



上海康德萊醫療器械股份有限公司

Shanghai Kindly Medical Instruments Co., Ltd.*

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

Stock Code : 1501

INNOVATION SERVES HEALTH,
HIGH-QUALITY ACHIEVES EXCELLENCE

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CORPORATE INFORMATION

Executive Directors

Dr. Liang Dongke (梁棟科) (*Chairman*)

Mr. Lin Sen (林森)

Non-Executive Directors

Mr. Zhang Weixin (張維鑫)

Ms. Chen Hongqin (陳紅琴)

Dr. Song Yuan (宋媛)

Mr. Wang Ruiqin (王瑞琴)

Independent Non-Executive Directors

Mr. Jian Xigao (蹇錫高)

Mr. Hui Hung Kwan (許鴻群)

Mr. Xu Congli (徐從禮)

Supervisors

Ms. Ma Huifang (馬慧芳) (*Chairperson*)

Ms. Chen Jie (陳潔)

Mr. Shen Xiaoru (沈曉如)

Audit Committee

Mr. Hui Hung Kwan (許鴻群) (*Chairman*)

Mr. Xu Congli (徐從禮)

Dr. Song Yuan (宋媛)

Remuneration Committee

Mr. Jian Xigao (蹇錫高) (*Chairman*)

Mr. Hui Hung Kwan (許鴻群)

Dr. Liang Dongke (梁棟科)

Nomination Committee

Dr. Liang Dongke (梁棟科) (*Chairman*)

Mr. Jian Xigao (蹇錫高)

Mr. Xu Congli (徐從禮)

Joint Company Secretaries

Dr. Song Yuan (宋媛)

Ms. Leung Shui Bing (梁瑞冰)

Authorized Representatives

Dr. Liang Dongke (梁棟科)

Ms. Leung Shui Bing (梁瑞冰)

Auditors

International auditor:

KPMG

(Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance)

8th Floor

Prince's Building

10 Chater Road

Central

Hong Kong

Domestic auditor:

KPMG Huazhen LLP

Floor 25, Tower II, Plaza 66

1266 Nanjing West Road

Shanghai

PRC

Legal Advisers

As to Hong Kong law:

O'Melveny & Myers

31st Floor, AIA Central

1 Connaught Road Central

Hong Kong

As to PRC law:

DeHeng Shanghai Law Office

Floor 23, Sinar Mas Plaza

No. 501 East Da Ming Road

Shanghai

PRC

Registered Office in the PRC

Block 2, No. 925 Jin Yuan Yi Road

Jiading District, Shanghai

PRC

CORPORATE INFORMATION

Headquarters and Principal Place of Business in the PRC

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

Principal Place of Business in Hong Kong

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

H Share Registrar

Computershare Hong Kong Investor Services Limited

Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Principal Bankers

China Construction Bank Corporation

Shanghai Jiangqiao Branch

1/F, No. 138 Jiayi Road
Jiading District, Shanghai
PRC

Agricultural Bank of China Limited

Shanghai Jiading Branch

2/F, No. 355 Tacheng Road
Jiading District, Shanghai
PRC

Stock Code

1501

Company Website

www.kdl-int.com

INTERIM RESULTS HIGHLIGHTS

FINANCIAL HIGHLIGHTS

	Six-month period ended 30 June		Change
	2023 RMB'000	2022 RMB'000	
Revenue	339,764	225,217	50.86%
Gross profit	200,350	124,023	61.54%
Profit for the period	80,505	50,125	60.61%
Earnings per share			
Basic (in RMB)	0.48	0.31	54.84%
Diluted (in RMB)	0.47	0.30	56.67%

- The Group's revenue for the six-month period ended 30 June 2023 was approximately RMB339.76 million, representing an increase of approximately 50.86% or approximately RMB114.54 million as compared to approximately RMB225.22 million for the six-month period ended 30 June 2022. The increase was mainly due to the increase in market demand for the Group's products and the increase of number of the Group's new customers.
- During the Reporting Period, the Group's gross profit was approximately RMB200.35 million, as compared to approximately RMB124.02 million for the six-month period ended 30 June 2022. The Group's gross profit margin increased from 55.07% to 58.97%. The increase was mainly due to the increase in sales portion of interventional medical devices with a higher gross profit margin.
- The Group's profit for the Reporting Period was approximately RMB80.51 million, representing an increase of approximately 60.61% as compared to approximately RMB50.13 million for the six-month period ended 30 June 2022. The increase was mainly due to the increase in market demand for the Group's products and the increase of number of new customers of the Group, among which the sales portion of interventional medical devices also increased compared to the six-month period ended 30 June 2022.
- The Group's basic earnings per share for the Reporting Period was RMB0.48, as compared to RMB0.31 for the six-month period ended 30 June 2022. The Group's diluted earnings per share in the Reporting Period was RMB0.47, as compared to RMB0.30 for the six-month period ended 30 June 2022.
- The Board resolved not to declare any interim dividend for the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

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 China, the government introduced reform policies to support the healthy and orderly development of the medical industry, and further promoted the centralized procurement of high-value medical consumables. It has successively issued "Opinions of the Central Committee of the Communist Party of China and The State Council on Deepening the Reform of the Medical Security System", "the Notice of The General Office of the State Council on Issuing the Reform Plan for Controlling High-value Medical Consumables" and "the Guiding Opinions on Carrying out the Centralized Procurement and Use of High-value Medical Consumables by the State Organization", which focus on some high value medical consumables with large clinical dosage, high procurement amount, mature clinical use, full market competition and high homogenization level into the procurement scope. During the Reporting Period, the Company actively participated in several procurement alliances led by Henan and Hebei Province, and the products covered vascular interventional medical consumables and neuro interventional medical consumables. In the future, with the expansion of the scope of centralized procurement, the Company will have a greater competitive advantage on the basis of comprehensive medical device registration certificates, strong research and development capabilities and leading brand marketing system.

The Group's revenue in the Reporting Period was approximately RMB339.76 million, representing an increase of approximately 50.86% or approximately RMB114.54 million as compared to approximately RMB225.22 million for the six-month period ended 30 June 2022.

Comprehensive medical device registration certificates

During the Reporting Period, the Group has obtained 4 NMPA registration certificates for Class III medical devices and 6 Shanghai Medical Products Administration ("SMPA") registration certificates for Class II medical devices. As at 30 June 2023, we have an aggregate of 35 NMPA registration certificates for Class III medical devices, 29 SMPA registration certificates for Class II medical devices, 36 European CE certificates and 18 United States Food and Drug Administration 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 30 June 2023, we had 292 registered patents, 213 patents under application and 5 registered software copyrights.

Extensive distribution and sales network

We have an extensive distribution network and have developed and maintained stable relationships with our distributors. As at 30 June 2023, our PRC distributors cover 23 (31 December 2022: 23) provinces, 4 (31 December 2022: 4) directly-administered municipalities and 5 (31 December 2022: 5) autonomous regions in the PRC, and covering 2,650 (31 December 2022: 2,317) domestic hospitals in the PRC including 920 (31 December 2022: 908) Tier III hospitals. In addition, we had 226 (31 December 2022: 207) overseas customers covering over 66 (31 December 2022: 58) countries and regions.

MANAGEMENT DISCUSSION AND ANALYSIS

ACTIVITIES REVIEW

Subsidiaries

As at 30 June 2023, the Group was comprised of 15 (31 December 2022: 14) 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.

Change of domestic auditor

Reference is made to the announcements of the Company dated 20 March 2023 and 18 May 2023 in relation to, among others, the proposed change of the domestic auditor from BDO China Shu Lun Pan Certified Public Accountants LLP (“**BDO**”) to KPMG Huazhen LLP (the “**Change of Domestic Auditor**”) in the year of 2023. Considering the fact that BDO and KPMG has been serving as its domestic auditor and international auditor, respectively and in order to ensure business synergy between domestic and international auditors and enhance the efficiency, the Board proposed the Change of Domestic Auditor on 20 March 2023, which was further approved by the Shareholders at the annual general meeting of the Company on 18 May 2023 (the “**2022 AGM**”). The term of KPMG Huazhen LLP commences from the date of approval at the 2022 AGM and will expire on the date of the next annual general meeting of the Company. BDO has confirmed to the Board that there are no matters in relation to the proposed Change of Domestic Auditor that it considered should be brought to the attention of the Shareholders. The Board and the Audit Committee also confirmed that, save as the reasons disclosed above, there is no disagreement between the Company and BDO and there are no other matters in relation to the Change of Domestic Auditor that need to be brought to the attention of the Shareholders.

OUTLOOK FOR THE SECOND HALF OF 2023

In second half of 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 second half of 2023, we will (1) further develop 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) make full use of the Group’s investment in the research and development center in Shanghai and the new factory in Zhuhai to further enhance automation.

FINANCIAL REVIEW

Revenue

The Group’s revenue in the Reporting Period was approximately RMB339.76 million, representing an increase of approximately 50.86% or approximately RMB114.54 million as compared to approximately RMB225.22 million for the six-month period ended 30 June 2022. The increase was mainly due to the increase in market demand for the Group’s products and the increase in number of the Group’s new customers.

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB302.26 million (six-month period ended 30 June 2022: approximately RMB192.44 million), representing an increase of approximately RMB109.82 million as compared to those of the six-month period ended 30 June 2022. In addition to the existing self-made products, the agent business contributed revenue of approximately RMB20.93 million during the Reporting Period. The agent business is mainly focus on trading of cardiovascular imaging medical devices, supplementary to the Group's self-made products in order to optimize the product mix of the Group. In addition, the agent business will further strengthen the relationship with our existing distributors and expand our distribution network.

Cost of Sales

The Group's cost of sales in the Reporting Period was approximately RMB139.41 million, representing an increase of approximately 37.77% or approximately RMB38.22 million as compared to approximately RMB101.19 million for the six-month period ended 30 June 2022, which changes were in line with the growth of revenue.

Gross Profit and Gross Profit Margin

During the Reporting Period, the Group's gross profit was approximately RMB200.35 million, as compared to approximately RMB124.02 million for the six-month period ended 30 June 2022. The Group's gross profit margin increased from approximately 55.07% for the six-month period ended 30 June 2022 to approximately 58.97% for the six-month period ended 30 June 2023. The increase was mainly due to the increase in sales portion of interventional medical devices with a higher gross profit margin.

Other Income

During the Reporting Period, other income of the Group was approximately RMB22.79 million, representing an increase of approximately 4.51% or approximately RMB0.98 million as compared to approximately RMB21.81 million for the six-month period ended 30 June 2022.

Finance Costs

During the Reporting Period, the finance cost of the Group was approximately RMB1.21 million as compared to approximately RMB0.32 million for the six-month period ended 30 June 2022. The finance costs were mainly consisted of interests arising from lease liabilities and interest expenses arising from new bank loans borrowed by the Group during the Reporting Period.

Distribution Costs

The distribution costs of the Group in the Reporting Period were approximately RMB33.02 million, increased by approximately 52.00% or approximately RMB11.30 million as compared to approximately RMB21.72 million for the six-month period ended 30 June 2022, which changes were in line with revenue growth. It constituted approximately 9.72% of the total revenue as compared to approximately 9.65% for the six-month period ended 30 June 2022.

Administrative Expenses

The administrative expenses of the Group in the Reporting Period were approximately RMB36.39 million, increased by approximately 28.17% or approximately RMB8.00 million as compared to approximately RMB28.39 million for the six-month period ended 30 June 2022, due to the increase of cost of employees, depreciation and amortisation expenses. It constituted approximately 10.71% of the total revenue as compared to approximately 12.61% for the six-month period ended 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Research and Development Expenses

The total research and development expenses of the Group during the Reporting Period was approximately RMB86.53 million (for the six-month period ended 30 June 2022: approximately RMB53.39 million), of which, expensed research and development expenditure was approximately RMB64.59 million (for the six-month period ended 30 June 2022: approximately RMB37.93 million), and capitalized research and development expenditure was approximately RMB21.94 million (for the six-month period ended 30 June 2022: approximately RMB15.46 million). The rise was primarily due to an increase in research and development projects. The total research and development expenses of the Group during the Reporting Period constituted approximately 25.47% of the total revenue as compared to approximately 23.71% for the six-month period ended 30 June 2022.

Income Tax Expenses

The Group's income tax expenses in the Reporting Period was approximately RMB7.91 million, representing an increase of approximately 18.02% or approximately RMB1.21 million as compared to approximately RMB6.70 million for the six-month period ended 30 June 2022. The effective income tax rate was 8.95% for the Reporting Period as compared to 11.80% for the six-month period ended 30 June 2022. It was mainly due to the recognition of deferred tax assets formed by recoverable tax losses of the Group.

Profit for the period

The Group's profit for the Reporting Period was approximately RMB80.51 million, representing an increase of approximately 60.61% as compared to approximately RMB50.13 million for the six-month period ended 30 June 2022. The increase was mainly due to the increase in market demand for the Group's products and the increase of number of new customers of the Group, among which the sales portion of interventional medical devices also increased compared to the six-month period ended 30 June 2022.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has maintained a sound financial position during the Reporting Period. As at 30 June 2023, the Group's cash and cash equivalents amounted to approximately RMB458.22 million (31 December 2022: approximately RMB518.27 million). For the six-month period ended 30 June 2023, net cash flow generated from operating activities of the Group amounted to approximately RMB66.19 million (six-month period ended 30 June 2022: approximately RMB74.94 million).

The Group recorded total current assets of approximately RMB728.20 million as at 30 June 2023 (31 December 2022: approximately RMB801.94 million) and total current liabilities of approximately RMB306.35 million as at 30 June 2023 (31 December 2022: approximately RMB239.67 million). The current ratio (calculated by dividing the current assets by the current liabilities) of the Group was approximately 2.38 as at 30 June 2023 (31 December 2022: approximately 3.35).

BORROWINGS AND GEARING RATIO

The Group has approximately RMB96.06 million borrowed from banks in the PRC as at 30 June 2023 (31 December 2022: approximately RMB32.68 million), which are credit borrowings at an annual interest rate of 2.5% (31 December 2022: 2.5%). As such, the gearing ratio is 6.99% (31 December 2022: 3.14%). The loans are not collateralized or secured, and the latest repayment date of the loans is March 2024.

CAPITAL STRUCTURE

Total equity attributable to equity shareholders of the Company amounted to approximately RMB1,554.47 million as at 30 June 2023 as compared to approximately RMB1,512.02 million as at 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six-month period ended 30 June 2023.

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 30 June 2023, the Company has utilized approximately RMB647.41 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, 20 June 2022 and 3 March 2023, 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 2023	Utilized net proceeds during the Reporting Period	Utilized net proceeds up to 30 June 2023	Unutilized net proceeds up to 30 June 2023	Expected timeline of full utilization of the unutilized 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	328.38	41.17%	56.39	32.49	304.48	23.90	December 2023
Purchase additional and replacement of existing production equipment and automate production lines	110.07	13.80%	52.72	15.63	72.98	37.09	June 2024
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%	–	–	110.00	–	Not applicable
Construction of the Shandong INT Innovative Medical Instruments Industrial Park	156.33	19.60%	116.92	27.70	67.11	89.22	December 2024
Potential acquisitions	–	0.00%	–	–	–	–	Not applicable
Total	797.62	100.00%	226.03	75.82	647.41	150.21	

As at the date of this report, the unutilized net proceeds has been deposited in bank accounts maintained by the Company.

EMPLOYEE REMUNERATION AND RELATIONS

As at 30 June 2023, the Group had a total of 1,532 employees, comparing to 1,632 employees as at 31 December 2022. The total cost of employees for the Reporting Period amounted to approximately RMB132.87 million (six-month period ended 30 June 2022: approximately RMB100.74 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 recognize 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.

MANAGEMENT DISCUSSION AND ANALYSIS

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, the trustee of the H Share Award and Trust Scheme repurchased 2,000 H Shares on the Stock Exchange to satisfy the grant of awards pursuant to the H Share Award and Trust Scheme. No awards was granted as at 30 June 2023.

Save as disclosed above, 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 30 June 2023 and 31 December 2022, the Group had below significant investments (all of which are minority stake investments).

	At 30 June 2023					At 31 December 2022				
	Percentage of interests %	Cost of investment RMB'000	Fair Value RMB'000	Accumulated gain RMB'000	Dividend Received RMB'000	Percentage of interests %	Cost of investment RMB'000	Fair Value RMB'000	Accumulated gain RMB'000	Dividend Received 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(有限合伙) (the "Ruixin Fund")	15.83	50,000	72,147	22,147	-	15.83	50,000	71,180	21,180	-
Shanghai Huaige Int Start-up Investment Limited Partnership (L.P.)* (上海懷格瑛泰創業投資合夥企業(有限合伙)) (the "Int Fund")	25.00	50,000	61,357	11,357	-	25.00	50,000	57,671	7,671	-
Chengdu Huaige Guosheng Venture Investment Partnership (Limited Partnership)* (成都懷格國生創業投資合夥企業(有限合伙)) (the "Chengdu Huaige Fund")	12.14	25,000	26,470	1,470	-	12.14	25,000	26,603	1,603	-
		<u>125,000</u>	<u>159,974</u>	<u>34,974</u>	<u>-</u>		<u>125,000</u>	<u>155,454</u>	<u>30,454</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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 in 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 30 June 2023 and 31 December 2022, the Group did not have any material contingent liabilities.

FINANCIAL INSTRUMENTS

As at 30 June 2023, the Group did not have any other outstanding hedge contracts or financial derivative 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 RMB148.63 million for the Reporting Period, as compared to approximately RMB103.99 million for six-month period ended 30 June 2022.

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 30 June 2023, the Group did not have any charges on its assets.

CAPITAL COMMITMENT

The Group’s outstanding capital commitments authorized but not contracted for at 30 June 2023 not provided for in the financial statements amounted to approximately RMB145.16 million (31 December 2022: approximately RMB162.08 million). As at 30 June 2023, the Group’s outstanding capital commitment contracted for and not provided for in the financial statements amounted to approximately RMB64.70 million (31 December 2022: approximately RMB104.18 million).

SUPPLEMENTARY INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieve good corporate governance standards to protect the Shareholders' interest and enhance the Company's transparency and accountability. The Company's corporate governance practices are based on the CG Code contained in Appendix 14 of the Listing Rules. During the Reporting Period, the Company has complied with all the code provisions set forth in the CG Code, exception of code provision C.2.1 of Part 2 of the CG 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 as the founder of the business of the Group. 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 Board, the Supervisors and the senior management of the Company, which comprises experienced and visionary individuals. The Board currently comprises two executive Directors (including Dr. Liang), 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors' and Supervisors' securities transactions. Having made specific enquiry of the Directors and the Supervisors, all of the Directors and the Supervisors confirmed that they have complied with the required standard set out in the Model Code during the Reporting Period. Employees who are, or likely to be, in possession of unpublished inside information in relation to the Company or the Shares are prohibited from dealing in the Shares during the black-out period.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

SUPPLEMENTARY INFORMATION

CHANGES IN INFORMATION OF THE DIRECTORS, AND SUPERVISORS AND CHIEF EXECUTIVE OF THE COMPANY

The Company has no change of the information of Directors, Supervisors and chief executive during the Reporting Period which is required to be disclosed pursuant to Rules 13.51B(1) and 13.51B(2) of the Listing Rules.

REVIEW OF FINANCIAL INFORMATION

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises three members, namely, Mr. Hui Hung Kwan, Mr. Xu Congli and Dr. Song Yuan. 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 unaudited interim 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 risk management, internal control and financial reporting matters.

Independent Review of Auditor Financial Report

KPMG, the Company's auditor, has reviewed the Company's unaudited interim financial report for the Reporting Period in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to the Shareholders.

SUPPLEMENTARY INFORMATION

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As of 30 June 2023, the interests and short positions of the Directors, the Supervisors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is keen to taken or deemed to have under such provisions of the SFO), or as recorded in the register maintained by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name	Type of Shares	Nature of Interest	Number of Shares ⁽¹⁾	Approximate percentage in Domestic Shares ⁽²⁾	Percentage in total number of Shares ⁽²⁾
Dr. Liang Dongke (梁棟科) ⁽³⁾	Domestic Shares	Beneficial owner	10,542,854 (L)	16.53%	6.28%
	Domestic Shares	Interest of controlled corporation	3,400,000 (L)	5.33%	2.02%
Dr. Song Yuan (宋媛) ⁽³⁾	Domestic Shares	Interest of spouse	13,942,854 (L)	21.86%	8.30%
Mr. Lin Sen (林森)	Domestic Shares	Beneficial owner	7,142,858 (L)	11.20%	4.25%
Mr. Wang Ruiqin (王瑞琴)	Domestic Shares	Beneficial owner	7,142,858 (L)	11.20%	4.25%

Notes:

- (1) The letter "L" stands for long position.
- (2) The calculation is based on percentage of shareholding in a total of 168,000,000 Shares, which consist of 63,786,608 Domestic Shares and 104,213,392 H Shares as at 30 June 2023.
- (3) Dr. Song Yuan is the spouse of Dr. Liang Dongke. Under section 316(1)(a) of the SFO, Dr. Song Yuan is deemed to be interested in the equity interests held by Dr. Liang Dongke.

Save as disclosed above, as of 30 June 2023, to the best knowledge of the Board, none of the Directors, the Supervisors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, the Supervisors and chief executive of the Company were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

SUPPLEMENTARY INFORMATION

INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As of 30 June 2023, according to the register kept by the Company pursuant to Section 336 of the SFO and so far is known to, or can be ascertained after reasonable enquiry by the Directors, the following person/entity had an interests or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or be directly and indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of the Company (the interests in Shares and/or short positions, if any, disclosed herein are in addition to those disclosed in respect of the Directors, Supervisors and chief executive):

Interests in the Shares of the Company

Name	Type of Shares	Nature of Interest	Number of Shares ⁽¹⁾	Approximate percentage in the respective type of share capital ⁽¹¹⁾	Percentage in total number of Shares ⁽¹¹⁾
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)) (“Ningbo Huaige Taiyi”) ⁽²⁾	Domestic Shares	Beneficial owner	9,843,750 (L)	15.43%	5.86%
Ningbo Huaige Gongxin Equity Investment Partnership (Limited Partnership) (寧波懷格共信股權投資合夥企業(有限合夥)) (“Ningbo Huaige Gongxin”) ⁽²⁾	Domestic Shares	Interest of controlled corporation	9,843,750 (L)	15.43%	5.86%
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)) (“Ningbo Huaige Health”) ⁽²⁾	Domestic Shares	Interest of controlled corporation	9,843,750 (L)	15.43%	5.86%

SUPPLEMENTARY INFORMATION

Name	Type of Shares	Nature of Interest	Number of Shares ⁽¹⁾	Approximate percentage in the respective type of share capital ⁽¹¹⁾	Percentage in total number of Shares ⁽¹¹⁾
Mr. Wang Kai (王鏜) ⁽²⁾	Domestic Shares	Beneficial owner	5,571,428 (L)	8.73%	3.32%
	Domestic Shares	Interests of controlled corporation	9,843,750 (L)	15.43%	5.86%
Ms. Zhao Wei (趙威) ⁽²⁾	Domestic Shares	Interest of spouse	5,571,428 (L)	8.73%	3.32%
	Domestic Shares	Interests of controlled corporation	9,843,750 (L)	15.43%	5.86%
Ms. Chen Saiying (陳賽英) ⁽³⁾	Domestic Shares	Interest of spouse	7,142,858 (L)	11.20%	4.25%
Ms. Han Chunyan (韓春燕) ⁽⁴⁾	Domestic Shares	Interest of spouse	7,142,858 (L)	11.20%	4.25%
Mr. Chen Xing (陳星) ⁽⁵⁾	Domestic Shares	Beneficial owner	7,071,430 (L)	11.09%	4.21%
Ms. Han Xue (韓雪) ⁽⁵⁾	Domestic Shares	Interest of spouse	7,071,430 (L)	11.09%	4.21%
Mr. Huang Chubin (黃楚彬) ⁽⁶⁾	Domestic Shares	Beneficial owner	7,071,430 (L)	11.09%	4.21%
Ms. Li Xiuqun (李秀群) ⁽⁶⁾	Domestic Shares	Interest of spouse	7,071,430 (L)	11.09%	4.21%
Ningbo Tongchuang Suwei Investment Partnership (Limited Partnership) (寧波同創速維投資合夥企業(有限合夥)) (“Ningbo Tongchuang Suwei”) ⁽⁷⁾	Domestic Shares	Beneficial owner	6,000,000 (L)	9.41%	3.57%
Mr. Chai Yanpeng (柴燕鵬) ⁽⁷⁾	Domestic Shares	Interest of controlled corporation	6,000,000 (L)	9.41%	3.57%
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”) ⁽⁸⁾	H Shares	Beneficial owner	42,857,142 (L)	41.12%	25.51%

SUPPLEMENTARY INFORMATION

Name	Type of Shares	Nature of Interest	Number of Shares ⁽¹⁾	Approximate percentage in the respective type of share capital ⁽¹¹⁾	Percentage in total number of Shares ⁽¹¹⁾
Shanghai Kindly Holding Group Co., Ltd. (上海康德萊控股集團有限公司) ("KDL Holding") ⁽⁸⁾	H Shares	Interest of controlled corporation	42,857,142 (L)	41.12%	25.51%
Kindly Holding Co., Ltd. (康德萊控股有限公司) ⁽⁸⁾	H Shares	Interest of controlled corporation	42,857,142 (L)	41.12%	25.51%
Shanghai Gongye Investment Co., Ltd. (上海共業投資有限公司) ("Gongye") ⁽⁸⁾	H Shares	Interest of controlled corporation	42,857,142 (L)	41.12%	25.51%
Mr. Zhang Xianmiao (張憲淼) ⁽⁸⁾	H Shares	Interest of controlled corporation; interest jointly held with another person	42,857,142 (L)	41.12%	25.51%
Ms. Zheng Aiping (鄭愛平) ⁽⁸⁾	H Shares	Interest of controlled corporation; interest jointly held with another person	42,857,142 (L)	41.12%	25.51%
Mr. Zhang Wei (張偉) ⁽⁸⁾	H Shares	Interest of controlled corporation; interest jointly held with another person	42,857,142 (L)	41.12%	25.51%
Ningbo Huaige Taiyi ⁽²⁾	H Shares	Beneficial owner	14,786,450 (L)	14.19%	8.80%
Ningbo Huaige Gongxin ⁽²⁾	H Shares	Interest of controlled corporation	14,786,450 (L)	14.19%	8.80%
Ningbo Huaige Health ⁽²⁾	H Shares	Interest of controlled corporation	14,786,450 (L)	14.19%	8.80%

SUPPLEMENTARY INFORMATION

Name	Type of Shares	Nature of Interest	Number of Shares ⁽¹⁾	Approximate percentage in the respective type of share capital ⁽¹¹⁾	Percentage in total number of Shares ⁽¹¹⁾
Mr. Wang Kai (王鏞) ⁽²⁾	H Shares	Interest of controlled corporation	14,786,450 (L)	14.19%	8.80%
Ms. Zhao Wei (趙威) ⁽²⁾	H Shares	Interest of controlled corporation	14,786,450 (L)	14.19%	8.80%
China Orient Asset Management (International) Holding Limited ⁽⁹⁾	H Shares	Interest of controlled corporation	11,468,200 (L)	11.00%	6.83%
China Orient International Fund Management Limited ⁽⁹⁾	H Shares	Interest of controlled corporation	11,468,200 (L)	11.00%	6.83%
China Orient Multi-Strategy Fund ⁽⁹⁾	H Shares	Interest of controlled corporation	9,682,800 (L)	9.29%	5.76%
China Orient Multi-Strategy Master Fund ⁽⁹⁾	H Shares	Beneficial owner	9,682,800 (L)	9.29%	5.76%
China Orient Enhanced Income Fund ⁽⁹⁾	H Shares	Beneficial owner	1,785,400 (L)	1.71%	1.06%
OrbiMed Capital LLC ⁽¹⁰⁾	H Shares	Investment manager	11,468,000 (L)	11.00%	6.83%
Worldwide Healthcare Trust PLC ⁽¹⁰⁾	H Shares	Beneficial owner	7,412,800 (L)	7.11%	4.41%
Mr. Ke Wei (柯偉)	H Shares	Beneficial owner	6,070,000 (L)	5.82%	3.61%

SUPPLEMENTARY INFORMATION

Notes:

- (1) The letters “L” stands for long position.
- (2) To the best of the Directors’ knowledge, Ningbo Huaige Taiyi is a limited partnership established in the PRC and is owned as to 53.13% by Ningbo Huaige Gongxin as limited partner. Ningbo Huaige Health is the general partner of Ningbo Huaige Taiyi and Ningbo Huaige Gongxin. Mr. Wang Kai is the general partner of Ningbo Huaige Health. Ms. Zhao Wei, the spouse of Mr. Wang Kai, has 85% interest in Ningbo Huaige Health as a limited partner. As such, under the SFO, each of Ningbo Huaige Gongxin, Ningbo Huaige Health, Mr. Wang Kai and Ms. Zhao Wei is deemed to be interested in the equity interests held by Ningbo Huaige Taiyi.
- (3) Ms. Chen Saiying is the spouse of Mr. Lin Sen. Under section 316(1)(a) of the SFO, Ms. Chen Saiying is deemed to be interested in the equity interests held by Mr. Lin Sen.
- (4) Ms. Han Chunyan is the spouse of Mr. Wang Ruiqin. Under section 316(1)(a) of the SFO, Ms. Han Chunyan is deemed to be interested in the equity interests held by Mr. Wang Ruiqin.
- (5) Ms. Han Xue is the spouse of Mr. Chen Xing. Under section 316(1)(a) of the SFO, Ms. Han Xue is deemed to be interested in the equity interests held by Mr. Chen Xing.
- (6) Ms. Li Xiuqun is the spouse of Mr. Huang Chubin. Under section 316(1)(a) of the SFO, Ms. Li Xiuqun is deemed to be interested in the equity interests held by Mr. Huang Chubin.
- (7) To the best of the Directors’ knowledge, Ningbo Tongchuang Suwei is a limited partnership established in the PRC. Mr. Chai Yanpeng is the general partner of Ningbo Tongchuang Suwei. As such, under the SFO, Mr. Chai Yanpeng is deemed to be interested in the equity interests held by Ningbo Tongchuang Suwei.
- (8) To the best of the Directors’ knowledge, KDL Holding controls KDL as it owns more than one-third of the voting power at general meetings of KDL. KDL Holding is in turn controlled by each of Gongye and Kindly Holding Co., Ltd. as each of Gongye and Kindly Holding Co., Ltd. owns more than one-third of the voting power at general meetings of KDL Holding. Gongye is held as to 56.43% and Kindly Holding Co., Ltd. is wholly-owned by the Zhang Family as concert parties. As such, under the SFO, each of KDL Holding, Gongye, Kindly Holding Co., Ltd., Mr. Zhang Xianmiao, Ms. Zheng Aiping and Mr. Zhang Wei is deemed to be interested in the equity interests held by KDL.
- (9) To the best of the Directors’ knowledge, China Orient Multi-Strategy Master Fund is controlled as to 100% by China Orient Multi-Strategy Fund, which is in turn controlled as to 98.30% by China Orient International Fund Management Limited, 100% of the voting power of which is controlled by China Orient Asset Management (International) Holding Limited. China Orient Enhanced Income Fund is controlled as to 100% by China Orient International Fund Management Limited, 100% of the voting power of which is controlled by China Orient Asset Management (International) Holding Limited.
- (10) Taking into account the 155,200 H Shares, 3,900,000 H Shares and 7,412,800 H Shares held by OrbiMed New Horizons Master Fund, L.P., OrbiMed Partners Master Fund Limited and Worldwide Healthcare Trust PLC, respectively, pursuant to the cornerstone investment agreement as described under the section headed “Cornerstone Investors” in the Prospectus, OrbiMed Capital LLC is deemed to be interested in the above H Shares.
- (11) The calculation is based on the percentage of shareholding in a total of 168,000,000 Shares, which consist of 63,786,608 Domestic Shares and 104,213,392 H Shares as at 30 June 2023.

SUPPLEMENTARY INFORMATION

Interests of Substantial Shareholders of other members of the Group

Name	Member of the Group	Nature of Interest	Approximate percentage held by the substantial shareholder
Jiang Xiannan (姜賢男)	Shanghai Pukon Medical Instruments Co., Ltd. (上海璞康醫療器械有限公司)	Beneficial owner	15.0%
Chen Linling (陳臨凌)	Shanghai Healing Medical Instruments Co., Ltd. (上海翰凌醫療器械有限公司)	Beneficial owner	24.5%
Chen Caizheng (陳才正)	Shanghai Puhui Medical Instruments Co., Ltd. (上海璞慧醫療器械有限公司) ("Shanghai Puhui")	Beneficial owner	21.0%
Ningbo Youtuo Enterprise Management Partnership (Limited Partnership)* (寧波優拓企業管理合夥企業(有限合夥))	Shanghai Puhui	Beneficial owner	20.0%
Chen Yanli (陳豔麗)	Shanghai Qimu Medical Instruments Co., Ltd. (上海七木醫療器械有限公司) ("Shanghai Qimu")	Beneficial owner	11.0%
Sun Peng (孫鵬)	Shanghai Qimu	Beneficial owner	10.0%
Lin Peng (林鵬)	Shanghai Pumei Medical Instruments Co., Ltd. (上海璞鎂醫療器械有限公司)	Beneficial owner	30.0%
Hengyi Enterprise Management (Wei Fang) Center (Limited Partnership)* (恆熠企業管理(淮坊)中心(有限合夥))	Shanghai Pulin Medical Instruments Co., Ltd. (上海璞霖醫療器械有限公司)	Beneficial owner	35.0%
Ningbo Liufang Enterprise Management Partnership (Limited Partnership)* (寧波六方企業管理合夥企業(有限合夥))	Shanghai Puyue Medical Instruments Co., Ltd. (上海璞躍醫療器械有限公司)	Beneficial owner	40.0%
Xie Guozhu (謝國柱)	Shandong INT New Material Co., Ltd. (山東瑛盛新材料有限公司) ("INT New Material")	Beneficial owner	29.0%
Yang Tao (楊濤)	INT New Material	Beneficial owner	20.0%

SUPPLEMENTARY INFORMATION

Save as disclosed above, as of 30 June 2023, to the best knowledge of the Directors, no other person had, or were deemed or taken to have interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the registry kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

No arrangement has been made by the Company or any of its subsidiaries for any Director or Supervisor to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate, and no rights to any share capital or debentures of the Company or any other body corporate were granted to any Director or their respective spouse or children under 18 years of age, nor were any such rights exercised during or at the end of the Reporting Period.

SHARE INCENTIVE SCHEME

The Board resolved to adopt, and the Shareholders approved, a share incentive scheme (the “**Share Incentive Scheme**”) of granting no more than 5,000,000 Domestic Shares in the form of restricted share (“**RS**”) to no more than 100 employees of the Group. 2,500,000 Domestic Shares will be allotted and issued to each of Dr. Liang Dongke and Share Incentive Platforms for administration of the Share Incentive Scheme. Grantees of the RS (the “**Grantees**”) (other than Dr. Liang Dongke) will be admitted as limited partners of the Share Incentive Platforms, which are limited partners of 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)) (“**Int Chuangyuan**”) 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)) (“**Int Chuangqi**”).

The Remuneration Committee may select eligible grantees amongst the Directors, Supervisors, senior management of the Group, and employees, which is subject to review and approval by the Board and the Supervisory Committee. The RS will be granted to the Grantees at a price equivalent to RMB12 per Share. The Grantees shall be subject to certain vesting conditions and a lock-up period of sixty months from the date of the Company completed the share registration for the 2,000,000 Award Shares with the China Securities Depository and Clearing Corporation Limited (“**CSDC**”).

The Company has previously applied to the CSRC for allotment of 2,000,000 Domestic Shares (the “**First Installment**”) to Dr. Liang Dongke and the Share Incentive Platforms, namely Int Chuangyuan and Int Chuangqi pursuant to the Share Incentive Scheme. On 13 May 2022, the Company completed the registration for the First Installment with the CSDC. The total consideration for the grant price of RMB12.0 per Share for the First Installment has been paid by Dr. Liang Dongke and the Share Incentive Platforms.

The Company intends to apply to the CSRC at an appropriate time for the allotment of the remaining 3,000,000 Award Shares under the Share Incentive Scheme. Further announcement(s) will be made by the Company when and where appropriate. For more details of the Share Incentive Scheme, please refer to the Company’s announcements dated 21 September 2020, 17 May 2021, 19 August 2021 and 16 May 2022 and circulars dated 6 November 2020 and 16 April 2021.

SUPPLEMENTARY INFORMATION

On 30 December 2022, the Board resolved to make certain amendments to the Share Incentive Scheme in light of the Company's proposed adjustment to the performance target provision of the Share Incentive Scheme taking into account the ongoing impact of COVID-19 on the production and operation of the Company in 2022, and the amendments to the Listing Rules to implement the proposals of the "Consultation Conclusions on Proposed Amendments to Listing Rules relating to Share Schemes of Listed Issuers and Housekeeping Rule Amendment" published by the Stock Exchange on 29 July 2022 (the "**New Chapter 17**"), subject to the Shareholders' approval. The Board proposed to seek approval from the Shareholders, among other things, (i) amend the performance target provision of the Share Incentive Scheme in order to extend the Review Period (as defined under the Share Incentive Scheme) to the fourth financial year ending 31 December 2023 and (ii) bring the Share Incentive Scheme in alignment with the New Chapter 17 and make certain minor housekeeping amendments to the Share Incentive Scheme for the purpose of clarifying existing practice and making consequential amendments (the "**Amendments to the Share Incentive Scheme**"). The Amendments to the Share Incentive Scheme was approved by the Shareholders at the 2022 AGM, the class meeting for H Shareholders and the class meeting for domestic Shareholders on 18 May 2023. For more details, please refer to the Company's announcement dated 30 December 2022, the circulars of the Company dated 14 April 2023 and 3 May 2023 and the announcement of the Company dated 18 May 2023.

Details of the Restricted Shares granted and to be granted under the Share Incentive Scheme are set out below:

Name of Grantee	Category of Grantee	Date of grant	Lock-up period	Number of Restricted Shares					As at 30 June 2023	Grant price
				As at 1 January 2023	Granted during the Reporting Period	Attributed during the Reporting Period	Cancelled during the Reporting Period	Lapsed/ Forfeited during the Reporting Period		
Dr. Liang Dongke	Director and general manager	19 August 2021	60 months from completion of the share registration with the CSDC	3,234,300	Nil	Nil	Nil	Nil	3,234,300	RMB12.0
Mr. Lin Sen	Director	19 August 2021	60 months from completion of the share registration with the CSDC	141,600	Nil	Nil	Nil	Nil	141,600	RMB12.0
Dr. Song Yuan	Director	19 August 2021	60 months from completion of the share registration with the CSDC	141,600	Nil	Nil	Nil	Nil	141,600	RMB12.0
Mr. Wang Ruiqin	Director	19 August 2021	60 months from completion of the share registration with the CSDC	100,000	Nil	Nil	Nil	Nil	100,000	RMB12.0
Others	Employees	19 August 2021	60 months from completion of the share registration with the CSDC	1,382,500	Nil	Nil	Nil	Nil	1,382,500	RMB12.0

SUPPLEMENTARY INFORMATION

As at 1 January 2023 and at 30 June 2023, the total number of awards available for grant under the scheme mandate is nil and nil, respectively, because all 5,000,000 Domestic Shares in the form of Restricted Shares under the Share Incentive Scheme (being the only share scheme of the Company that involves issuance of new shares) have been fully granted.

The number of shares that may be issued in respect of awards granted under all schemes of the Company during the Reporting Period divided by the weighted average number of ordinary shares in issue for the Reporting Period is approximately 1.8%.

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 adoption of H Share Award and Trust Scheme was approved by the Shareholders at the 2022 AGM held on 16 May 2022. 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 New Chapter 17 of the Listing Rules as effective since 1 January 2023.

During the Reporting Period, the trustee of the H Share Award and trust Scheme repurchased 2,000 H Shares on the Stock Exchange to satisfy the grant of awards pursuant to the H Share Award and Trust Scheme. No awards was granted as at 30 June 2023.

The principal terms of the H Share Scheme are set out below:

The purposes of the H Share Scheme are: (i) to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company; (ii) to deepen the reform on the Company's remuneration system and to develop and constantly improve the interests balance mechanism among the Shareholders, the operational and executive management; and (iii) to (a) recognize the contributions of the leadership of the Company including the Directors; (b) encourage, motivate and retain the leadership of the Company whose contributions are beneficial to the continual operation, development and long-term growth of the Group; and (c) provide additional incentive for the leadership of the Company and long standing employee by aligning the interests of the leadership of the Company to those of the Shareholders and the Group as a whole.

Eligible Participant who may participate in the H Share Scheme include any full-time PRC or non-PRC employee of any members of the Group, who is a Director (other than independent non-executive Directors), Supervisor, senior management, key operating team member, employee, or, a consultant of the Group.

Subject to the H Share Scheme Rules, the maximum number of H Shares that will be acquired by the Trustee through on-market transactions from time to time at the prevailing market price is 10,420,000 H Shares.

Upon approval by the Board or the Delegatee, and subject to the vesting conditions set out in the H Share Scheme Rules, all Awards under the H Share Scheme shall be vested in multiple tranches as specified in the Award Letter. The specific commencement and duration of each Vesting Period and the actual vesting amount of the Award granted to a Selected Participant for the respective Vesting Periods shall be specified in the Award Letter approved by the Board or the Delegatee.

SUPPLEMENTARY INFORMATION

If the award is vested in the form of Award Shares, the Selected Participant shall assume the Grant Cost for accepting the Award Shares, namely the Grant Cost (the product of the grant price of the Award Shares on the Grant Date multiplied by the number of Award Shares granted to a Selected Participant by the Board of Delegation (subject to the final determination by the Board or the Delegation), shall be deducted from the actual selling price of the Award Shares.

The H Share Award and Trust Scheme will expire on the 10th anniversary of 16 May 2012 when it was adopted at the 2012 AGM.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

In July 2023, the trustee of the H Share Award and Trust Scheme repurchased 31,400 H Shares of the Company on the market at an average prevailing market price of HKD24.52 (approximately equivalent to RMB22.58) and an aggregate consideration of approximately HKD770,000 (equivalent to approximately RMB709,000) for the H Share Award and Trust Scheme.

Save as disclosed above, there was no other material events that might affect the Group after the Reporting Period.

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
18 August 2023

INDEPENDENT AUDITOR'S REVIEW REPORT



**Review report to the board of directors of
Shanghai Kindly Medical Instruments Co., Ltd.**

(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 26 to 50 which comprises the consolidated statement of financial position of Shanghai Kindly Medical Instruments Co., Ltd. (the "Company") as of 30 June 2023 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2023 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

18 August 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six-month period ended 30 June 2023 — unaudited
(Expressed in Renminbi Yuan)

	Note	Six-month period ended 30 June	
		2023 RMB'000	2022 RMB'000
Revenue	3	339,764	225,217
Cost of sales		(139,414)	(101,194)
Gross profit		200,350	124,023
Other income	4	22,794	21,811
Distribution costs		(33,021)	(21,724)
Administrative expenses		(36,389)	(28,392)
Research and development expenses		(64,593)	(37,930)
Reversal/(recognition) of impairment losses		481	(637)
Profit from operations		89,622	57,151
Finance costs	5(a)	(1,205)	(322)
Profit before taxation	5	88,417	56,829
Income tax	6	(7,912)	(6,704)
Profit for the period		80,505	50,125
Attributable to:			
Equity shareholders of the Company		80,502	50,841
Non-controlling interests		3	(716)
Profit for the period		80,505	50,125
Earnings per share (RMB)	7		
Basic (RMB)		0.48	0.31
Diluted (RMB)		0.47	0.30

The notes on pages 32 to 50 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 17.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six-month period ended 30 June 2023 — unaudited
(Expressed in Renminbi Yuan)

	Six-month period ended 30 June	
	2023	2022
	RMB'000	RMB'000
Profit for the period	80,505	50,125
Other comprehensive income for the period (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	1,049	832
Other comprehensive income	1,049	832
Total comprehensive income for the period	81,554	50,957
Attributable to:		
Equity shareholders of the Company	81,551	51,673
Non-controlling interests	3	(716)
Total comprehensive income for the period	81,554	50,957

The notes on pages 32 to 50 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2023 — unaudited
(Expressed in Renminbi Yuan)

		At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
	Note		
Non-current assets			
Property, plant and equipment	8	753,707	633,671
Intangible assets	9	91,390	69,920
Right-of-use assets		111,103	115,943
Time deposits	15	10,000	—
Other non-current assets	10	53,111	28,369
Financial assets at fair value through profit or loss	14	166,974	162,454
Deferred tax assets		21,435	15,036
		1,207,720	1,025,393
Current assets			
Inventories	12	154,205	154,277
Trade and other receivables	13	66,254	79,531
Other current assets		39,520	39,867
Cash and cash equivalents	15	458,217	518,266
Time deposits	15	10,000	10,000
		728,196	801,941
Current liabilities			
Trade and other payables	16	150,860	127,386
Contract liabilities		47,032	65,453
Loans and borrowings		96,060	32,683
Lease liabilities		—	201
Deferred income		1,566	1,345
Current taxation		10,832	12,597
		306,350	239,665
Net current assets		421,846	562,276
Total assets less current liabilities		1,629,566	1,587,669

The notes on pages 32 to 50 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITIONat 30 June 2023 — unaudited
(Expressed in Renminbi Yuan)

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
	<i>Note</i>	
Non-current liabilities		
Lease liabilities	15,285	15,944
Deferred income	12,085	10,949
Deferred tax liabilities	8,487	6,672
	35,857	33,565
NET ASSETS	1,593,709	1,554,104
CAPITAL AND RESERVES	17	
Share capital	168,000	168,000
Reserves	1,386,467	1,344,015
Total equity attributable to equity shareholders of the Company	1,554,467	1,512,015
Non-controlling interests	39,242	42,089
TOTAL EQUITY	1,593,709	1,554,104

Approved and authorised for issue by the board of directors on 18 August 2023.

LIANG DONGKE

Director

LIN SEN

Director

(Company Stamp)

The notes on pages 32 to 50 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six-month period ended 30 June 2023 — unaudited
(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company									
	Note	Share capital	Treasury shares	Capital reserve	Statutory surplus reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022		166,000	–	927,305	50,897	(1,164)	252,434	1,395,472	42,448	1,437,920
Changes in equity for the six-month period ended 30 June 2022										
Profit for the period		–	–	–	–	–	50,841	50,841	(716)	50,125
Other comprehensive income		–	–	–	–	832	–	832	–	832
Capital injection from non-controlling interests		–	–	–	–	–	–	–	2,500	2,500
Equity settled share-based payments	11	–	–	1,481	–	–	–	1,481	–	1,481
Dividends to holders of non-controlling interests		–	–	–	–	–	–	–	(2,529)	(2,529)
Dividends approved in respect of previous year	17(c)	–	–	–	–	–	(43,680)	(43,680)	–	(43,680)
Issuance of shares	17(a)	2,000	–	22,000	–	–	–	24,000	–	24,000
Balance at 30 June 2022 and 1 July 2022		168,000	–	950,786	50,897	(332)	259,595	1,428,946	41,703	1,470,649
Changes in equity for the six-month period ended 31 December 2022										
Profit for the period		–	–	–	–	–	80,872	80,872	2,836	83,708
Other comprehensive income		–	–	–	–	1,058	–	1,058	–	1,058
Capital injection from non-controlling interests		–	–	352	–	–	–	352	648	1,000
Equity settled share-based payments		–	–	787	–	–	–	787	849	1,636
Dividends to holders of non-controlling interests		–	–	–	–	–	–	–	(3,947)	(3,947)
Appropriation for surplus reserve		–	–	–	11,430	–	(11,430)	–	–	–
Balance at 31 December 2022		168,000	–	951,925	62,327	726	329,037	1,512,015	42,089	1,554,104
Balance at 31 December 2022 and 1 January 2023		168,000	–	951,925	62,327	726	329,037	1,512,015	42,089	1,554,104
Changes in equity for the six-month period ended 30 June 2023										
Profit for the period		–	–	–	–	–	80,502	80,502	3	80,505
Other comprehensive income		–	–	–	–	1,049	–	1,049	–	1,049
Capital injection from non-controlling interests		–	–	–	–	–	–	–	3,000	3,000
Equity settled share-based payments		–	–	1,266	–	–	–	1,266	150	1,416
Dividends to holders of non-controlling interests		–	–	–	–	–	–	–	(6,000)	(6,000)
Dividends approved in respect of previous year	17(c)	–	–	–	–	–	(40,320)	(40,320)	–	(40,320)
Repurchase of shares for share award scheme	17(b)	–	(45)	–	–	–	–	(45)	–	(45)
Balance at 30 June 2023		168,000	(45)	953,191	62,327	1,775	369,219	1,554,467	39,242	1,593,709

The notes on pages 32 to 50 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENTfor the six-month period ended 30 June 2023 — unaudited
(Expressed in Renminbi Yuan)

	Note	Six-month period ended 30 June	
		2023	2022
		RMB'000	RMB'000
Operating activities			
Cash generated from operations		80,451	79,278
Payment for interest element of leases liabilities		—	(32)
Tax paid		(14,261)	(4,308)
Net cash generated from operating activities		66,190	74,938
Investing activities			
Payment for purchase of property, plant and equipment and intangible assets		(123,629)	(91,388)
Proceeds from sale of property, plant and equipment		363	23
Payment for purchase of land use right		—	(12,597)
Interest received from bank deposits		7,651	4,320
Payment for placement of time deposits		(10,000)	(90,000)
Refund of the investment deposit		1,000	—
Payment for the investment deposit		(25,000)	(1,000)
Net cash used in investing activities		(149,615)	(190,642)
Financing activities			
Capital injection received from non-controlling interests		3,000	2,500
Proceeds from loans and borrowings		63,340	—
Payment for interest of loans and borrowings		(798)	—
Payment for capital element of lease liabilities		—	(95)
Dividends paid to equity shareholders of the Company	17(c)	(40,320)	(43,680)
Dividends paid to holders of non-controlling interests		(6,000)	(2,529)
Fund raised from issuance of shares	11(b)	—	24,000
Payment for repurchase of own shares of the Company	11(c)	(45)	—
Net cash generated from/(used in) financing activities		19,177	(19,804)
Net decrease in cash and cash equivalents		(64,248)	(135,508)
Cash and cash equivalents at 1 January	15	518,266	640,550
Effects of foreign exchange rates changes		4,199	2,735
Cash and cash equivalents at 30 June	15	458,217	507,777

The notes on pages 32 to 50 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It has been reviewed by the audit committee of the Company and was authorised for issue on 18 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of the interim financial report in conformity with HKAS34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Shanghai Kindly Medical Instruments Co., Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 25.

The financial information relating to the financial year ended 31 December 2022 that is included in the interim financial report as comparative information does not constitute the Company’s annual consolidated financial statements for that financial year but is derived from those financial statements. The Company’s annual consolidated financial statements for the year ended 31 December 2022 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 20 March 2023.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following new and amended HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- HKFRS17, *Insurance contracts*
- Amendments to HKAS8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS12, *Income taxes: International tax reform — Pillar Two model rules*

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism.

Except for amendments to HKAS12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*, 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 this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKAS12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in the annual financial statements, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS12.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

3 REVENUE AND 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 moulds, accessories 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.

(a) Disaggregation of revenue

(i) Disaggregation of revenue from contracts with customers by major products is as follows:

	Six-month period ended 30 June	
	2023	2022
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS15		
Disaggregated by major products		
— Sales of interventional medical devices		
<i>Cardiovascular devices</i>	282,085	184,171
<i>Neurological and peripheral devices</i>	19,740	5,884
<i>Orthopaedics and other devices</i>	437	2,385
Subtotal	302,262	192,440
— Sales of medical accessories	14,495	5,374
— Agent business	20,926	21,811
— Moulds and others	2,048	5,592
	339,731	225,217
Revenue from other source		
Rental income	33	—
	339,764	225,217

During the six-month period ended 30 June 2023 and 2022, the Group recognised its revenue from contract with customers at point in time.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(a) Disaggregation of revenue (Continued)

(ii) Disaggregation of revenue by geographical location of external customers is as follows:

	Six-month period ended 30 June	
	2023 RMB'000	2022 RMB'000
Chinese Mainland	267,569	181,503
Europe	18,240	11,907
The United States	15,964	6,582
Other countries and regions	37,991	25,225
	339,764	225,217

The geographical location of customers is based on the location at which the customers operate. All of the non-current assets of the Group are physically located in Chinese Mainland.

(b) Segment reporting

(i) Segment results

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

	Six-month period ended 30 June 2023		
	Cardiovascular interventional business RMB'000	All others RMB'000	Total RMB'000
Revenue from external customers	270,110	69,654	339,764
Inter-segment revenue	7,209	16,008	23,217
Segment revenue	277,319	85,662	362,981
Segment net profit	58,222	26,028	84,250

	Six-month period ended 30 June 2022		
	Cardiovascular interventional business RMB'000	All others RMB'000	Total RMB'000
Revenue from external customers	185,611	39,606	225,217
Inter-segment revenue	2,847	9,295	12,142
Segment revenue	188,458	48,901	237,359
Segment net profit	32,129	19,169	51,298

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS*(Expressed in Renminbi Yuan unless otherwise indicated)***3 REVENUE AND SEGMENT REPORTING** *(Continued)***(b) Segment reporting** *(Continued)***(ii) Reconciliation of segment profit**

	Six-month period ended 30 June	
	2023	2022
	RMB'000	RMB'000
Revenue		
Segment revenue	362,981	237,359
Elimination of inter-segment revenue	(23,217)	(12,142)
Consolidated revenue	339,764	225,217
Profit		
Segment net profit	84,250	51,298
Elimination of inter-segment net profit	(3,745)	(1,173)
Consolidated net profit	80,505	50,125

4 OTHER INCOME

	Six-month period ended 30 June	
	2023	2022
	RMB'000	RMB'000
Government grants <i>(note)</i>	5,913	2,686
Interest income from bank deposits	6,278	5,613
Net realised and unrealised gains from fair value changes on financial assets at fair value through profit or loss	4,520	10,795
Foreign exchange gains	4,077	2,150
Others	2,006	567
	22,794	21,811

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 reporting period, there was no unfulfilled condition or other contingency attaching to the government grants that had been recognised by the Group.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS*(Expressed in Renminbi Yuan unless otherwise indicated)***5 PROFIT BEFORE TAXATION**

Profit before taxation is arrived at after charging/(crediting):

	Six-month period ended 30 June	
	2023	2022
	RMB'000	RMB'000
(a) Finance costs		
Interest on lease liabilities	370	322
Interest on loans and borrowings	835	–
	1,205	322
(b) Other items		
Depreciation and amortisation		
— property, plant and equipment	18,130	14,109
— right-of-use assets	1,936	2,801
— intangible assets	845	464
(Reversal)/recognition of impairment loss on trade and other receivables	(481)	637
Research and development costs (<i>note</i>)	86,537	53,391
Less: Costs capitalised into intangible assets	(21,944)	(15,461)
	64,593	37,930

Note: During the period ended 30 June 2023, research and development costs includes staff costs and depreciation and amortisation of RMB48,263,000 (six-month period ended 30 June 2022: RMB31,096,000), which amount is also included in the respective total amounts disclosed separately above.

6 INCOME TAX

	Six-month period ended 30 June	
	2023	2022
	RMB'000	RMB'000
Current tax-the People's Republic of China (the "PRC") corporate income tax ("CIT")	12,496	5,759
Deferred tax	(4,584)	945
Total	7,912	6,704

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

6 INCOME TAX (Continued)

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 ("HNT E")

According to the PRC income tax law and its relevant regulations, entities that qualified as HNT E are entitled to a preferential income tax rate of 15%. The Company and certain subsidiaries are qualified as HNT E and are subject to income tax at the rate of 15% for the six-month period ended 30 June 2023 and 2022.

The 15% preferential tax rate applicable to HNT E is subject to renewal approval jointly 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 2023, entities that qualified as SME are entitled to a preferential income tax rate of 5% for taxable income less than RMB3,000,000 (2022: 2.5% for taxable income less than RMB1,000,000 or 5% for taxable income ranges between RMB1,000,000 to RMB3,000,000).

During the periods ended 30 June 2023 and 2022, certain subsidiaries of the Group are qualified as small and low profit enterprise and enjoyed a preferential tax rate of 5%, whereas applicable.

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

HONG KONG PROFIT TAX

During the periods ended 30 June 2023 and 2022, the Company's subsidiary incorporated in Hong Kong is subject to Hong Kong Profits Tax at 8.25% of the taxable profit less than Hong Kong Dollar ("HKD") 2,000,000 or 16.50% of the taxable profit exceeding HKD2,000,000.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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 RMB80,502,000 (six-month period ended 30 June 2022: RMB50,841,000), and the weighted average number of shares of 168,000,000 (six-month period ended 30 June 2022: 166,530,000) in issue during the interim period.

Weighted average number of ordinary shares

	Six-month period ended 30 June	
	2023 '000	2022 '000
Issued ordinary shares at 1 January	168,000	166,000
Effect of restricted shares issued (note 11(b))	–	530
Effect of purchase of own shares (note 17(b))	*	–
Weighted average number of ordinary shares in issue at the end of the period	168,000	166,530

* The balance represents an amount less than 1,000.

(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 RMB80,502,000 (six-month period ended 30 June 2022: RMB50,841,000) and the weighted average number of ordinary shares of 169,501,000 (six-month period ended 30 June 2022: 166,871,000) 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 period, calculated as follows:

Weighted average number of ordinary shares

	Six-month period ended 30 June	
	2023 '000	2022 '000
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share	168,000	166,530
Effect of outstanding restricted shares (note 11(b))	1,501	341
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share	169,501	166,871

The effect of outstanding employee share purchase plan issued by subsidiaries (note 11) is anti-dilutive, therefore is not included in the calculation of diluted earnings per share of the Company.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

8 ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2023, the Group acquired items of property, plant and equipment with a cost of RMB139,837,000 (six-month period ended 30 June 2022: RMB35,610,000).

9 ADDITION OF INTANGIBLE ASSETS

During the six-month period ended 30 June 2023, the increase in intangible assets mainly represents addition of the capitalised development costs amounting to RMB21,944,000 (six-month period ended 30 June 2022: RMB15,461,000) for those cost incurred for nonvascular interventional division, endocardium implantable division and neurological interventional division, which was not yet available for use.

10 ADDITION OF OTHER NON-CURRENT ASSETS

During the six-month period ended 30 June 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, of which its assets mainly consist of a land use right in Shanghai. The Company paid RMB25 million during the period and the transaction has not yet completed as of 30 June 2023 as well as the date of this report.

11 SHARE-BASED PAYMENT TRANSACTIONS

(a) Employee share purchase plan (“ESPP”) — equity settled

Since 2020, the Group adopted several ESPPs to its subsidiaries, pursuant to which, the partnership firms, whose limited partners consisted of employees of the Group, invested in the Group’s subsidiaries by way of subscribing newly issued equity interests of the subsidiaries.

Detailed information in relation to the ESPPs is disclosed in the Company’s annual report for the year ended 31 December 2022. During the six-month period ended 30 June 2023, the Group recognised expenses of RMB306,000 in relation to these ESPPs (six-month period ended 30 June 2022: RMB76,000).

(b) Restricted shares scheme

On 19 August 2021, the Company adopted share incentive scheme, pursuant to which, Dr. Liang Dongke and two partnership firms whose limited partners consisted of employees of the Group, invested in the Company by way of subscribing 5,000,000 shares (the restricted shares) at a price of RMB12.00 per share. During the six-month period ended 30 June 2022, the Company issued 2,000,000 shares to the participants under the share incentive scheme and received fund raised from the participants amounting to RMB24,000,000.

Detailed information in relation to the restricted shares scheme is disclosed in the Company’s annual report for the year ended 31 December 2022. During the six-month period ended 30 June 2023, nil of restricted shares were granted (six-month period ended 30 June 2022: 341,900) and 45,300 restricted shares were forfeited (six-month period ended 30 June 2022: 341,900) for certain participants upon their resignation from the Company.

* English translation is for identification purpose only.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

11 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) Restricted shares scheme (Continued)

During the six-month period ended 30 June 2023, RMB1,100,000 (six-month period ended 30 June 2022: RMB1,405,000) was recognised in the profit or loss in relation to the restricted shares scheme.

(c) Share award scheme

On 16 May 2022, the annual general meeting approved the Company to adopt the H Share Award and Trust Scheme (“**the Share Award Scheme**”) to eligible employees. A trust deed has been entered into between the Company and Trident Trust Company (HK) Limited (“**the Trustee**”). Pursuant to the trust deed, the trust will be constituted to service the Share Award Scheme whereby the Trustee shall assist with the administration of the Share Award Scheme and shall, subject to the relevant provisions of the trust deed and upon the instruction of the Company, acquire such underlying shares of the Share Award Scheme through on-market transactions with funds to be transferred by the Group to the Trust. Such underlying shares of the Share Award Scheme shall not exceed 10,420,000 shares in any event. The Share Award Scheme shall be valid and effective for ten years commencing from the date on which the Share Award Scheme was approved by the shareholders at the annual general meeting. Detailed information is disclosed in the Company’s circular dated 11 April 2022.

During the six-month period ended 30 June 2023, the Trust acquired 2,000 award shares from the market at an average prevailing market price of approximately HKD24.35 (equivalent to approximately RMB22.45) per share at an aggregate consideration of approximately HKD49,000 (equivalent to approximately RMB45,000) as disclosed in note 17(b). Repurchased shares held at the end of reporting period were classified as treasury shares and presented as a deduction in equity. No award shares were granted, vested, cancelled or lapsed under the Share Award Scheme during the six-month period ended 30 June 2023 (2022: nil).

12 INVENTORIES

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Raw materials	65,583	69,100
Work in progress	29,920	25,986
Finished goods	57,174	55,454
Others	1,528	3,737
	154,205	154,277

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS*(Expressed in Renminbi Yuan unless otherwise indicated)***13 TRADE AND OTHER RECEIVABLES**

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Receivables from third parties	57,875	69,155
Receivables from related parties	2,887	3,734
Less: losses allowance on trade receivables	(1,027)	(1,508)
Trade receivables, net of loss allowance	59,735	71,381
Deposit for construction project	5,448	5,454
Other receivables	1,071	2,696
Trade and other receivables, net	66,254	79,531

(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:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Within 3 months	55,613	64,166
3 to 6 months	1,382	5,225
6 to 9 months	2,740	1,990
	59,735	71,381

Trade receivables are generally due within 30 to 90 days from the date of billing. All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS*(Expressed in Renminbi Yuan unless otherwise indicated)***14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Unlisted units in investment funds <i>(note)</i>	159,974	155,454
Unlisted equity investment	7,000	7,000
	166,974	162,454

Note: The non-current financial assets at fair value through profit or loss (FVPL) represent investment in units in investment funds and a private entity incorporated in the PRC. These investments are primarily engaged or further invested in the healthcare sector.

15 CASH AND CASH EQUIVALENTS AND TIME DEPOSITS**(a) Cash and cash equivalents**

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Cash at bank	458,164	518,245
Cash on hand	53	21
Cash and cash equivalents	458,217	518,266

Cash at bank includes demand deposits and time deposits placed at banks in the PRC with original maturities of less than three months.

(b) Time deposits

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Current portion	10,000	10,000
Non-current portion	10,000	–
Time deposits	20,000	10,000

This balance represents time deposits placed at banks in the PRC with original maturities over three months.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS*(Expressed in Renminbi Yuan unless otherwise indicated)***16 TRADE AND OTHER PAYABLES**

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Trade payables	29,012	36,376
Payroll payables	30,913	34,109
Construction payables	73,645	37,886
Amounts due to related parties	110	37
Refund liabilities — arising from volume rebates	3,230	3,013
Others	13,950	15,965
Total trade and other payables	150,860	127,386

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

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Within 3 months	23,860	30,474
3 to 6 months	2,726	2,287
6 months to 1 year	1,134	2,697
Over 1 year	1,292	918
	29,012	36,376

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS*(Expressed in Renminbi Yuan unless otherwise indicated)***17 CAPITAL, RESERVES AND DIVIDENDS****(a) Share capital**

	30 June 2023		31 December 2022	
	No. of shares (‘000)	RMB’000	No. of shares (‘000)	RMB’000
Ordinary shares, issued and fully paid:				
At the beginning of the period/year	168,000	168,000	166,000	166,000
Shares issued during the period (<i>note</i>)	–	–	2,000	2,000
At the end of the period/year	168,000	168,000	168,000	168,000

Note: As disclosed in note 11(b), the Company issued 2,000,000 shares at a price of RMB12.00 per share to the participants under restricted share scheme during the six-month period ended 30 June 2022, of which, RMB2,000,000 was recorded under share capital and the remaining of RMB22,000,000 was charged to capital reserve.

(b) Purchase of own shares

During the six-month period ended 30 June 2023, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share HKD	Lowest price paid per share HKD	Aggregate price paid HKD’000	Aggregate price paid RMB’000
June 2023	2,000	24.75	24.00	49	45

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

17 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Dividends

Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period.

	Six-month period ended 30 June	
	2023	2022
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, RMB0.24 per ordinary share (2022: RMB0.26 per ordinary share)	40,320	43,680

Pursuant to the shareholders' approval of the Company on 18 May 2023, a final cash dividend of RMB0.24 per share in respect of the year ended 31 December 2022 based on 168,000,000 ordinary shares totaling amount of RMB40,320,000 was declared and paid during the six-month period ended 30 June 2023.

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS*(Expressed in Renminbi Yuan unless otherwise indicated)***18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS** *(Continued)***(i) Financial assets and liabilities measured at fair value** *(Continued)***Fair value hierarchy** *(Continued)*

A valuation report with analysis of changes in fair value measurement is prepared by the finance team at each interim and annual reporting date, and is reviewed and approved by the head of finance department. Discussion of the valuation process and results with the head of finance department and the directors is held twice a year, to coincide with the reporting dates.

	As at 30 June 2023			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Financial assets at FVPL				
— Investment in unlisted funds	—	—	159,974	159,974
— Unlisted equity investment	—	—	7,000	7,000
Total	—	—	166,974	166,974

	As at 31 December 2022			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Financial assets at FVPL				
— Investment in unlisted funds	—	—	155,454	155,454
— Unlisted equity investment	—	—	7,000	7,000
Total	—	—	162,454	162,454

Investment in unlisted fund

The fair value of unlisted units in investment funds have been estimated using market approach. A valuation analysis of changes in fair value of each fund is prepared by the fund manager, Ningbo Huaige Health Investment Management Partnership (Limited Partnership), to the Company at each quarter end. The fund manager used methodology based on relevant comparable data whether possible to quantify the adjustment from cost or latest financing price when adjustment is necessary, or to justify that cost or latest financing price is still a proper approximately of fair value of the underlying investments held by the unlisted funds in determining the net asset value.

Unlisted equity investment

The fair value of unlisted investment is determined using the recent comparable market transaction price, if available, or other acceptable valuation techniques. As at 30 June 2023, the management determined the fair value of the unlisted investment with reference to the latest financing price where adjustment is necessary.

During the six-month period ended 30 June 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2022: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS*(Expressed in Renminbi Yuan unless otherwise indicated)***18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS** *(Continued)***(ii) Fair values of financial assets and liabilities carried at other than fair value**

All financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2022 and 30 June 2023.

(iii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs
Unlisted investment	Valuation multiples <i>(Note i)</i>	Changing trend of medium market multiples of comparable companies
Unlisted funds	Net asset value <i>(Note ii)</i>	Net asset value of underlying investments

Note i: The fair value of certain unlisted investments is determined using valuation multiples adjusted for changing trend of medium market multiples of comparable companies. The fair value measurement is positively correlated to the changing trend of medium market multiples of comparable companies. As at 30 June 2023, it is estimated that with all other variables held constant, an increase/decrease in change of medium market multiples of comparable companies by 5% would have increased/decreased the Group's profit for the period by RMB350,000 (31 December 2022: RMB350,000);

Note ii: The fair value of unlisted units in investment funds is determined referencing net asset value of underlying investments. The fair value measurement is positively correlated to net asset value of underlying investments. As at 30 June 2023, it is estimated that with all other variables held constant, an increase/decrease in net asset value of underlying investments by 5% would have increased/decreased the Group's profit for the period by RMB6,192,000 or RMB6,165,000 (31 December 2022: RMB6,729,000 or RMB6,559,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS*(Expressed in Renminbi Yuan unless otherwise indicated)***18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS** *(Continued)***(iii) Information about Level 3 fair value measurements** *(Continued)*

The movements during the periods in the balance of these Level 3 fair value measurements was as follows:

2023	Wealth management products issued by banks RMB'000	Investment in unlisted funds RMB'000	Unlisted equity investment RMB'000	Total RMB'000
At 1 January 2023	–	155,454	7,000	162,454
Net unrealised gains recognised in profit or loss	–	4,520	–	4,520
At 30 June 2023	–	159,974	7,000	166,974

2022	Wealth management products issued by banks RMB'000	Investment in unlisted funds RMB'000	Unlisted equity investment RMB'000	Total RMB'000
At 1 January 2022	–	123,174	7,000	130,174
Net unrealised gains recognised in profit or loss	–	10,678	–	10,678
At 30 June 2022 and 1 July 2022	–	133,852	7,000	140,852
Purchase of wealth management products	10,000	–	–	10,000
Investment in unlisted funds	–	25,000	–	25,000
Net unrealised losses recognised in profit or loss	–	(3,398)	–	(3,398)
Redemption of wealth management products	(10,000)	–	–	(10,000)
At 31 December 2022	–	155,454	7,000	162,454

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

19 COMMITMENTS

Capital commitments outstanding at 30 June 2023 and 31 December 2022 and not provided for in the financial statements were as follows:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Contracted for	64,698	104,179
Authorised but not contracted for	145,164	162,081
Total	209,862	266,260

20 MATERIAL RELATED PARTY TRANSACTIONS

During the six-month period ended 30 June 2023, the Group had below transactions with Shanghai Kindly Enterprise Development Group Co., Ltd. and its subsidiaries/associates excluding the Group (together referred to as "KDL Group"): (i) sales of goods to KDL Group amounting to RMB2,473,000 (six-month period ended 30 June 2022: RMB3,108,000) and, ii) purchase of raw materials from KDL Group amounting to RMB124,000 (six-month period ended 30 June 2022: RMB401,000).

21 NON-ADJUSTING EVENT AFTER REPORTING PERIOD

In July 2023, the trustee of the Share Award Scheme repurchased approximately 31,000 H shares of the Company from the market at an average prevailing market price of HKD24.52 (equivalent to approximately RMB22.58) at an aggregate consideration of approximately HKD770,000 (equivalent to approximately RMB709,000) for the Share Award Scheme, as disclosed in note 11(c).

DEFINITIONS

“Audit Committee”	the audit committee of the Board
“Award Shares”	the 5,000,000 new Domestic Shares to be allotted to Dr. Liang Dongke and the Share Incentive Platforms or other designated persons for administration of the Share Incentive Scheme
“Board”	the board of Directors of the Company
“CG Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“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 Hong Kong Stock Exchange (Stock code: 1501)
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and are unlisted Shares which are currently not listed or traded on any stock exchange
“Group” or “we” or “our”	the Company and its subsidiaries
“H Share Award and Trust Scheme” or “H Share Scheme”	the H Share Award and Trust Scheme approved by the Shareholders on 16 May 2022
“H Share Scheme Rules”	the rules governing the operation of the H Share Scheme as well as the implementation procedure
“H Shares”	share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, listed on the Main Board of the Hong Kong Stock Exchange
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“NMPA”	the National Medical Products Administration of China

DEFINITIONS

“PRC” or “China”	the People’s Republic of China, for the purpose of this annual report, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated October 28, 2019 in relation to global offering of H Shares of the Company
“Reporting Period”	the six-month period ended 30 June 2023
“Remuneration Committee”	the remuneration committee of the Board
“RMB”	the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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 the H Share(s)
“Shareholder(s)”	the shareholders of the Company
“Share Incentive Platforms”	Jingning Int Chuangyuan Partnership (Limited Partnership)* (景寧瑛泰創源合夥企業(有限合夥)) and Jingning Int Chuangqi Partnership (Limited Partnership)* (景寧瑛泰創啟合夥企業(有限合夥)), or such names as approved by the relevant PRC registration authority, limited partnerships to be established in the PRC whose general partner is Dr. Liang Dongke
“Share Incentive Scheme”	the share incentive scheme approved by the Shareholders on 17 December 2020 and the amendments to the Share Incentive Scheme approved by the Shareholders on 17 May 2021 and 18 May 2023, respectively
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meaning ascribed thereto in the Companies Ordinance (Chapter 622 of the laws of Hong Kong)
“Substantial Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company