class Meeting and/or Domestic Shareholders' Class Meeting in person, you are requested to complete the form of proxy(s) in accordance with the instructions printed thereon and return it to the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, 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, H Shareholders' Class Meeting and/or Domestic Shareholders' Class Meeting or any adjournment thereof. Completion and return of the form of proxy(s) will not preclude Shareholders from attending and voting in person at the AGM, H Shareholders' Class Meeting and/or Domestic Shareholders' Class Meeting or any adjourned meeting thereof (as the case may be) if they so wish and in such event, the form of proxy(s) shall be deemed to be revoked.

* For identification purposes only

3 May 2023

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DEFINITIONS

In this supplemental 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 Thursday, 18 May 2023 at 2:00 p.m., or any adjournment thereof (as the case may be)
“associate(s)”	has the meaning ascribed to thereto under the Listing Rules
“Board”	the board of Directors
“Class Meetings”	the H Shareholders’ Class Meeting and/or the Domestic Shareholders’ Class Meeting
“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
“connected person(s)”	has the meanings ascribed thereto under the Listing Rules
“core connected person(s)”	has the meanings ascribed thereto under the Listing Rules
“Director(s)”	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)
“Domestic Shareholders’ Class Meeting”	the Domestic Shareholders’ class meeting of the Company to be held on Thursday, 18 May 2023 at 2:45 p.m. (or immediately after the conclusion or adjournment of the H Shareholders’ Class Meeting)
“First Circular”	the circular dated 14 April 2023 issued by the Company to the Shareholders
“H Share(s)”	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)

DEFINITIONS

“H Shareholders’ Class Meeting”	the H Shareholders’ class meeting of the Company to be held on Thursday, 18 May 2023 at 2:30 p.m. (or immediately after the conclusion or adjournment of the AGM)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Chapter 17”	Chapter 17 of the Listing Rules which came into effect on 1 January 2023
“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
“Remuneration Committee”	the remuneration committee of the Board
“Share(s)”	share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, including the Domestic Share(s) and H Share(s)
“Shareholder(s)”	Domestic Shareholders and H Shareholders
“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)), the employee shareholding platforms of the Company
“Share Incentive Scheme”	the share incentive scheme approved by the Shareholders on 17 December 2020
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

* *For identification purposes only*



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. Lin Sen

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

Dr. Song Yuan

Mr. Wang Ruiqin

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. Jian Xigao

Mr. Hui Hung Kwan

Mr. Xu Congli

3 May 2023

To the Shareholders:

Dear Sir or Madam,

**SUPPLEMENTAL CIRCULAR
TO THE CIRCULAR OF THE 2022 ANNUAL GENERAL MEETING
RELATING TO THE PROPOSED AMENDMENTS
TO THE SHARE INCENTIVE SCHEME**

I. INTRODUCTION

Reference is made to the First Circular dated 14 April 2023 in relation to, among others, the proposed amendments to the Share Incentive Scheme. This supplemental circular should be read in conjunction with the First Circular. Unless otherwise defined in the section headed “Definitions” in this supplemental circular, capitalized terms used in this supplemental circular shall have the same meanings as those defined in the First Circular.

* For identification purposes only

LETTER FROM THE BOARD

As disclosed in the announcement of the Company dated 30 December 2022 and the First Circular, the proposed amendments to the Share Incentive Scheme, including the amendments to the performance target provision in order to extend the performance target review period to the fourth financial year ending 31 December 2023 and consequential amendments to the Share Incentive Scheme in alignment with the New Chapter 17, are for administrative purpose only and are technical amendments to the terms of the Share Incentive Scheme in order to comply with the Listing Rules. The purpose of this supplemental circular is to provide you with additional illustrative details of (i) the grantees under the Share Incentive Scheme; (ii) the maximum entitlement of each participant under the Share Incentive Scheme; and (iii) the vesting period of the awards to be granted under the Share Incentive Scheme.

II. GRANTEES, INDIVIDUAL LIMIT AND VESTING PERIOD UNDER THE SHARE INCENTIVE SCHEME

The Share Incentive Scheme is a share award scheme that involves issue of new shares under New Chapter 17. The Share Incentive Scheme was adopted at the extraordinary general meeting of the Company on 17 December 2020 and as disclosed in the First Circular, the maximum total number of shares that may be issued in respect of all options and awards to be granted under this Incentive Scheme and other share schemes of the Company is 5,000,000 (the “**Scheme Mandate Limit**”). A total of 5,000,000 restricted shares under the Share Incentive Scheme had already been granted to Dr. Liang Dongke and the Share Incentive Platforms on 19 August 2021. It is expected that the Company will not make any further new grants of restricted shares under the Share Incentive Scheme.

Save for the remaining 3,000,000 Shares to be issued by the Company upon the CSRC approval, the Company will not issue any new shares under the Share Incentive Scheme. Therefore, if the Company intends to make any new grants of option or awards through issue of new shares to its employees, the Company will adopt a separate new share scheme and set a new Scheme Mandate Limit, subject to the Shareholders’ approval at a general meeting and compliance with other requirements under the New Chapter 17.

LETTER FROM THE BOARD

Grantees

Details of the total 5,000,000 restricted shares that have already been granted under the Share Incentive Scheme are set out as below:

Grantee	Category	Form of entitlement	Number of awards granted	Date of grant	Grant price ⁽²⁾	Vesting period
Liang Dongke	Executive Director and chief executive	Direct shareholding in the Company	2,500,000	19 August 2021	RMB12.0	See below
		Indirect shareholding in the Company through holding partnership interest in the Share Incentive Platform ⁽¹⁾	779,600			
Lin Sen	Executive Director	Indirect shareholding in the Company through holding partnership interest in the Share Incentive Platform ⁽¹⁾	141,600	19 August 2021	RMB12.0	See below
Song Yuan	Non-executive Director	Indirect shareholding in the Company through holding partnership interest in the Share Incentive Platform ⁽¹⁾	141,600	19 August 2021	RMB12.0	See below
Wang Ruiqin	Non-executive Director	Indirect shareholding in the Company through holding partnership interest in the Share Incentive Platform ⁽¹⁾	100,000	19 August 2021	RMB12.0	See below
Others	Employees	Indirect shareholding in the Company through holding partnership interest in the Share Incentive Platform ⁽¹⁾	1,337,200	19 August 2021	RMB12.0	See below
Total			<u>5,000,000</u>			

LETTER FROM THE BOARD

Notes:

- (1) Such grantees will indirectly hold Domestic Shares under the Share Incentive Scheme by holding partnership interest in the Share Incentive Platforms. Please refer to “Article IV. Share Incentive Method and Source of Shares — 1. Share Incentive Method” of the Share Incentive Scheme in Appendix I to the First Circular for details.
- (2) As the Domestic Shares are not listed on any stock exchange, the grant price of the restricted shares under the Share Incentive Schemes were determined with reference to the market price of the H Shares, being HK\$28.65 on the date of grant, in combination with a reasonable discount as determined by the Board.

For the performance targets attached to the 5,000,000 restricted shares and the clawback mechanism for the Company to recover or withhold any awards granted, please refer to the “Section IX. Performance Commitment of Grantees” and “Section XI. Modification and Termination of the Incentive Scheme — 3. Dealing with Changes to Personal Circumstances of the Grantees” of the Share Incentive Scheme in Appendix I to the First Circular for details. The Company did not provide any financial assistance to the above grantees to facilitate the purchase of the restricted shares under the Share Incentive Scheme.

Individual Limit

As disclosed in Appendix I to the Share Incentive Scheme in the First Circular, where any grant of Domestic Shares to a grantee would result in the shares issued and to be issued in respect of all options and awards granted to such grantee (excluding any options and awards lapsed in accordance with the terms of the Share Incentive Scheme or any other share schemes) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the total issued shares of the Company, such grant must be separately approved by the Shareholders at the general meeting, with such grantee and his/her close associates (or associate if the grantee is a connected person) abstaining from voting, and the Company must send a circular to the Shareholders. In addition to that, the Board would like to further supplement that, where any grant of Domestic Shares to a grantee that is a Director (other than an independent non-executive Director) or chief executive of the Company, or any of their associates would result in the shares issued and to be issued in respect of all awards granted (excluding any awards lapsed in accordance with the terms of the scheme) to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the relevant class of shares in issue, such further grant of awards must be approved by the Shareholders in general meeting, with such grantee, his/her associates and all core connected persons of the Company abstaining from voting in favour at such general meeting.

Vesting Period

Pursuant to Rule 17.03F of New Chapter 17, the vesting period for options or awards shall not be less than 12 months (the “**Vesting Period Requirement**”). Options or awards granted to employee participants may be subject to a shorter vesting period under specific circumstances as set out in the scheme document. Among the 5,000,000 restricted shares under the Share Incentive Scheme:

LETTER FROM THE BOARD

- (i) The initial 2,000,000 shares have already been issued to Dr. Liang Dongke and the Share Incentive Platforms, and the relevant registration with China Securities Depository and Clearing Corporation Limited was completed on 13 May 2022 as disclosed in the announcement of the Company dated 16 May 2022. As such, the vesting period for the initial 2,000,000 shares is less than 12 months. Taking into account that (a) the Share Incentive Scheme was adopted at the time when the New Chapter 17 had not come into effect and therefore the initial 2,000,000 shares were not subject to the Vesting Period Requirement under New Chapter 17 at the time when they were granted and vested; and (b) the CSRC approval granted on 13 May 2021 in connection with the issuance of the 2,000,000 shares has a validity period of only one year since the date of approval, within which the Company shall issue and complete the registration of such 2,000,000 shares granted, otherwise they would have lapsed, the Remuneration Committee is of a view that a vesting period of less than 12 months for the initial 2,000,000 shares is appropriate and aligns with the purpose of the Share Incentive Scheme.
- (ii) As disclosed in the First Circular, the Board will elect to file to the CSRC with respect to the remaining 3,000,000 shares that have not yet been issued, in whole or in part, in accordance with the Measures for Supervision and Administration of Unlisted Public Companies (非上市公眾公司監督管理辦法) and other relevant laws and regulations, and will elect to issue such shares within 12 months after the CSRC approval in whole or in part. As at the date of this supplemental circular, 12 months has passed since the date of grant of the remaining 3,000,000 shares, therefore under no circumstance will the vesting period for the remaining 3,000,000 shares be shorter than 12 months. As such, the Remuneration Committee is of a view that the Company will be able to comply with the Vesting Period Requirement with respect to the remaining 3,000,000 shares to be issued under the Share Incentive Scheme.

III. GENERAL

Save as disclosed above, all information in the First Circular remains unchanged. The text of the notices of the AGM, H Shareholders' Class Meeting and Domestic Shareholders' Class Meeting and the form of proxy(s) for use in connection with the AGM, H Shareholders' Class Meeting and Domestic Shareholders' Class Meeting enclosed in the First Circular remain unchanged. The form of proxy(s) remains valid for the AGM, H Shareholders' Class Meeting and Domestic Shareholders' Class Meeting and the Shareholders as there is no change in the resolutions therein and are not required to re-submit the form of proxy(s) if they have already done so.