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If you have sold or transferred all your shares in KangLi International Holdings Limited, you should at once hand this circular, the form of proxy and the reply slip to the purchaser or transferee or to licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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KANGLI INTERNATIONAL HOLDINGS LIMITED
康利國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 06890)

- (1) DISCLOSEABLE AND CONNECTED TRANSACTION:
PROVISION OF FINANCIAL ASSISTANCE –
THE LOAN AGREEMENT;**
- (2) PROPOSED RE-ELECTION OF DIRECTOR; AND**
- (3) NOTICE OF EGM**

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the connected transaction

ALTUS CAPITAL LIMITED

Capitalised terms used in this cover shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 4 to 15 of this circular and the letter from the Independent Board Committee is set out on page 16 of this circular. A letter from Altus Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on 17 to 30 of this circular.

A notice convening the EGM to be held at 11:30 a.m. on Friday, 14 April 2023 at 2408, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular.

24 March 2023

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DEFINITIONS

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

“Articles”	the articles of association of the Company as amended from time to time
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Company”	KangLi International Holdings Limited (康利國際控股有限公司), a company incorporated in the Cayman Islands, the Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 6890)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Drawdown Date”	the date of drawdown of the Loan, i.e., within five working days after all conditions precedent pursuant to the Loan Agreement are fulfilled and when Jiangnan Precision has deposited the principal amount of the Loan in full into the bank account designated by Jiangnan Tiehejin or through such other means as specified by Jiangnan Tiehejin
“EGM”	the extraordinary general meeting of the Company to be convened on 14 April 2023 at 11:30 a.m. for the purpose of considering and, if thought fit, approving the Loan Agreement and the transactions contemplated thereunder and the re-election of Director
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors

DEFINITIONS

“Independent Financial Adviser”	Altus Capital Limited, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Loan Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders who are not interested or involved in the Loan Agreement and the transactions contemplated thereunder
“Jiangnan Precision”	Jiangsu Jiangnan Precision Metal Material Co., Limited* (江蘇江南精密金屬材料有限公司), a limited liability company established under the laws of PRC and an indirect wholly owned subsidiary of the Company
“Jiangnan Tiehejin”	Jiangsu Jiangnan Tiehejin Co., Limited* (江蘇江南鐵合金有限公司), a limited liability company established under the laws of PRC, which was owned as to 90.0% by Mr. Mei, one of the Controlling Shareholders and an executive Director, 10.0% by Ms. Chen Yunjuan, mother of Mr. Mei, and a connected person of the Company
“Land”	the land parcel situated at north of Dongfang Second Road, west of Dongshang Road, Lucheng Street, Changzhou Economic Development Zone, Changzhou City, Jiangsu Province, the PRC, details of which are set out in the section headed “Information of the Land and the Property” in this circular
“Latest Practicable Date”	21 March 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	a loan in the principal sum of RMB20,000,000 granted by Jiangnan Precision to Jiangnan Tiehejin pursuant to the Loan Agreement
“Loan Agreement”	the loan agreement dated 28 February 2023 entered into between Jiangnan Precision, Jiangnan Tiehejin and Mr. Mei, particulars of which are stated in the section headed “The Loan Agreement” in this circular

DEFINITIONS

“Mr. Mei”	Mr. Mei Zefeng (梅澤鋒先生), one of the Controlling Shareholders and an executive Director, spouse of Ms. Liu Ping, an executive Director, cousin-in-law of Mr. Xu Chao, an executive Director
“New Office Building”	a new building proposed to be constructed on the Land, details of which are set out in the section headed “Information of the Land and the Property” in this circular
“Option Agreement”	the property acquisition option agreement dated 28 February 2023 entered into between Jiangnan Precision and Jiangnan Tiehejin, particulars of which are stated in the section headed “Property Acquisition Option” in this circular
“percentage ratio(s)”	percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“PRC”	the People’s Republic of China
“Property”	two storeys of the New Office Building in a total of approximately 3,000 sq.m.
“Property Acquisition Option”	the right to exercise an option to acquire the Property at fair market value, details of which are set out in the sections headed “The Loan Agreement” and “Property Acquisition Option” in this circular
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the shares of the Company
“sq.m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“%”	per cent

* For identification purpose only.

LETTER FROM THE BOARD



KANGLI INTERNATIONAL HOLDINGS LIMITED

康利國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 06890)

Executive Directors

Mr. Mei Zefeng

Ms. Liu Ping

Mr. Zhang Zhihong

Mr. Xu Chao

Ms. Lu Xiaoyu

Headquarters in the PRC

Wuyi County, Heng Shanqiao Town

Wujin District, Changzhou City

Jiangsu Province, the PRC

Principal place of business in Hong Kong

2408, World-Wide House

19 Des Voeux Road Central

Central, Hong Kong

Independent non-executive Directors

Mr. Yang Guang

Mr. Lau Ying Kit

Mr. Cao Cheng

24 March 2023

To the Shareholders

Dear Sir or Madam,

- (1) DISCLOSEABLE AND CONNECTED TRANSACTION:
PROVISION OF FINANCIAL ASSISTANCE –
THE LOAN AGREEMENT;
(2) PROPOSED RE-ELECTION OF DIRECTOR; AND
(3) NOTICE OF EGM**

INTRODUCTION

The primary purposes of this circular are to provide you with information regarding the resolutions to be proposed at the EGM which include, among other matters, the approval of (i) the Loan Agreement and the transactions contemplated thereunder and (ii) proposed re-election of Director; to give you notice of the EGM; and other information as required under the Listing Rules.

LETTER FROM THE BOARD

DISCLOSEABLE AND CONNECTED TRANSACTION

PROVISION OF FINANCIAL ASSISTANCE

On 28 February 2023, the Loan Agreement was entered into amongst Jiangnan Precision, as lender, Jiangnan Tiehejin, as borrower, and Mr. Mei, as guarantor. Pursuant to the Loan Agreement, Jiangnan Precision has agreed to grant the Loan in the principal amount of RMB20,000,000 to Jiangnan Tiehejin for a term of 3 years. The principal terms of the Loan Agreement are set out below:

THE LOAN AGREEMENT

Date of agreement	:	28 February 2023
Parties	:	(1) Jiangnan Precision, as lender (2) Jiangnan Tiehejin, as borrower (3) Mr. Mei, as guarantor
Principal	:	RMB20,000,000
Interest rate	:	5.5% per annum, which is determined with reference to the Group's existing cost of capital in the range of approximately 4.0% to 4.5%.

All interests accrued pursuant to the Loan Agreement shall be repayable by Jiangnan Tiehejin to Jiangnan Precision at the maturity of the Loan. If Jiangnan Precision chooses to exercise the Property Acquisition Option and Jiangnan Precision and Jiangnan Tiehejin have formally entered into a "commercial-housing pre-sale contract" (《商品房預售合同》) for the acquisition of the Property, all interests under the Loan Agreement will be waived, and the principal amount of the Loan shall be used to offset part of the purchase price for the acquisition of the Property (in case the final purchase price of the Property is higher than the outstanding principal amount of the Loan) or in full. In case the outstanding principal amount of the Loan is higher than the purchase price of the Property, Jiangnan Tiehejin shall repay Jiangnan Precision the remaining portion of the Loan (i.e., the difference between the principal amount of the Loan minus the purchase price of the Property), and the interests in this case shall be calculated based on the remaining portion of the principal amount of the Loan which is not applied towards the acquisition of the Property.

LETTER FROM THE BOARD

- Conditions precedent : The drawdown of the Loan is subject to, among others, the fulfilment of the following conditions precedent:
- (a) all acknowledgements, approvals and consents having been obtained from internal or third parties for the transactions contemplated under the Loan Agreement;
 - (b) the Option Agreement having been entered into;
 - (c) if required, the approval from the Stock Exchange on the Loan Agreement and the transactions contemplated thereunder having been obtained and such approval not having been revoked or cancelled and there is no ruling that the Loan will constitute a very substantial acquisition, reverse takeover or extreme transaction;
 - (d) the passing of the necessary resolution by the Independent Shareholders at the EGM to approve the Loan Agreement and the transactions contemplated thereunder; and
 - (e) the Loan Agreement and the transactions contemplated thereunder having complied with Listing Rules.

All conditions are non-waivable.

In the event that any of the above conditions is not fulfilled or waived at or prior to the long stop date of the Loan Agreement, being 5:00 p.m. on 30 June 2023 or such later date as mutually agreed by the parties, the Loan Agreement will terminate and all obligations of Jiangnan Precision and Jiangnan Tiehejin under the Loan Agreement shall cease and determine and neither of them shall have any claim against the other in respect of any matter arising out of or in connection with the Loan Agreement except for any antecedent breach of any obligation and any liabilities under the Loan Agreement.

LETTER FROM THE BOARD

- Drawdown Date : Within five working days after all conditions precedent pursuant to the Loan Agreement are fulfilled and when Jiangnan Precision has deposited the principal amount of the Loan in full into the bank account designated by Jiangnan Tiehejin or through other means as specified by Jiangnan Tiehejin.
- Repayment : The repayment date of the principal amount and all outstanding interests shall be three years from the Drawdown Date. Subject to compliance with laws and regulations (including the Listing Rules), Jiangnan Precision and Jiangnan Tiehejin may enter into agreement with terms mutually agreed for the extension of the Loan.
- Early repayment : Jiangnan Precision has the right to request the Borrower to repay the principal amount of the Loan and all accrued interest in full ahead of the repayment date of the Loan by giving to the Borrower one month's prior written notice.
- Security : The Loan will be secured by the personal guarantee provided by Mr. Mei, pursuant to which Mr. Mei agreed to guarantee to Jiangnan Precision the payment obligation of Jiangnan Tiehejin under the Loan Agreement, which includes but is not limited to the principal amount of the Loan, interest, damage compensation, and liquidated damages, and all costs (including litigation, legal fees and enforcement fees, etc.) attributed from Jiangnan Tiehejin's repayment obligation under the Loan Agreement. The guarantee period shall end when the repayment obligation of Jiangnan Tiehejin under the Loan Agreement is fulfilled.

LETTER FROM THE BOARD

- Event of default : If Jiangnan Tiehejin defaults on the repayment of the Loan, Jiangnan Precision has the right to take remedial measures, including (a) requiring Jiangnan Tiehejin to rectify the breach; (b) requiring Jiangnan Tiehejin to bear the losses suffered by Jiangnan Precision; and (c) requiring Jiangnan Tiehejin to immediately repay the Loan and unpaid interests and all fees paid by and all losses incurred by Jiangnan Precision pursuant to the Loan Agreement. Other events of default pursuant to the Loan Agreement include: (i) Jiangnan Tiehejin fails to fully and punctually perform or comply with its obligations under the Loan Agreement; (ii) any representations, warranties and undertaking made or given by Jiangnan Tiehejin pursuant to the Loan Agreement are untrue or misleading in material respects; (iii) any provision of the Loan Agreement becomes invalid, unenforceable or Jiangnan Tiehejin's consent or approval to perform its obligations under the Loan Agreement is revoked or amended for whatever reason; or (iv) any debt of Jiangnan Tiehejin is declared due prior to the expiry of the term; or any guarantee or similar obligation of Jiangnan Tiehejin is not released after the expiry of the term.
- Transferability : Jiangnan Tiehejin shall not assign or resell any of its obligations or rights under the Loan Agreement, while Jiangnan Precision shall be able to renew, resell and/or transfer all rights and obligations under the Loan Agreement to any of its subsidiaries or its parent company.

PROPERTY ACQUISITION OPTION

Pursuant to the Loan Agreement, one of the conditions precedent to the drawdown of the Loan include Jiangnan Precision and Jiangnan Tiehejin having entered into the Option Agreement. The Option Agreement was entered into between Jiangnan Precision and Jiangnan Tiehejin on 28 February 2023, pursuant to which the Property Acquisition Option will be granted to Jiangnan Precision, at nil consideration, to acquire the Property with reference to the final price under the “commercial–housing pre-sale contract”, subject to the fulfillment of all the conditions precedent therein.

The granting of the Property Acquisition Option is subject to, among others, the fulfilment of the following conditions precedent:

- (a) all acknowledgements, approvals and consents having been obtained from internal or third parties for the transactions contemplated under the Option Agreement;

LETTER FROM THE BOARD

- (b) the Loan Agreement having been entered into and the conditions precedent therein having been fulfilled and the Loan having been drawn-down;
- (c) if required, the approval from the Stock Exchange on the Option Agreement and the transactions contemplated thereunder having been obtained and such approval not having been revoked or cancelled and there is no ruling that the Property Acquisition Option will constitute a very substantial acquisition, reverse takeover or extreme transaction;
- (d) if required, the passing of the necessary resolution by the Independent Shareholders at the EGM to approve the Option Agreement and the transactions contemplated thereunder; and
- (e) the Option Agreement and the transactions contemplated thereunder having complied with Listing Rules.

All conditions are non-waivable.

It is in Jiangnan Precision's sole discretion whether to exercise the Property Acquisition Option under the Option Agreement. Jiangnan Precision has the right to select which two floors of the New Office Building to be acquired at its sole discretion. The maximum purchase price of the Property upon the exercise of the Property Acquisition Option is capped at RMB22,000,000. The option exercise price of RMB22,000,000 was determined with reference to, among other things, (i) the prevailing market prices of properties of similar nature and grading available in the localities; and (ii) the current property market sentiment in Changzhou City, Jiangsu Province.

If Jiangnan Precision chooses to exercise the Property Acquisition Option and Jiangnan Precision and Jiangnan Tiehejin have formally entered into a "commercial-housing pre-sale contract" for the acquisition of the Property, all interests accrued under the Loan Agreement will be waived, and the principal amount of the loan shall be used to offset part of the purchase price for the acquisition of the Property in case the final purchase price of the Property is higher than the principal amount of the Loan. In the case the final purchase price of the Property is lower than the principal amount of the Loan, any balance of the Loan will be repaid to Jiangnan Precision.

Jiangnan Precision shall (i) notify Jiangnan Tiehejin its decision within 10 working days after the "Housing Pre-sale License" (《房屋預售許可證》) is being issued, and (ii) continue with the property acquisition procedures. Within 20 working days after Jiangnan Precision formally notifies Jiangnan Tiehejin of the floors selection or such later date as mutually agreed by the parties, if Jiangnan Tiehejin has not formally entered into a "commercial-housing pre-sale contract" with Jiangnan Precision, the Property Acquisition Option shall lapse. In the event that the Company requires to obtain Shareholders' approval in relation to the acquisition of the Property in accordance with the Listing Rules upon exercise of the Property Acquisition Option, Jiangnan Tiehejin shall agree to postpone the date of signing of the "commercial-housing pre-sale contract" until such Shareholders' approval is obtained, and Jiangnan Precision shall not be deemed as waiving its rights under the Property Acquisition Option.

LETTER FROM THE BOARD

The Property Acquisition Option has a validity of 5 years from the date of the Option Agreement. In the event that Jiangnan Tiehejin cannot obtain the “Housing Pre-sale License” (《房屋預售許可證》) for pre-sale of the Property within the 5-year period, the validity of the Option Agreement shall extend to 2 months after Jiangnan Tiehejin having obtained such necessary approval, and that the parties shall proceed with the procedures for sale and purchase of the Property in accordance with the terms of the Option Agreement. Unless the Property Acquisition Option is exercised or otherwise agreed in writing by the parties, the Property Acquisition Option shall automatically expire after the end of the validity period. The validity period of the Property Acquisition Option will not be invalidated by the expiration or termination of the Loan Agreement.

FUNDING OF THE LOAN

The Group will finance the Loan with its general working capital.

INFORMATION ON THE CREDIT RISK TO THE LOAN

The interest rate of 5.5% per annum is determined with reference to, amongst others, the Group's existing cost of capital in the range of approximately 4.0% to 4.5% and the low credit risk of the Loan based on the satisfactory credit assessment on the financial strength of Jiangnan Tiehejin and Mr. Mei.

The grant of the Loan was based on, amongst others, the personal guarantee by Mr. Mei, the credit assessments on the financial strength and repayment ability of Jiangnan Tiehejin. The Group has obtained unaudited financial statements including balance sheets for 2021 and 2022 of Jiangnan Tiehejin and personal financial information from Mr. Mei, including but not limited to bank statements and Mr. Mei's Shares held in the Company through Newrich Limited by virtue of interest in controlled corporation (i.e. 342,000,000 Shares). With regard to unaudited financial statements of Jiangnan Tiehejin, as Jiangnan Tiehejin is a private company incorporated in the PRC, its financial statements are not subject to annual audit requirements under the relevant PRC rules and regulations and therefore, audited financial statements are not available. As advised by Jiangnan Tiehejin, Jiangnan Tiehejin filed its tax return to the relevant PRC authorities based on such unaudited financial information. The Board has reviewed Jiangnan Tiehejin's tax filings for 2021 and 2022 and noted that the figures submitted to the PRC authorities are the same as those of the unaudited financial statements. The Board considers the use of unaudited financial statements for this purpose to be reasonable and adequate.

After taking into account all such factors, the Directors consider that the risks involved in the Loan are relatively low and manageable. The Directors are of the view that the guarantee provided by Mr. Mei can effectively safeguard the interests of the Company and the default risk of the Loan is relatively low.

INFORMATION OF THE PARTIES

The Company is a company incorporated in Cayman Islands with limited liability and is principally engaged in the manufacture and sales of hard steel coil, unpainted galvanised steel products and painted galvanised steel products. Jiangnan Precision, an indirect wholly-owned subsidiary of the Company, is a company established in the PRC and is principally engaged in steel processing.

LETTER FROM THE BOARD

Mr. Mei is one of the Controlling Shareholders and an executive Director, spouse of Ms. Liu Ping, an executive Director, cousin-in-law of Mr. Xu Chao, an executive Director.

Jiangnan Tiehejin is a company established in the PRC with limited liability and is principally engaged in the processing, production and sales of various types of ferroalloy, including ferrotitanium and ferroaluminium. It is owned as to approximately 90.0% by Mr. Mei and approximately 10.0% by Ms. Chen Yunjuan, mother of Mr. Mei. The unaudited consolidated net current asset value and net asset value of Jiangnan Tiehejin as at 31 December 2021 and 2022, which was the basis of Jiangnan Tiehejin's tax filing, each amounted to over RMB1 billion.

Based on the above, Jiangnan Tiehejin is regarded as a connected person of the Company and the grant of the Loan therefore constitute a connected transaction pursuant to Chapter 14A of the Listing Rules.

INFORMATION OF THE LAND AND THE PROPERTY

The Land is situated at north of Dongfang Second Road, west of Dongshang Road, Lucheng Street, Changzhou Economic Development Zone, Changzhou City, Jiangsu Province, the PRC. The Land has a site area of approximately 12,581 sq.m.

The New Office Building is proposed to be constructed on the Land with a total construction area of approximately 69,000 sq.m., of which the ground floor area and the underground area will be approximately 49,000 sq.m. and 20,000 sq.m., respectively. Based on the current planning, the New Office Building shall consist of a building and annex thereto, of which the building is for office use and the annex thereto is for ancillary and supporting activities. The office area of each storey of the building shall be approximately 1,500 sq.m. The construction of the New Office Building is expected to begin in June 2023, and is expected to complete in December 2025. According to Jiangnan Tiehejin, the total construction cost of the New Office Building is expected to be approximately RMB300,000,000.

The Property shall consist of two storeys of office units, each storey being approximately 1,500 sq.m.

REASONS FOR AND BENEFITS OF THE ENTERING INTO THE LOAN AGREEMENT AND THE OPTION AGREEMENT

Granting of the Loan to Jiangnan Tiehejin provides the Group with an opportunity to utilize its cash resources on a more efficient basis and extend its source of revenue.

The Loan Agreement comes with the Property Acquisition Option, pursuant to which, the Group is granted the right to purchase the Property at the Group's sole discretion.

LETTER FROM THE BOARD

The current office of the Group situated at Wuyi County, Hengshanqiao Town Wujin District, Changzhou City, Jiangsu Province, the PRC is a leased property and it is steadily reaching its maximum capacity with limited space for further increase of workstations. The Group is seeking to acquire new property for office use in support of the continued business growth of the Group, in particular, the expansion of the color-coating business since 2021.

The Property has a total of approximately 3,000 sq.m. The Directors are of the view that the Property is a suitable target as the size of the Property shall be able to sufficiently increase the office capacity of the Group and be able to satisfy the Group's need for office space in short to medium term. The New Office Building is located at the core business district of Changzhou Economic Development Zone (常州經濟開發區核心商務區), which is a key ongoing project of the Management Committee of the Economic Development Zone (經開區管委會). Further, the Directors believe that the acquisition of the Property will also be able to provide capital appreciation potential to the Group in the long run. As the Economic Development Zone is currently in the development stage, the housing prices are relatively favourable as compared to other developed business districts in Changzhou City, Jiangsu Province.

According to Jiangnan Tiejiejin, the total construction cost of the New Office Building is expected to be approximately RMB300,000,000. The Loan in the amount of RMB20,000,000 shall be able to assist in financing the early stage of the construction of the New Office Building and foreseeably to speed up the overall progress of the construction.

The Directors consider that it is in the interest of the Group to consider the possible acquisition of the Property in the foreseeable future as office use in order to save future rental expenses. Further, in case that the Property is not to be fully utilized by the Group, the vacant spaces may be leased out on a short-term basis to generate rental income or to be sold out if there are suitable buyers or tenants.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Jiangnan Tiejiejin is owned as to approximately 90.0% by Mr. Mei and approximately 10.0% by Ms. Chen Yunjuan, mother of Mr. Mei. Mr. Mei is one of the Controlling Shareholders and an executive Director. As such, Jiangnan Tiejiejin is regarded as a connected person of the Company and the grant of the Loan therefore constitute a connected transaction pursuant to Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios (as defined in the Listing Rules) is more than 5% but less than 25%, the transaction contemplated under the Loan Agreement constitute a discloseable (under Chapter 14 of the Listing Rules) and connected transaction (under Chapter 14A of the Listing Rules) of the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules and the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The grant of the Property Acquisition Option under the Option Agreement would be treated as a transaction and classified by reference to the percentage ratios (as defined under the Listing Rules) pursuant to Rules 14.04(1)(b) and 14.73 of the Listing Rules. The exercise of the Property Acquisition Option is at the discretion of Jiangnan Precision. According to Rules 14.75(1) and 14A.79(2) of the Listing Rules, on the grant of the Property Acquisition Option, only the premium (which is nil) will be taken into consideration for calculating the relevant percentage ratios. The Company will comply with the relevant requirements under the Listing Rules upon the exercise and non-exercise of the Property Acquisition Option (as the case may be).

The Board (including the independent non-executive Directors) has approved the Property Acquisition Option, and confirmed that the terms of the Option Agreement are fair and reasonable and are on normal commercial terms and in the interests of the Company and the shareholders as a whole.

Since Mr. Mei has a material interest in the Loan Agreement, the Option Agreement and the transactions thereunder through Jiangnan Tiejiejin, Mr. Mei and Ms. Liu Ping (spouse of Mr. Mei, one of the Controlling Shareholders and an executive Director) have abstained from voting on the Board resolutions on the Loan Agreement, the Option Agreement and the transactions contemplated thereunder. As Mr. Xu Chao, an executive Director, is a cousin of Ms. Liu Ping and cousin-in-law of Mr. Mei, Mr. Xu Chao has or may be regarded as having a material interest in the Loan Agreement and the Option Agreement. Hence, Mr. Xu Chao has also abstained from voting in respect of such resolutions considered in the meeting of the Board.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the Loan Agreement and the transactions contemplated thereunder.

Altus Capital Limited has been appointed by the Company as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Loan Agreement and the transactions contemplated thereunder.

RE-ELECTION OF DIRECTOR

Pursuant to Article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his appointment and be subject to re-election at such meeting.

In accordance with the abovementioned Articles, Mr. Cao Cheng shall hold the office of Directors until the EGM and, being eligible, offer himself for re-election at the EGM.

Brief biographical details of the above retiring Director who is proposed to be re-elected at the EGM are set out in Appendix II to this circular.

LETTER FROM THE BOARD

EGM

The EGM will be convened at 11:30 a.m. on Friday, 14 April 2023 at 2408, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong, for the Shareholders to consider and, if thought fit, approve the grant of Loan and the transactions contemplated thereunder and the re-election of Director. The Notice of EGM is set out on pages EGM-1 to EGM-2 of this circular.

All Shareholders who have a material interest in the Loan Agreement and the transaction contemplated thereunder will be required to abstain from voting on the relevant resolution at the EGM. As at the Latest Practicable Date, Mr. Mei and his close associates (including Ms. Liu Ping, an executive Director, one of the Controlling Shareholders and spouse of Mr. Mei) were interested in 428,720,000 Shares in aggregate, representing approximately 70.72% of the issued shares of the Company as at the Latest Practicable Date, therefore each of Mr. Mei and Ms. Liu Ping shall abstain and will procure their respective associates to abstain from voting on the relevant resolution at the EGM. Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder had a material interest in the Loan Agreement and the transactions contemplated thereunder and therefore no Shareholder is required to abstain from voting at the EGM for the relevant resolution.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying form of proxy in accordance with the instructions printed thereon. The forms of proxy must be delivered to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours (i.e. 11:30 a.m. on Wednesday, 12 April 2023) before the time for holding the EGM or any adjourned meeting thereof in order for such documents to be valid.

Completion and return of the forms of proxy will not preclude a Shareholder from attending and voting in person at the EGM or at any adjourned meeting thereof should you so wish, but in such event the instrument appointing a proxy shall be deemed to be revoked.

Register of members of the Company will be closed from Tuesday, 11 April 2023 to Friday, 14 April 2023 (both days inclusive) for the purpose of ascertaining Shareholders' entitlement to attend and vote at the EGM. No transfer of Shares will be registered during those dates. In order to qualify for attending and voting at the EGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at the address mentioned above not later than 4:30 p.m. on Thursday, 6 April 2023.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 16 of this circular and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 17 to 30 of this circular in connection with the Loan Agreement and the transactions contemplated thereunder, and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice.

LETTER FROM THE BOARD

The Independent Board Committee, having considered the terms of the Loan Agreement and the advice of the Independent Financial Adviser, are of the opinion that the Loan Agreement and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms and that the grant of Loan is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to approve the Loan Agreement and the transactions contemplated thereunder.

The Directors (including independent non-executive Directors) are of the opinion that all the proposed resolutions are in the interests of the Company and the Shareholders as a whole and so recommend you to vote in favour of all the resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to (i) the letter from the Independent Board Committee set out on page 16 of this circular, containing its recommendation in respect of the Loan Agreement and the transactions contemplated thereunder; and (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 17 to 30 of this circular, containing its recommendation in respect of the Loan Agreement and the transactions contemplated thereunder.

The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote on the resolution approving the Loan Agreement and the transactions contemplated thereunder.

By order of the Board
KangLi International Holdings Limited
Liu Ping
Chairman



KANGLI INTERNATIONAL HOLDINGS LIMITED

康利國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 06890)

24 March 2023

To the Independent Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION:
PROVISION OF FINANCIAL ASSISTANCE –
THE LOAN AGREEMENT; AND
(2) NOTICE OF EGM**

We refer to the circular of the Company dated 24 March 2023 (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Loan Agreement and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” in the Circular. Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the “Letter from the Board” set out on pages 4 to 15 of the Circular, the “Letter from Independent Financial Adviser” set out on pages 17 to 30 of the Circular and the additional information set out in Appendix I to the Circular.

Having taken into account, among other things, the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in the “Letter from the Independent Financial Adviser” in the Circular, we concur with the view of the Independent Financial Adviser and consider that the Loan Agreement and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms and that the grant of Loan is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Loan Agreement and the transactions contemplated thereunder to be proposed at the EGM.

Yours faithfully,

Independent Board Committee

Mr. Yang Guang

Mr. Lau Ying Kit

Mr. Cao Cheng

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Loan Agreement and the transaction contemplated thereunder, which has been prepared for the purpose of incorporation into this Circular.

ALTUS .

Altus Capital Limited

21 Wing Wo Street

Central

Hong Kong

24 March 2023

To the Independent Board Committee and the Independent Shareholders

KangLi International Holdings Limited

2408, World-Wide House

19 Des Voeux Road Central

Central, Hong Kong

Dear Sir/Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION: PROVISION OF FINANCIAL ASSISTANCE – THE LOAN AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Loan Agreement and the transaction contemplated thereunder, details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 24 March 2023 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 28 February 2023, the Loan Agreement was entered into amongst Jiangnan Precision, an indirect wholly owned subsidiary of the Company, as lender, Jiangnan Tiehejin, as borrower, and Mr. Mei, as guarantor. Pursuant to the Loan Agreement, Jiangnan Precision has agreed to grant the Loan in the principal amount of RMB20,000,000 to Jiangnan Tiehejin for a term of three years.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant the Loan Agreement, one of the conditions precedent to the drawdown of the Loan include Jiangnan Precision and Jiangnan Tiehejin having entered into the Option Agreement. The Option Agreement was entered into between Jiangnan Precision and Jiangnan Tiehejin on 28 February 2023, pursuant to which the Property Acquisition Option will be granted to Jiangnan Precision, at nil consideration, to acquire the Property, subject to the fulfilment of all the conditions precedent in the Loan Agreement.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Jiangnan Tiehejin is owned as to approximately 90.0% by Mr. Mei and approximately 10.0% by Ms. Chen Yunjuan, mother of Mr. Mei. Mr. Mei is one of the Controlling Shareholders and an executive Director. As such, Jiangnan Tiehejin is regarded as a connected person of the Company and the grant of the Loan therefore constitute a connected transaction pursuant to Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios (as defined in the Listing Rules) is more than 5% but less than 25%, the transaction contemplated under the Loan Agreement constitute a discloseable (under Chapter 14 of the Listing Rules) and connected transaction (under Chapter 14A of the Listing Rules) of the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules and the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The grant of the Property Acquisition Option under the Option Agreement would be treated as a transaction and classified by reference to the percentage ratios (as defined under the Listing Rules) pursuant to Rules 14.04(1)(b) and 14.73 of the Listing Rules. The exercise of the Property Acquisition Option is at the discretion of Jiangnan Precision. According to Rules 14.75(1) and 14A.79(2) of the Listing Rules, on the grant of the Property Acquisition Option, only the premium (which is nil) will be taken into consideration for calculating the relevant percentage ratios. The Company will comply with the relevant requirements under the Listing Rules upon the exercise and non-exercise of the Property Acquisition Option (as the case may be).

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lau Ying Kit, Mr. Yang Guang and Mr. Cao Cheng, has been established to consider and advise the Independent Shareholders as to (i) whether the terms of the Loan Agreement are fair and reasonable; (ii) whether the entering into the Loan Agreement and the transaction contemplated thereunder is on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution to be proposed at the EGM, after taking into account the recommendation of the Independent Financial Adviser.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Loan Agreement are fair and reasonable; (ii) whether the entering into the Loan Agreement and the transaction contemplated thereunder is on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution to be proposed at the EGM.

We have not acted as an independent financial adviser or financial adviser for other transactions of the Group in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the Loan Agreement and the transaction contemplated thereunder is at market level and not conditional upon successful passing of the relevant resolution to be proposed at the EGM, and that our engagement is on normal commercial terms, we are independent of and not associated with the Company, its controlling shareholder(s) or connected person(s).

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”); (ii) the interim report of the Company for the six months ended 30 June 2022 (the “**2022 Interim Report**”); (iii) the Loan Agreement; (iv) the Option Agreement; and (v) other information contained or referred to in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Group (the “**Management**”). We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management were reasonably made after due and careful enquiry and were true, accurate and complete at the time they were made and continued to be so as at the date of the EGM.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading at the time they were made or will be untrue, inaccurate or misleading at the date of the EGM, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us to be untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Company contained or referred to in the Circular and/or provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or future prospects of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background

1.1 Information of the Group

The Company is a company incorporated in Cayman Islands with limited liability and is principally engaged in the manufacture and sales of hard steel coil, unpainted galvanised steel products and painted galvanised steel products. Jiangnan Precision, an indirect wholly-owned subsidiary of the Company, is a company established in the PRC and is principally engaged in steel processing.

1.2 Financial information of the Group

Set out below is a summary of the audited consolidated financial information of the Group for the years ended 31 December 2020 (“FY2020”) and 2021 (“FY2021”), which has been extracted from the 2021 Annual Report; and (ii) the unaudited consolidated financial information of the Group for the six months ended 30 June 2021 (“1H FY2021”) and 2022 (“1H FY2022”), which has been extracted from the 2022 Interim Report.

Extract of consolidated statement of profit or loss

	For the year ended 31 December		For the six months ended 30 June	
	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	1,606,146	2,035,409	992,642	764,715
Gross profit	176,470	234,201	124,581	34,401
Profit/(loss) for the year/period	72,411	98,097	64,394	(5,144)

Extract of consolidated statement of financial position

	As at 31 December		As at 30 June
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(unaudited)
Total assets	1,891,617	1,912,366	1,886,764
– Cash at bank and on hand	243,545	216,064	255,799
– Trade and bills receivables	685,303	721,918	631,765
Total liabilities	1,209,467	1,151,142	1,155,760
– Bank and other loans	511,150	503,927	500,607
Net assets	682,150	761,224	731,004
Current ratio ¹	1.4 times	1.4 times	1.3 times
Gearing ratio ²	0.7 times	0.7 times	0.7 times

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. Current ratio is calculated as current assets over current liabilities of the Group.
2. Gearing ratio is calculated as total bank and other loans over total equity of the Group.

FY2020 vs FY2021

The Group recorded revenue of approximately RMB2,035.4 million in FY2021, representing an increase of approximately 26.7% from approximately RMB1,606.1 million in FY2020 mainly due to the increase in overall average selling price of the steel products as a result of the upsurge of raw material prices. The Group recorded gross profit of approximately RMB234.2 million in FY2021, representing an increase of approximately 32.7% from approximately HK\$176.5 million in FY2020 mainly due to (i) the increase in revenue as discussed above; and (ii) improvement in overall gross profit margin, in particular the painted galvanized steel products. As a result of the above, the Group recorded a substantial increase in net profit of approximately 35.5% to approximately RMB98.1 million in FY2021 from approximately RMB72.4 million in FY2020.

As at 31 December 2020 and 2021, the Group's total assets mainly consisted of (i) property, plant and equipment; (ii) trade and bills receivables; (iii) inventories; (iv) cash at bank and on hand; and (v) prepayments, deposits and other receivables. The Group's total assets remained stable at approximately RMB1,891.6 million and approximately RMB1,912.4 million as at 31 December 2020 and 2021 respectively. The Group's cash at bank and on hand was approximately RMB216.1 million as at 31 December 2021, representing a decrease of approximately 11.3% from approximately RMB243.5 million as at 31 December 2020 mainly due to the net cash outflow from investing activities and financing activities, which was partially offset by the net cash generated from operating activities. The Group's trade and bills receivables, which were mostly due within one month, were approximately RMB721.9 million as at 31 December 2021, representing an increase of approximately 5.3% from approximately RMB685.3 million as at 31 December 2020, and was generally in line with the Group's increased business activities.

As at 31 December 2020 and 2021, the Group's total liabilities mainly consisted of (i) trade and bills payables; and (ii) short-term bank and other loans. The total liabilities of the Group decreased by approximately 4.8% to approximately RMB1,151.1 million as 31 December 2021 from approximately RMB1,209.5 million as at 31 December 2020 mainly due to the decrease in trade and bills payables from approximately RMB588.2 million as at 31 December 2020 to approximately RMB515.8 million as at 31 December 2021. As a result of the above, the Group's net assets improved by approximately 11.6% from approximately RMB682.2 million as at 31 December 2020 to approximately RMB761.2 million as at 31 December 2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The current ratio and gearing ratio of the Group remained stable at approximately 1.4 times and 0.7 times as at each of 31 December 2020 and 2021 respectively.

1H FY2021 vs 1H FY2022

The Group recorded revenue of approximately RMB764.7 million in 1H FY2022, representing a decrease of approximately 23.0% from approximately RMB992.6 million in 1H FY2021 mainly due to the decrease in overall sales volume of the Group's steel products, in particular the unpainted galvanized steel products. The Group recorded gross profit of approximately RMB34.4 million in 1H FY2022, representing a decrease of approximately 72.4% from approximately RMB124.6 million in 1H FY2021 primarily due to the (i) decrease in overall revenue as discussed above; and (ii) deterioration of gross profit margin from approximately 12.6% in 1H FY2021 to 4.5% in 1H FY2022 mainly due to the increase in average production costs resulting from the drop in sales and production volume, as some of these costs were fixed in nature. As a result of the above, the Group recorded a net loss of approximately RMB5.1 million in 1H FY2022 as compared to a net profit of approximately RMB64.4 million in 1H FY2021.

The major components of the Group's total assets were substantially the same as at 31 December 2021 and 30 June 2022. The total assets of the Group remained stable at approximately RMB1,912.4 million and approximately RMB1,886.8 million as at 31 December 2021 and 30 June 2022 respectively. The Group's cash at bank and on hand was approximately RMB255.8 million as at 30 June 2022, representing an increase of approximately 18.4% from approximately RMB216.1 million as at 31 December 2021 mainly due to the net cash generated from operating activities. The Group's trade and bills receivables, which were mostly due within one month, was approximately RMB631.8 million as at 30 June 2022, representing a decrease of approximately 12.5% from approximately RMB721.9 million as at 31 December 2021. The major components of the Group's total liabilities were substantially the same as at 31 December 2021 and 30 June 2022 where they remained stable at approximately RMB1,151.1 million and RMB1,155.8 million as at 31 December 2021 and 30 June 2022 respectively. The Group's net assets also remained stable at approximately RMB761.2 million and RMB731.0 million as at 31 December 2021 and 30 June 2022 respectively.

The current ratio of the Group decreased slightly from approximately 1.4 times as at 31 December 2021 to approximately 1.3 times as at 30 June 2022. The gearing ratio of the Group remained stable at 0.7 as at 31 December 2021 and 30 June 2022 respectively.

1.3 Outlook of the Group

As stated in the 2021 Annual Report, the Group expects that the steel industry will see a new round of structural optimisations. These are expected to result in steel prices being at relatively high levels, and as downstream player in the steel industry, high steel prices will imply higher selling prices for the Group's products which would enhance the Group's revenue.

Meanwhile as reported in the 2022 Interim Report, the Group's new production lines are progressively becoming operational. The expanded production capacity will be able to uplift production efficiency and reduce production costs. In particular, the use of smart slitting and cutting production line and 3D smart storage will uplift the production efficiency of galvanized steel plates and painted galvanized steel plates, enhancing product quality and reducing production costs, placing the Group in a good position for its future business development and market growth.

1.4 Information of Jiangnan Tiehejin

Jiangnan Tiehejin is a company established in the PRC with limited liability and is principally engaged in the processing, production and sales of various types of ferroalloy, including ferrotitanium and ferroaluminium. It is owned as to approximately 90.0% by Mr. Mei and approximately 10.0% by Ms. Chen Yunjuan, mother of Mr. Mei. The unaudited consolidated net current asset value and net asset value of Jiangnan Tiehejin as at 31 December 2021 and 2022 each amounted to over RMB1 billion.

2. The Group's rationale for entering into the Loan Agreement and the Option Agreement

According to the 2021 Annual Report and 2022 Interim Report, the Group had stable (i) cash at bank and on hand of approximately RMB216.1 million and RMB255.8 million; (ii) trade and bills receivables, which were mostly due within one month, of approximately RMB721.9 million and RMB631.8 million; (iii) net assets of approximately RMB761.2 million and RMB731.0 million; (iv) current assets of approximately RMB1,558.1 million and RMB1,527.0 million (accounting for over 80% of the Group's total assets); and (v) current ratio of 1.4 times and 1.3 times as at 31 December 2021 and 30 June 2022 respectively. We consider that the Group's financial resources on hand is sufficient to cover its current borrowings. We have discussed with the Management and noted that the Group is in a healthy financial position where there is more than sufficient working capital to run the Group's operations. As such, the grant of the Loan, which is not material to the overall financial position of the Group, will not impose material impact on the working capital nor daily operations of the Group. The Management considers that the grant of the Loan enables the Group to optimise the return on its assets as it enables the Group to generate interest income.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Under the Loan Agreement, one of the conditions precedent to the drawdown of the Loan includes Jiangnan Precision and Jiangnan Tiehejin having entered into the Option Agreement, pursuant to which the Property Acquisition Option will be granted to Jiangnan Precision, at nil consideration, to acquire the Property with reference to the final price under the “commercial-housing pre-sale contract” and such Property Acquisition Option is exercisable at the sole discretion of the Group. Under the Option Agreement, the Group has the right to select which two floors of the New Office Building to be acquired at its sole discretion. The maximum purchase price of the Property upon the exercise of the Property Acquisition Option is capped at RMB22,000,000. The option exercise price of RMB22,000,000 was determined with reference to, among other things, (i) the prevailing market prices of properties of similar nature and grading available in the localities; and (ii) the current property market sentiment in Changzhou City, Jiangsu Province. Further details of the Property Acquisition Option and the Option Agreement are set out in the “Letter from the Board” of the Circular.

The Property consists of two storeys of office units, each storey being approximately 1,500 sq.m. As advised by the Management, the current office of the Group situated at Wuyi County, Hengshanqiao Town, Wujin District, Changzhou City, Jiangsu Province, the PRC is a leased property. It occupies an area of approximately 800 sq.m. and is steadily reaching its maximum capacity with limited space for further increase of workstations. The Group is seeking to acquire new property for office use in support of the continued business growth of the Group, in particular, the expansion of the color-coating business since 2021.

We concur with the Management’s view that the possible acquisition of the Property in the foreseeable future can save on rental expenses and provides flexibility for long term planning. To the extent that the Property is not immediately fully utilised by the Group for own-use, the vacant spaces may be leased out on a short-term basis to generate rental income or be sold. There is also potential for capital appreciation in the long run. Further details of the Property are set out in the “Letter from the Board” of the Circular.

Having considered that (i) the grant of Loan will not have material financial impact on the Group while enabling the Group to generate interest income; and (ii) the Property Acquisition Option is exercisable at the sole discretion of Group, which provides flexibility and potential benefits to the Group as further discussed in the section headed “The Property Acquisition Option” below, we are of the view that the entering into the Loan Agreement and the Option Agreement is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Principal terms

Set out below is a summary of the principal terms of the Loan Agreement and the Option Agreement, details of which are set out in the “Letter from the Board” of the Circular.

The Loan Agreement

- Date : 28 February 2023
- Parties : (1) Jiangnan Precision, as lender
(2) Jiangnan Tiejiejin, as borrower
(3) Mr. Mei, as guarantor
- Principal : RMB20,000,000
- Interest Rate : 5.5% per annum, which is determined with reference to the Group’s existing cost of capital in the range of approximately 4.0% to 4.5%.
- All interests accrued pursuant to the Loan Agreement shall be repayable by Jiangnan Tiejiejin to Jiangnan Precision at the maturity of the Loan. If Jiangnan Precision chooses to exercise the Property Acquisition Option and Jiangnan Precision and Jiangnan Tiejiejin have formally entered into a “commercial-housing pre-sale contract” (《商品房預售合同》) for the acquisition of the Property, all interests under the Loan Agreement will be waived, and the principal amount of the Loan shall be used to offset the purchase price for the acquisition of the Property.
- Repayment : The repayment date of the principal amount and all outstanding interests shall be three years from the Drawdown Date. Subject to compliance with laws and regulations (including the Listing Rules), Jiangnan Precision and Jiangnan Tiejiejin may enter into agreement with terms mutually agreed for the extension of the Loan.
- Early repayment : Jiangnan Precision has the right to request the Borrower to repay the principal amount of the Loan and all accrued interest in full ahead of the repayment date of the Loan by giving to the Borrower one month’s prior written notice.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- Security : The Loan will be secured by the personal guarantee provided by Mr. Mei, pursuant to which Mr. Mei agreed to guarantee to Jiangnan Precision the payment obligation of Jiangnan Tiehejin under the Loan Agreement, which includes but is not limited to the principal amount of the Loan, interest, damage compensation, and liquidated damages, and all costs (including litigation, legal fees and enforcement fees, etc.) attributed from Jiangnan Tiehejin's repayment obligation under the Loan Agreement. The guarantee period shall end when the repayment obligation of Jiangnan Tiehejin under the Loan Agreement is fulfilled.
- Event of default : If Jiangnan Tiehejin defaults on the repayment of the Loan, Jiangnan Precision has the right to take remedial measures, including (a) requiring Jiangnan Tiehejin to rectify the breach; (b) requiring Jiangnan Tiehejin to bear the losses suffered by Jiangnan Precision; and (c) requiring Jiangnan Tiehejin to immediately repay the Loan and unpaid interests and all fees paid by and all losses incurred by Jiangnan Precision pursuant to the Loan Agreement. Other events of default pursuant to the Loan Agreement include: (i) Jiangnan Tiehejin fails to fully and punctually perform or comply with its obligations under the Loan Agreement; (ii) any representations, warranties and undertaking made or given by Jiangnan Tiehejin pursuant to the Loan Agreement are untrue or misleading in material respects; (iii) any provision of the Loan Agreement becomes invalid, unenforceable or Jiangnan Tiehejin's consent or approval to perform its obligations under the Loan Agreement is revoked or amended for whatever reason; or (iv) any debt of Jiangnan Tiehejin is declared due prior to the expiry of the term; or any guarantee or similar obligation of Jiangnan Tiehejin is not released after the expiry of the term.

The Option Agreement

Pursuant to the Loan Agreement, one of the conditions precedent to the drawdown of the Loan is Jiangnan Precision and Jiangnan Tiehejin having entered into the Option Agreement. The Option Agreement was entered into between Jiangnan Precision and Jiangnan Tiehejin on 28 February 2023, pursuant to which the Property Acquisition Option will be granted to Jiangnan Precision, at nil consideration, to acquire the Property with reference to the final price under the “commercial–housing pre-sale contract”, subject to the fulfillment of certain conditions precedent. Further details of the Property Acquisition Option, the Option Agreement and the Property are set out in the “Letter from the Board” of the Circular.

3.1 Evaluation of the principal terms of the Loan Agreement***Interest rate***

The Management informed that the interest rate under the Loan Agreement is determined with reference to (i) the existing cost of capital of the Group, which represents the cost of obtaining financing to fund its operations; (ii) the loan prime rates promulgated by the People’s Bank of China, which reflect general market conditions; and (iii) the credit assessment on Jiangnan Tiehejin, as further discussed in the section headed “Security and default risk” below.

According to the 2022 Interim Report and the Management, (i) the Group’s existing cost of capital ranged from 4.0% per annum to 4.5% per annum, (ii) the one-year and over five-year loan prime rate promulgated by the People’s Bank of China are 3.65% per annum and 4.30% per annum, and (iii) the average interest rate of the Group’s existing term deposits is 1.9% per annum. The interest rate of 5.5% per annum under the Loan Agreement is higher than all of the above rates. Accordingly, we consider that the interest rate under the Loan Agreement to be fair and reasonable.

Security and default risk

The Loan will be secured by the personal guarantee provided by Mr. Mei, pursuant to which Mr. Mei agreed to guarantee to Jiangnan Precision the payment obligation of Jiangnan Tiehejin under the Loan Agreement, which includes but is not limited to the principal amount of the Loan, interest, damage compensation, and liquidated damages, and all costs (including litigation, legal fees and enforcement fees, etc.) attributed from Jiangnan Tiehejin’s repayment obligation under the Loan Agreement. The guarantee period shall only end when the repayment obligation of Jiangnan Tiehejin under the Loan Agreement is fulfilled.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We note that Mr. Mei is the Controlling Shareholder of both Jiangnan Tiehejin and the Company. As advised by the Management, the Group has the right to request for, and Jiangnan Tiehejin and Mr. Mei have agreed to, on a timely basis update the Group on the usage of the Loan as well as the construction progress of the Property. They will also regularly provide the Group with Jiangnan Tiehejin's financial statements for the Group to continually assess the credit standing of Jiangnan Tiehejin.

We have reviewed the unaudited financial statements including balance sheets for 2021 and 2022 of Jiangnan Tiehejin and personal financial information from Mr. Mei, including bank statements and Mr. Mei's Shares held in the Company through Newrich Limited by virtue of interest in controlled corporation and concur with the Management that Jiangnan Tiehejin is in a healthy financial position and each of Jiangnan Tiehejin and Mr. Mei has sufficient financial resources for repaying the Loan. We understand from the Management that as Jiangnan Tiehejin is a private company incorporated in the PRC, its financial statements are not subject to annual audit requirements under the relevant PRC rules and regulations and therefore, audited financial statements are not available. The Management informed that Jiangnan Tiehejin files its tax return to the relevant PRC authorities based on such unaudited financial information. We have reviewed Jiangnan Tiehejin's tax filings for 2021 and 2022 and noted that the figures submitted to the PRC authorities are the same as those of the unaudited financial statements. We consider the use of unaudited financial statements for this purpose to be reasonable and adequate.

Having taken into account the above, we concur with the Management's view that the guarantee provided by Mr. Mei can effectively safeguard the interests of the Company and the default risk of the Loan is relatively low.

Repayment and Early repayment

Pursuant to the Loan Agreement, the repayment date of the principal amount and all outstanding interests shall be three years from the Drawdown Date. Although the Group will not receive interest income on a regular basis under such repayment arrangement, the interest amount to be received is not material relative to the Group's scale of operations and the Group does not rely on it as a material source of income.

Notwithstanding that the principal amount and all outstanding interests shall be repaid at the maturity date, as the Loan is subject to early repayment upon the demand of the Group, despite the amount of the Loan is not material to the overall financial position of the Group as discussed above, in the event that the Group faces liquidity needs, the Group has full rights to request Jiangnan Tiehejin to repay the Loan and all accrued interest in full ahead of the repayment date of the Loan in the case of liquidity needs. We therefore consider the overall repayment arrangement is fair and reasonable.

The Property Acquisition Option

Under the Loan Agreement, one of the conditions precedent to the drawdown of the Loan is Jiangnan Precision and Jiangnan Tiehejin having entered into the Option Agreement, pursuant to which the Property Acquisition Option will be granted, at nil consideration, to Jiangnan Precision to acquire the Property at a maximum purchase price capped at RMB22,000,000, and such Property Acquisition Option is exercisable at the sole discretion of the Group.

The Property Acquisition Option, which is exercisable at the sole discretion of the Group, merely represents an additional option available to the Group at the point of settlement of the Loan. Such Property Acquisition Option is favorable to the Group as it provides flexibility for the Group to opt for (i) receiving an interest income from the Loan at maturity or when the Group requests for early repayment; or (ii) exercising the Property Acquisition Option where it can purchase the Property at a price capped at RMB22,000,000, potentially enjoying an upside in the event that the market value of the Property exceeds RMB22,000,000 plus the accrued interests of the Loan, at the time of the exercise of the Property Acquisition Option. The Management informed that the option exercise price of RMB22,000,000 was determined with reference to, among other things, (i) the prevailing market prices of properties of similar nature and grading available in the localities; and (ii) the current property market sentiment in Changzhou City, Jiangsu Province.

Notwithstanding that all interests under the Loan Agreement will be waived if the Company chooses to exercise the Property Acquisition Option, the Company would only exercise such option where the then prevailing market prices of properties of similar nature and grading available in the localities is notably higher than the exercise price of RMB22,000,000 plus the accrued interests of the Loan. For illustrative purposes, assuming that the Property is completed at the end of three years-time when the Loan Agreement matures, if the then market value of the Property is less than RMB25,300,000 (being the aggregate of the option exercise price of RMB22,000,000 and total interest income of RMB3,300,000 to be waived upon the exercise of the Property Acquisition Option), the Group would choose to receive interest income instead of exercising the Property Acquisition Option.

Based on the above, we concur with the Management's view that the Property Acquisition Option, which represents an alternative settlement arrangement of the Loan with extra flexibility and potential benefits to the Company, is fair and reasonable and is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors, we are of the view that (i) the terms of the Loan Agreement are fair and reasonable; and (ii) although the entering into the Loan Agreement and the transaction contemplated thereunder is not in the ordinary and usual course of business of the Group, it is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Loan Agreement.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Chang Sean Pey
Executive Director

Leo Tam
Executive Director

Mr. Chang Sean Pey (“Mr. Chang”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 25 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.

Mr. Leo Tam (“Mr. Tam”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. He has over eight years of experience in corporate finance and advisory in Hong Kong, in particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions. Mr. Tam is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and Chief Executives' interests and short positions

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives 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 Securities and Futures Ordinance (the "SFO")), which were required (a) to be 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 they were taken or deemed to have under such provisions of the SFO); or (b) to be and were entered in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the model code as set out in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:

Interests in Shares and Underlying Shares of the Company

Name of Director	Capacity/Nature of Interest	Number of Shares (Note 1)	Approximate percentage of interest in the Company (Note 2)
Mr. Mei Zefeng (Note 3)	Interest of controlled corporation	343,220,000 (L)	56.61%
	Interest of spouse	85,500,000 (L)	14.10%
Ms. Liu Ping (Note 4)	Interest of controlled corporation	85,500,000 (L)	14.10%
	Interest of spouse	343,220,000 (L)	56.61%

Notes:

- (1) The Letter "L" denotes long position in the Company's shares.
- (2) The percentage is calculated based on the total number of issued shares as at the Latest Practicable Date.
- (3) Mr. Mei Zefeng, being the sole director of Newrich Limited, is the sole shareholder of Newrich Limited which holds 343,220,000 shares. Therefore, Mr. Mei Zefeng is deemed to be interested in Newrich Limited's interest in the Company's shares pursuant to the SFO. In addition, Mr. Mei Zefeng is the spouse of Ms. Liu Ping. Therefore, Mr. Mei Zefeng is deemed to be interested in Ms. Liu Ping's interest in the Company's shares pursuant to the SFO.

- (4) Ms. Liu Ping, being the sole director of Star Century Corporate Limited, is the sole shareholder of Star Century Corporate Limited which holds 85,500,000 shares. Therefore, Ms. Liu Ping is deemed to be interested in Star Century Corporate Limited's interest in the Company's shares pursuant to the SFO. In addition, Ms. Liu Ping is the spouse of Mr. Mei Zefeng. Therefore, Ms. Liu Ping is deemed to be interested in Mr. Mei Zefeng's interest in the Company's shares pursuant to the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and chief executives of the Company, none of the Directors and the chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations which were required to be (a) 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 they were taken or deemed to have under such provisions of the SFO); or (b) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial shareholders' interests and short positions

As at the Latest Practicable Date, to the best knowledge of the Directors, the following interests and short position of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Capacity/Nature of Interest	Number of Shares (Note 1)	Approximate percentage of interest in the Company (Note 2)
Mr. Mei Zefeng	Interest of controlled corporation	343,220,000 (L)	56.61%
	Interest of spouse	85,500,000 (L)	14.10%
Ms. Liu Ping	Interest of controlled corporation	85,500,000 (L)	14.10%
	Interest of spouse	343,220,000 (L)	56.61%
Newrich Limited	Beneficial owner	343,220,000 (L)	56.61%
Star Century Corporate Limited	Beneficial owner	85,500,000 (L)	14.10%

Notes:

- (1) The Letter "L" denotes long position in the Company's shares.
- (2) The percentage is calculated based on the total number of issued shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Directors have not been notified by any persons who had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company pursuant to Division 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

3. NO MATERIAL ADVERSE CHANGE

The Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with any member of the Group which does not expire or is not determinable by the employer within one year without payment of compensation other than statutory compensation.

5. LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. MATERIAL INTERESTS

As at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2021 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, nor any of their respective close associates had any interest in other business which competes or may compete, either directly or indirectly, with the business of the Group as if each of them were treated as a controlling shareholder under Rule 8.10 of the Listing Rules.

8. EXPERTS' QUALIFICATIONS AND CONSENT

The following are the qualifications of the expert who had given its opinions or advice which are contained in this circular:

Name	Qualification
Altus Capital Limited	A corporation licensed to conduct Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, the abovementioned expert had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinion and/or the reference to its name and opinions in the form and context in which they respectively appear.

As at the Latest Practicable Date, the abovementioned expert did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the abovementioned expert did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021 (being the date to which the latest published audited statements of the Group were made up).

9. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.jnpmm.com) for a period of 14 days from the date of this circular until the date of the EGM:

- (a) the Loan Agreement;
- (b) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;
- (c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;
- (d) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;
- (e) the written consent referred to in the paragraph headed "Expert's Qualifications and Consent" in this appendix; and
- (f) this circular.

Brief biographical details of the Directors eligible for re-election at the EGM are set out below.

Mr. Cao Cheng (曹成先生)

Qualifications and experience

Mr. Cao Cheng, aged 45, was appointed as an independent non-executive Director on 15 July 2022. Mr. Cao is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee.

Mr. Cao obtained his bachelor's degree in foreign trade English (外貿英語) from Beijing-U.S.A. College of English* (北京美國英語語言學院), China in 2000. He further obtained his master's degree in marketing management from University of Derby, the United Kingdom in 2003. Since 2020, Mr. Cao has been pursuing a degree in Executive MBA (EMBA) from City University of Hong Kong, Hong Kong.

Mr. Cao has extensive experience in the steel-related industry. From November 2004 to November 2007, he served as a senior account manager of the commercial and corporate finance department of Bank of China (Hong Kong) Limited in Hong Kong, primarily responsible for the credit and financing of top steel companies in China. From December 2007 to March 2009, he worked as a deputy general manager of Wuxi Xuelang Steel Group Co., Ltd.* (無錫市雪浪鋼鐵集團有限公司) where he was primarily responsible for the company's financing, credit and overseas business. From April 2009 to March 2015, Mr. Cao was a director of Zhongxinda Resources Co., Ltd.* (中信達資源有限公司) in Hong Kong, mainly engaged in the trading business of renewable resources. From April 2015 to May 2020, Mr. Cao rejoined Wuxi Xuelang Steel Group Co., Ltd.* (無錫市雪浪鋼鐵集團有限公司) and assisted in its restructuring, mergers and acquisitions with Shanxi Hejinjinxin Coking Co., Ltd.* (山西河津津鑫焦化有限公司), a company in China primarily engages in the coking business.

Interests in Shares

As at the Latest Practicable Date, Mr. Cao did not have any interest in the Shares within the meaning of Part XV of the SFO.

Others

Mr. Cao entered into a letter of appointment with the Company for an initial term of three years commencing from 15 July 2022. He is subject to retirement and re-election at annual general meetings of the Company in accordance with the Articles. He is entitled to an annual director's fee of HK\$120,000, which is determined with reference to his duties and responsibilities with the Company. The Remuneration Committee will review his salary and then make recommendation to the Board.

Mr. Cao does not have any relationship with any existing Directors, senior management, substantial Shareholders or Controlling Shareholders. He has not held any directorship in other public listed companies in the past three years prior to the Latest Practicable Date. There is no other matter that needs to be brought to the attention of the Shareholders and there is no information relating to Mr. Cao that is required to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

PROCEDURE AND PROCESS FOR NOMINATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS (“INED(s)”)

The Nomination Committee will recommend to the Board for the appointment of an INED in accordance with the following procedures and process:

- (1) The Nomination Committee will, giving due consideration to the current composition and size of the Board, and if required, to develop a list of desirable skills, perspectives and experience at the outset to focus the search effort.
- (2) The Nomination Committee and/or the Board may select suitable candidates from various channels, including but not limited to recommendation from existing Directors, officers and external recruitment agents with due consideration given to the criteria which include but are not limited to: (a) character and integrity; (b) qualifications including professional qualifications, skills, knowledge and experience of their chosen fields; (c) willingness and availability to develop adequate time to discharge duties as a Board member and other directorships and significant commitments; (d) the number of existing directorships and other commitments that may demand the attention of the candidates; (e) independence of the candidates in accordance with the independence guidelines set out in the Listing Rules; (f) board diversity policy of the Company and any measurable objectives adopted by the Board for achieving diversity of the Board; and (g) such other perspectives appropriate to the Company’s business.
- (3) The Nomination Committee may adopt any process it considers appropriate to evaluating the suitability of the candidates including but not limited to personal interviews, background checks and third party references.
- (4) Upon considering a candidate suitable for the directorship, the Nomination Committee will make recommendation to the Board consider and, if thought fit, approve the appointment of the appropriate candidate for directorship.
- (5) For any person that is nominated by shareholders in accordance with the nomination requirements for election as an INED at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of INED at the general meeting.

Recommendation of the Nomination Committee

The Nomination Committee had assessed the independence of the INEDs based on the independence criteria as set out in Rule 3.13 of the Listing Rules, and confirmed that all of them, including Mr. Cao Cheng, remain independent.

In addition, the Nomination Committee had evaluated the performance of the retiring Director and found his performance satisfactory. Therefore, the Nomination Committee nominated the retiring Director to the Board for it to propose to Shareholders for re-election at the EGM. Accordingly, with the recommendation of the Nomination Committee, the Board has passed the resolution on 21 March 2023 to propose the retiring Director, namely Mr. Cao Cheng, to stand for re-election as Director at the EGM. The above-named retiring Director has expressed his willingness to stand for re-election at the EGM. Biographical details of the above-named retiring Director are set out in this appendix.

NOTICE OF EGM

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KANGLI INTERNATIONAL HOLDINGS LIMITED

康利國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 06890)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of KangLi International Holdings Limited (the “Company”) will be held at 11:30 a.m. on Friday, 14 April 2023 (or at any adjournment thereof) at 2408, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong to consider and, if thought fit, pass the following resolutions.

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the loan agreement dated 28 February 2023 entered into between Jiangsu Jiangnan Precision Metal Material Co., Limited* (江蘇江南精密金屬材料有限公司), a wholly-owned subsidiary of the Company, Jiangsu Jiangnan Tiehejin Co., Limited* (江蘇江南鐵合金有限公司), and Mr. Mei Zefeng (a copy of which has been produced at the EGM marked “A” and initialed by the chairman of the EGM for the purpose of identification) (the “**Loan Agreement**”) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) the directors of the Company be and are hereby authorised to take all such steps, do all such acts and/or things and/or execute all such documents incidental to, ancillary to or in connection with matters contemplated in or relating to the Loan Agreement and all transactions contemplated thereunder as they may in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to the Loan Agreement and the implementation of all transactions contemplated thereunder.”

NOTICE OF EGM

2. To re-elect Mr. Cao Cheng as an independent non-executive Director of the Company.

By order of the Board
KangLi International Holdings Limited
Liu Ping
Chairman

* For identification purpose only.

Hong Kong, 24 March 2023

Principal Place of Business in Hong Kong
2408, World-Wide House
19 Des Voeux Road Central
Central, Hong Kong

As at the date hereof, the Board comprised five executive Directors, being Mr. Mei Zefeng, Ms. Liu Ping, Mr. Zhang Zhihong, Ms. Lu Xiaoyu and Mr. Xu Chao, and three independent non-executive Directors, being Mr. Yang Guang, Mr. Lau Ying Kit and Mr. Cao Cheng.

Notes:

1. Any shareholder (the “**Shareholder(s)**”) of the Company entitled to attend and vote at the EGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A Shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy need not be a Shareholder.
2. In order to be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time (i.e. 11:30 a.m. on Wednesday, 12 April 2023) for holding the EGM or any adjournment thereof.
3. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 11 April 2023 to Friday, 14 April 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the EGM, all share certificates with completed transfer forms must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Thursday, 6 April 2023 in order to be registered as a Shareholder.
4. Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
5. If tropical cyclone warning signal no. 8 or above is hoisted, or “extreme conditions” caused by super typhoons or a black rainstorm warning signal is in force in Hong Kong at 9:00 a.m. on Friday, 14 April 2023, the EGM will be adjourned to another appropriate date and time (to be advised) at the same venue. The Company will post an announcement on the websites of the Company at www.jnpmm.com and the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and place of the adjourned meeting.