



KANGLI INTERNATIONAL HOLDINGS LIMITED

康利國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 6890

2023

Interim Report

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Mei Zefeng
Ms. Liu Ping (*Chairman*)
Mr. Zhang Zhihong (*Chief Executive Officer*)
Ms. Lu Xiaoyu
Mr. Xu Chao

Independent Non-executive Directors

Mr. Lau Ying Kit
Mr. Yang Guang
Mr. Cao Cheng

COMPANY SECRETARY

Mr. Chung Yau Tong

AUDIT COMMITTEE

Mr. Lau Ying Kit (*Chairman*)
Mr. Yang Guang
Mr. Cao Cheng

REMUNERATION COMMITTEE

Mr. Cao Cheng (*Chairman*)
Mr. Lau Ying Kit
Mr. Yang Guang
Mr. Zhang Zhihong

NOMINATION COMMITTEE

Ms. Liu Ping (*Chairman*)
Mr. Lau Ying Kit
Mr. Yang Guang
Mr. Cao Cheng

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS IN THE PEOPLE'S REPUBLIC OF CHINA (THE PRC)

Wuyi County, Hengshanqiao Town
Wujin District, Changzhou City
Jiangsu Province, the PRC

PRINCIPLE PLACE OF BUSINESS IN HONG KONG

2408, World-Wide House
19 Des Voeux Road Central, Central, Hong Kong

AUDITORS

KPMG
Public Interest Entity Auditor registered in accordance
with the Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road, Central, Hong Kong

HONG KONG LEGAL ADVISER

Wan & Tang
2408, World-Wide House
19 Des Voeux Road Central, Central, Hong Kong

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

COMPANY WEBSITE

www.jnppmm.com

LISTING INFORMATION

The Company's ordinary shares are listed on the Main
Board of The Stock Exchange of Hong Kong Limited
(Stock Code: 6890.HK)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2023 – unaudited
(Expressed in (“RMB”))

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Revenue	4	835,643	764,715
Cost of sales		(782,465)	(730,314)
Gross profit	4(b)	53,178	34,401
Other income	5	4,436	5,015
Selling expenses		(25,572)	(25,924)
Administrative expenses		(10,877)	(9,312)
Impairment loss on trade receivables		(388)	(565)
Profit from operations		20,777	3,615
Finance costs	6(a)	(9,662)	(11,510)
Profit/(loss) before taxation	6	11,115	(7,895)
Income tax	7	(971)	2,751
Profit/(loss) attributable to equity shareholders of the Company for the period		10,144	(5,144)
Earnings/(loss) per share			
Basic and diluted (RMB)	8	0.02	(0.01)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2023 – unaudited
(Expressed in (“RMB”))

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Profit/(loss) for the period	10,144	(5,144)
Other comprehensive income for the period (after tax):		
Item that may be reclassified subsequently to profit or loss		
– Exchange differences on translation into presentation currency of the Group	195	(292)
Total comprehensive income attributable to equity shareholders of the Company for the period	10,339	(5,436)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2023 – unaudited
(Expressed in (“RMB”))

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Non-current assets			
Property, plant and equipment	9	359,869	371,831
Deferred tax assets	18	5,449	4,618
Loan to a related party	10	20,550	–
		385,868	376,449
Current assets			
Inventories	11	420,621	380,537
Trade and bills receivables	12	532,059	503,396
Prepayments, deposits and other receivables	13	166,178	172,475
Cash at bank and on hand	14	210,189	213,321
		1,329,047	1,269,729
Current liabilities			
Trade and bills payables	15	386,710	381,318
Accrued expenses and other payables	16	54,722	66,240
Bank and other loans	17	390,832	388,390
Lease liabilities		1,391	1,524
Current taxation		33,893	31,309
		867,548	868,781
Net current assets		461,499	400,948
Total assets less current liabilities		847,367	777,397
Non-current liabilities			
Bank loans	17	100,500	41,000
Lease liabilities		27,677	27,706
Other non-current liabilities		4,277	4,117
		132,454	72,823
NET ASSETS		714,913	704,574
CAPITAL AND RESERVES			
Share capital		534	534
Reserves		714,379	704,040
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		714,913	704,574

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2023 – unaudited
(Expressed in (“RMB”))

	Attributable to equity shareholders of the Company							
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2022	534	168,582	180,000	107,021	32,124	(463)	273,426	761,224
Changes in equity for the six months ended 30 June 2022:								
Loss for the period	-	-	-	-	-	-	(5,144)	(5,144)
Other comprehensive income for the period	-	-	-	-	-	(292)	-	(292)
Total comprehensive income	-	-	-	-	-	(292)	(5,144)	(5,436)
Dividends approved in respect of the previous year (Note 19(a))	-	(24,784)	-	-	-	-	-	(24,784)
Balance at 30 June 2022 and 1 July 2022	534	143,798	180,000	107,021	32,124	(755)	268,282	731,004
Changes in equity for the six months ended 31 December 2022:								
Profit for the period	-	-	-	-	-	-	(26,109)	(26,109)
Other comprehensive income for the period	-	-	-	-	-	724	-	724
Total comprehensive income	-	-	-	-	-	724	(26,109)	(25,385)
Dividends approved in respect of the previous year (Note 19(a))	-	(1,045)	-	-	-	-	-	(1,045)
Balance at 31 December 2022	534	142,753	180,000	107,021	32,124	(31)	242,173	704,574
Balance at 1 January 2023	534	142,753	180,000	107,021	32,124	(31)	242,173	704,574
Changes in equity for the six months ended 31 December 2023:								
Profit for the period	-	-	-	-	-	-	10,144	10,144
Other comprehensive income for the period	-	-	-	-	-	195	-	195
Total comprehensive income	-	-	-	-	-	195	10,144	10,339
Balance at 30 June 2023	534	142,753	180,000	107,021	32,124	164	252,317	714,913

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2023 – unaudited
(Expressed in (“RMB”))

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Operating activities			
Net cash (used in)/generated from operations		(40,169)	107,140
Income tax refunded/(paid)		782	(27,509)
Net cash (used in)/generated from operating activities		(39,387)	79,631
Investing activities			
Payments for purchase of property, plant and equipment		(7,733)	(22,328)
Interest received		183	238
Loan to a related party		(20,000)	–
Net cash used in investing activities		(27,550)	(22,090)
Financing activities			
Proceeds from new bank and other loans		323,832	333,236
Repayment of bank and other loans		(261,890)	(336,556)
Capital element of lease rentals paid		(1,630)	(904)
Interest element of lease rentals paid		(715)	(180)
Net (decrease)/increase in amounts due to related parties		(2,000)	1,557
Interest paid		(8,948)	(10,785)
Net cash generated from/(used in) financing activities		48,649	(13,632)
Net (decrease)/increase in cash and cash equivalents		(18,288)	43,909
Cash and cash equivalents at 1 January	14	137,932	135,118
Effect of foreign exchange rate changes		834	3,414
Cash and cash equivalents at 30 June	14	120,478	182,441

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

KangLi International Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 21 December 2017 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 19 November 2018. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the manufacture and sale of hard steel coil, unpainted galvanised steel products and painted galvanised steel products, and the provision of property management services.

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the “IASB”). It was authorised for issue on 25 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The financial information relating to the financial year ended 31 December 2022 that is included in the interim financial report as comparative information does not constitute the Company’s annual consolidated financial statements for that financial year but is derived from those financial statements.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*
- Amendments to IAS 1, *Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Amendments to IAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction

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

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in the annual financial statements, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under IAS 12.

Besides the amendments to IAS 12, none of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the manufacture and sale of hard steel coil, unpainted galvanised steel products and painted galvanised steel products, and the provision of property management services. Further details regarding the Group's principal activities are disclosed in Note 4(b).

Disaggregation of revenue from contracts with customers by major products and lines of services is as follows:

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products and lines of services:		
Manufacture and sale of steel products		
– Sales of cold-rolled hard steel coil	54,843	38,768
– Sales of hot-dipped unpainted galvanised steel products	470,341	435,789
– Sales of hot-dipped painted galvanised steel products	309,354	290,158
Provision of property management services	1,105	–
	835,643	764,715

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in Note 4(b) and Note 4(c) respectively.

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting

The Group manages its businesses by products and services. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment. Accordingly, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Hard steel coil: this segment includes primarily the manufacture and sale of cold-rolled hard steel coil.
- Unpainted galvanised steel products: this segment includes primarily the manufacture and sale of hot-dipped galvanised/zinc coated steel coil and sheet.
- Painted galvanised steel products: this segment includes primarily the manufacture and sale of hot-dipped color coated galvanised steel coil and sheet.
- Property management services: this segment includes the provision of property management service. In 2023, in a view to expand and diversify its business, the Group commenced the provision of property management services.

(1) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and cost are allocated to the reportable segments with reference to sales generated by those segments and the cost incurred by those segments. The measure used for reporting segment result is gross profit. No inter-segment sales have occurred for the six months ended 30 June 2023 and 2022. Assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The Group's other operating income and expenses, such as other income, selling and administrative expenses, and impairment loss on financial instruments, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(1) Segment results, assets and liabilities (Continued)

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2023 and 2022 is set out below:

	Six months ended 30 June 2023				
	Hard steel coil RMB'000	Unpainted galvanised steel products RMB'000	Painted galvanised steel products RMB'000	Property management services RMB'000	Total RMB'000
Revenue from external customers recognised at a point in time	54,843	470,341	309,354	1,105	835,643
Reportable segment gross profit	4,793	29,812	18,251	322	53,178

	Six months ended 30 June 2022			
	Hard steel coil RMB'000	Unpainted galvanised steel products RMB'000	Painted galvanised steel products RMB'000	Total RMB'000
Revenue from external customers recognised at a point in time	38,768	435,789	290,158	764,715
Reportable segment gross profit	995	12,265	21,141	34,401

(c) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods or services were delivered.

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
The People's Republic of China (the "PRC")	755,120	672,667
Thailand	74,961	84,116
Other countries	5,562	7,932
	835,643	764,715

Substantially all of the Group's non-current assets are located in the PRC. Accordingly, no segment analysis based on geographical locations of the assets is presented.

5 OTHER INCOME

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Interest income	1,133	238
Net foreign exchange gain	1,893	4,940
Government grants	312	390
Net loss on disposal of property, plant and equipment	(1)	(695)
Others	1,099	142
	4,436	5,015

6 PROFIT/(LOSS) BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Interest on bank and other loans	8,947	10,785
Interest on lease liabilities	715	725
	9,662	11,510

(b) Staff costs

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Salaries, wages and other benefits	24,431	25,160
Contributions to defined contribution retirement plan	2,064	2,017
	26,495	27,177

(c) Other items

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Depreciation and amortisation		
– owned property, plant and equipment	16,785	24,641
– right-of-use assets	1,204	1,428
Cost of inventories (Note 11(b))	782,465	730,314

7 INCOME TAX

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Current taxation		
PRC Corporate Income Tax:		
– Provision for the period	–	–
– Withholding tax in connection with the retained profit distributed by a subsidiary of the Group	1,802	5,446
– Over-provision in respect of prior years	–	(2,204)
	1,802	3,242
Hong Kong Profits Tax:		
– Provision for the period	–	25
	1,802	3,267
Deferred taxation (Note 18)		
Reversal and origination of temporary differences	(831)	(6,018)
	971	(2,751)

Notes:

- (i) The Company and subsidiaries of the Group incorporated in the Cayman Islands or the British Virgin Islands are not subject to any income tax pursuant to the rules and regulations of their respective jurisdictions of incorporation.
- (ii) The Company and the subsidiary of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate according to the two-tiered profits tax rate regime from the year of assessment 2021/22 onwards. The profits tax rate for the first HK\$2,000,000 of profits will be taxed at 8.25%, and profits above that amount will be subject to a tax rate of 16.5%.
- (iii) The subsidiary of the Group established in the Philippines is subject to Philippines corporate income tax rate of 20% for domestic corporation with net taxable income not exceeding 5 million pesos and with total assets (excluding land) not exceeding 100 million pesos.
- (iv) The subsidiary of the Group established in the PRC (excluding Hong Kong) is subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2023 (six months ended 30 June 2022: 25%).
- (v) The PRC Corporate Income Tax Law allows enterprises to apply for certificate of “High and New Technology Enterprise” (“HNTE”), which entitles the qualified enterprises to a preferential income tax rate of 15%, subject to fulfillment of the recognition criteria. The subsidiary of the Group established in the PRC was not qualified as a HNTE and is entitled to the preferential tax rate of 15% for the calendar years 2022 to 2024. Accordingly, the deferred tax balances at 1 January 2022 were remeasured at the preferential income tax rate of 15%.
- (vi) For the six months ended 30 June 2023, a subsidiary of the Group established in the Chinese mainland distributed dividend amounting to HK\$20,000,000 to its immediate holding company, KangLi (HK) Limited. Pursuant to the Sino-Hong Kong Double Tax Arrangement, the above dividend is subject to a PRC withholding Tax rate of 10%. Accordingly, withholding tax amounting to HK\$2,000,000 has been recognised as at 30 June 2023.

8 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share for the six months ended 30 June 2023 is calculated based on the profit attributable to the equity shareholders of the Company of RMB10,144,000 (loss for six months ended 30 June 2022: RMB5,144,000) and the weighted average of 606,252,000 (six months ended 30 June 2022: 606,252,000) ordinary shares in issue during the interim period.

(b) Diluted earnings/(loss) per share

There was no difference between basic and diluted earnings/(loss) per share as the Company did not have any dilutive potential shares outstanding during the six months ended 30 June 2023 and 2022.

9 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2023, no addition to right-of-use assets was recognised (six months ended 30 June 2022: RMBNil).

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2023, the Group acquired items of plant and machinery with a cost of RMB5,188,000 (six months ended 30 June 2022: RMB32,183,000). Items of plant and machinery with a net book value of RMB290,000 were disposed of during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB695,000).

10 LOAN TO A RELATED PARTY

On 28 February 2023, a loan agreement was entered into between a subsidiary of the Group, Jiangnan Precision, as lender, Jiangsu Jiangnan Tiehejin Co., Limited (“Jiangnan Tiehejin”), a company controlled by the ultimate controlling parties of the Company, as borrower, and Mr. Mei Zefeng, as guarantor. Pursuant to the loan agreement, Jiangnan Precision agreed to grant a loan in the principal sum of RMB20,000,000 bearing interest at 5.5% per annum to Jiangnan Tiehejin for a term of 3 years.

Pursuant to the loan agreement, one of the conditions precedent to the drawdown of the loan includes Jiangnan Precision and Jiangnan Tiehejin having entered into an option agreement. The option agreement was entered into between Jiangnan Precision and Jiangnan Tiehejin on 28 February 2023, pursuant to which a property acquisition option is granted to Jiangnan Precision, at nil consideration, to acquire a property to be constructed in Changzhou Economic Development Zone, to increase the office capacity of the Group. It is in Jiangnan Precision’s sole discretion whether to exercise such option.

11 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Raw materials and consumables	122,568	124,755
Finished goods	302,454	266,355
	425,022	391,110
Less: write down of inventories	(4,401)	(10,573)
	420,621	380,537

(b) The analysis of the amount of inventories recognised as an expense and included in the consolidated statement of profit or loss is as follows:

	Six months ended 30 June 2023 RMB'000	2022 RMB'000
Carrying amounts of inventories sold	782,465	730,314

12 TRADE AND BILLS RECEIVABLES

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Trade receivables, net of loss allowance	156,561	146,976
Bills receivables	375,498	356,420
	532,059	503,396

All of the trade and bills receivables, net of loss allowance, are expected to be recovered within one year.

The balance of bills receivables represents bank acceptance notes received from customers with maturity dates of less than six months.

(a) Ageing analysis

The ageing analysis of trade receivables, based on the dates of revenue recognition and net of loss allowance, is as follows:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Less than 1 month	106,734	108,636
1 to 3 months	49,763	38,263
Over 6 months	64	77
	156,561	146,976

12 TRADE AND BILLS RECEIVABLES (CONTINUED)

- (b) At 30 June 2023, the Group has discounted certain of the bank acceptance notes it received from customers at banks, and endorsed certain of the bank acceptance notes it received from customers to its suppliers and other creditors for settlement of the Group's trade and other payables on a full recourse basis. Upon the above discounting or endorsement, the Group has derecognised the bills receivables in their entirety. These derecognised bank acceptance notes have maturity dates of less than six months from the end of the reporting period. In the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these notes and has discharged its obligation of the payables to its suppliers and other creditors. The Group considered the issuing banks of these notes are of high credit standings and non-settlement of these notes by the issuing banks on maturity is highly unlikely. At 30 June 2023, the Group's maximum exposure to loss and undiscounted cash outflow should the issuing banks fail to settle the notes on maturity dates amounted to RMB199,416,000 (31 December 2022: RMB64,339,000).
- (c) At 30 June 2023, bills receivables include bank acceptance notes discounted at banks or endorsed to suppliers with recourse totalling RMB176,840,000 (31 December 2022: RMB134,828,000). These bills receivables were not derecognised as the Group remains exposed to the credit risk of these receivables. The carrying amount of the associated bank loans and trade payables amounted to RMB176,840,000 (31 December 2022: RMB134,828,000).
- (d) At 30 June 2023, bills receivables of the Group with carrying amount of RMB8,593,000 (31 December 2022: RMBNil) were pledged as collaterals for bills issued by the Group (see Note 15).

13 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Others	1,936	1,885
Financial assets measured at amortised cost	1,936	1,885
Prepayments and deposits:		
– Prepayments for purchase of raw materials	163,821	170,100
– Prepayments for utilities and other expenses	421	490
	164,242	170,590
	166,178	172,475

14 CASH AT BANK AND ON HAND

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Cash at bank	210,049	213,077
Cash on hand	140	244
Cash at bank and on hand included in the consolidated statement of financial position	210,189	213,321
Less: restricted deposits (Note (i))	(89,711)	(75,389)
Cash and cash equivalents included in the condensed consolidated cash flow statement	120,478	137,932

The Group's operations in the PRC (excluding Hong Kong) conducted its business in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC (excluding Hong Kong) is subject to the exchange restrictions imposed by the PRC government.

Note:

- (i) Restricted deposits represent deposits placed at banks as collaterals for bills issued by the Group (see Note 15).

15 TRADE AND BILLS PAYABLES

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Trade and bills payables:		
– Trade payables	69,863	62,573
– Bills payables	296,001	309,021
Financial liabilities measured at amortised cost	365,864	371,594
Contract liabilities:		
– Receipts in advance from customers	20,846	9,724
	386,710	381,318

At the end of the reporting period, the ageing analysis of trade and bills payables, based on the invoice dates, is as follows:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Within 3 months	223,773	242,825
Between 3 to 6 months	138,394	107,505
Over 6 months	3,697	21,264
	365,864	371,594

16 ACCRUED EXPENSES AND OTHER PAYABLES

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Payables for construction of property, plant and equipment	44,096	48,428
Payables for other taxes	3,619	5,949
Payables for staff related costs	3,711	6,414
Amounts due to related parties	296	2,296
Others	3,000	3,153
Financial liabilities measured at amortised cost	54,722	66,240

17 BANK AND OTHER LOANS

(a) The Group's short-term bank and other loans is analysed as follows:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Bank loans:		
– Secured by the Group's property, plant and equipment (Note)	53,000	53,000
– Secured by bills receivables	85,714	49,980
– Guaranteed by third parties	10,000	40,000
– Unsecured and unguaranteed	205,000	188,000
	353,714	330,980
Loans from other financial institutions:		
– Secured by bills receivables	37,118	57,410
	390,832	388,390

Note: At 30 June 2023, the aggregate carrying amount of property, plant and equipment pledged as collaterals for the Group's short-term bank and other loans is RMB26,130,500 (31 December 2022: RMB32,315,000).

(b) The Group's long-term bank loans are analysed as follows:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Bank loans:		
– Unsecured and unguaranteed loans	100,500	41,000

The Group's long-term bank loans are repayable as follow:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
After 1 year but within 2 years	100,500	41,000

17 BANK AND OTHER LOANS (CONTINUED)

- (c) At 30 June 2023, the banking facilities of the Group amounted to RMB954,000,000 (31 December 2022: RMB959,000,000) were secured by the Group's property, plant and equipment, and/or guaranteed by third parties, or unsecured and unguaranteed. These facilities were utilised to the extent of RMB479,500,000 at 30 June 2023 (31 December 2022: RMB474,000,000).

18 DEFERRED TAX ASSETS AND LIABILITIES

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year/period are as follows:

Deferred tax arising from:	Assets					Liabilities				Net RMB'000
	Unused tax losses RMB'000	Credit loss allowance RMB'000	(Reversal)/ write-down of inventories RMB'000	Lease liabilities RMB'000	Government grants and depreciation on related assets RMB'000	Accelerated tax allowance for depreciation expenses RMB'000	Retained profits to be distributed RMB'000	Right-of-use assets RMB'000		
At 1 January 2022	-	425	3,624	7,370	-	(14,487)	(2,755)	(6,365)	(12,188)	
Credited/(charged) to the consolidated statement of profit or loss	8,831	(168)	(2,038)	(3,185)	1,012	6,668	2,755	2,931	16,806	
At 31 December 2022	8,831	257	1,586	4,185	1,012	(7,819)	-	(3,434)	4,618	
Credited/(charged) to the consolidated statement of profit or loss (Note 7)	1,672	58	(926)	(24)	(24)	(21)	-	96	831	
At 30 June 2023	10,503	315	660	4,161	988	(7,840)	-	(3,338)	5,449	

19 DIVIDENDS

(a) Dividends

(I) Dividends payable to equity shareholders of the Company attributable to the interim period

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB Nil).

(II) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of HK\$0 per ordinary share (six months ended 30 June 2022: HK\$0.050 per ordinary share)	-	24,784

20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of financial instruments carried at other than fair value

The carrying amounts of the financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2023 and 31 December 2022.

21 COMMITMENTS

Capital commitments outstanding at 30 June 2023 not provided for in the interim financial report:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Commitments in respect of property, plant and equipment:		
– Contracted for	140	20

The above commitments represent the Group's planned expansion of its production facilities.

22 MATERIAL RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Loan to a related party	20,000	–
Sales of scrap materials (Note (i))	5,898	5,816
Interest income	550	–
Operating lease expenses	48	48
Net (decrease)/increase in amounts due to related parties	(2,000)	1,557

Note:

- (i) These scrap materials were sold to related parties at cost and accordingly, no gains or losses were recognised on these transactions by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The Group is a leading midstream galvanized steel products manufacturer in the home appliance sector in Jiangsu Province, the PRC. The Group primarily engaged in the production and sales of cold rolled steel products, unpainted galvanized steel products and painted galvanized steel products to mainly midstream steel product processors for further processing and to home appliance manufacturers for production of home appliances such as refrigerators, washing machines and ovens. The Group has well-equipped facilities and production lines, enabling the Group to provide the customers with pickled rolls, cold-rolled steel, unpainted galvanized steel and painted galvanized steel products.

As of 30 June 2023, the Group's revenue from its principal business amounted to approximately RMB835,643,000, representing an increase of approximately RMB70,928,000 compared with that of the corresponding period in 2022.

As of 30 June 2023, the sales volume of our cold rolled steel products and galvanized steel products totalled 144,265 tonnes, representing an increase of 31,781 tonnes or 28.3% compared with 112,484 tonnes for the corresponding period in 2022. In particular, the sales volume of our cold rolled steel products and galvanized steel products were 11,685 tonnes and 132,580 tonnes respectively, and among the latter, the sales volume of our unpainted galvanized steel products and painted galvanized steel products were 86,195 tonnes and 46,385 tonnes respectively. The sales volume of all types of products increased significantly compared with that of the same period in 2022, however, the average selling price of all types of products decreased, and the overall average selling price decreased by 14.8% compared with that of 2022. Although the average selling price of products decreased, the improvement of production capacity reduced our production costs, resulting in an increase in our gross profit margin from 4.5% in 2022 to 6.4%, and a net profit of approximately RMB10,144,000.

With the complete easing of the pandemic prevention and control by the end of 2022, the demand from all industries is gradually recovering. From January to June 2023, enterprises in the home appliance industry recorded revenues of approximately RMB914.5 billion, representing a year-on-year growth of 7.1%; recorded profits of approximately RMB67.49 billion, representing a year-on-year growth of 20.2%. Owing to the recovery in market demand, the Group's production capacity was further released, which played an important role in cost reduction.

The Group's new production lines have been fully put into operation with a monthly production volume of over 10,000 tonnes. We expect to achieve and maintain the capacity utilisation rate of the new production lines at over 85%. The quality of our products became more stable due to higher production efficiency of the new production lines, which will further enhance the competitiveness of our products.

With the further recovery of economy, it is expected that the demand will further rise in the second half of the year, and the order volume is expected to increase steadily. As steel mills gradually started to limit production in the second half of the year, we expect that the steel price will rebound in the second half of the year with a relatively low risk of a decline in price, so we are confident that we will achieve a full-year sales target of 290,000 tonnes.

In May 2023, an indirect wholly-owned subsidiary of the Company in the Philippines entered into a property management agreement with the owner of a building situated at Parañaque City, the Philippines (the "**Building**") for providing property management services to the Building. Our property management services cover a range of property management services, including security, cleaning, repair and maintenance, pest control and preventive maintenance in the facilities in public areas, and providing value-added services to non-owners of the Building. For the six months ended 30 June 2023, the property management services income of the Group was approximately RMB1,105,000. There is no property management services income in the same period in 2022 because our property management services business started in May 2023.

The Group has expanded its business into property related business by engaging in property management services to expand the Group's source of income. The Group believes the development of the new business activity represents a good opportunity for the Group to further develop and diversify its existing business, which will potentially improve the Group's business operations and financial position. The Group will continue to seek other business opportunities in property related business and other appropriate business opportunities in the Philippines and/or other countries with an aim to bringing long-term value to the Group.

FINANCIAL REVIEW

Financial Performance Highlights

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)

Key financial information and performance ratios

– Revenue	835,643	764,715
– Gross profit	53,178	34,401
– Gross profit margin	6.4%	4.5%
– Profit/(loss) for the period	10,144	(5,144)
– Net profit margin	1.2%	N/A
– Earnings/(loss) per share	RMB0.02	(RMB0.01)

	At 30 June 2023 (unaudited)	At 31 December 2022 (audited)
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Key performance ratios

– Current ratio	1.5	1.5
– Gearing ratio	0.7	0.6

Revenue

Revenue of the Group is primarily generated from the sales of hard steel coil and hot-dipped galvanized steel products. For the six months ended 30 June 2023, the total revenue of the Group amounted to approximately RMB835,643,000, representing an increase of approximately 9.3% from approximately RMB764,715,000 for the six months ended 30 June 2022. The increase in the Group's revenue was primarily attributable to the increase in the sales volume of the Group's products which outrated the effect of the decrease in overall average selling prices of our products. The overall sales volume for the six months ended 30 June 2023 was 144,265 tonnes, representing an increase of 28.3% when compared to that in the same period in the previous year. The overall average selling price of our products for the current period recorded a decrease of 14.8% when compared to that in the same period in the previous year.

An analysis of the Group's revenue, sales volume and average selling price by products and services in the six months ended 30 June 2023 and 2022 is as follows:

	Six months ended 30 June						Change		
	2023			2022			increase/(decrease)		
	Revenue RMB'000	Sales volume tonnes	Average selling price RMB/tonne	Revenue RMB'000	Sales volume tonnes	Average selling price RMB/tonne	Revenue %	Sales volume %	Average selling price %
Cold rolled steel products									
Hard steel coil	54,843	11,685	4,693	38,768	7,180	5,399	41.5	62.7	(13.1)
Hot-dipped galvanized steel products	779,695	132,580	5,881	725,974	105,304	6,894	7.4	25.9	(14.7)
– unpainted galvanized steel products	470,341	86,195	5,457	435,789	69,170	6,300	7.9	24.6	(13.4)
– painted galvanized steel products	309,354	46,385	6,669	290,158	36,133	8,030	6.6	28.4	(16.9)
Property management services	1,105	–	–	–	–	–	–	–	–
Total	835,643	144,265	5,792	764,715	112,484	6,798	9.3	28.3	(14.8)

Gross profit and gross profit margin

For the six months ended 30 June 2023, gross profit of the Group amounted to approximately RMB53,178,000 (six months ended 30 June 2022: approximately RMB34,401,000). The overall gross profit margin increased from 4.5% in 2022 to 6.4% in 2023. An analysis of the Group's gross profit, proportion of total gross profit and gross profit margin by products and services in the six months ended 30 June 2023 and 2022 is as follows:

	Six months ended 30 June			
	2023		2022	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Cold rolled steel products				
Hard steel coil	4,793	8.7	995	2.6
Hot-dipped galvanized steel products	48,063	6.2	33,406	4.6
– unpainted galvanized steel products	29,812	6.3	12,265	2.8
– painted galvanized steel products	18,251	5.9	21,141	7.3
Property management services	322	29.1	–	–
Total	53,178	6.4	34,401	4.5

During the current period, both the average selling price of our products and the average unit cost of raw materials dropped. However, the magnitude of drop in average selling price was smaller than the average unit cost of raw materials and as a result, the overall gross profit ratio increase. Besides, the increase in sales volume improved the utilization rate of our production facilities to generate revenue to cover the production related sunk costs which in term improve our gross profit margin.

Other income

Other income of the Group amounted to approximately RMB4,436,000 for the six months ended 30 June 2023, representing a decrease of RMB579,000 from approximately RMB5,015,000 in the corresponding period in 2022. The decrease was mainly attributable to the decrease of net foreign exchange gain during the current period.

Selling and distribution expenses

Selling and distribution expenses of the Group decreased from RMB25,924,000 in the six months ended 30 June 2022 to approximately RMB25,527,000 in the current period. The decrease was mainly due to the decrease in unit transportation expenses.

Administrative expenses

Administrative expenses of the Group for the six months ended 30 June 2023 amounted to approximately RMB10,877,000, representing an increase of approximately 16.8% when compared to that of approximately RMB9,312,000 in the corresponding period in 2022. The increase was mainly due to a charity donation of RMB1,000,000 made in the current period.

Finance costs

Finance costs of the Group for the six months ended 30 June 2023 amounted to approximately RMB9,662,000 which recorded a decrease of approximately 16.1% when compared to that of approximately RMB11,510,000 in the corresponding period in 2022. The decrease was mainly due to decrease in interest on discounted bills.

Profit/(loss) before taxation

The Group recorded loss before taxation of approximately RMB7,895,000 in the six months ended 30 June 2022 while a profit before taxation of approximately RMB11,115,000 was recorded for the current period.

Income tax

The Group recorded an income tax credit of approximately RMB2,751,000 for the six months ended 30 June 2022 while an income tax expense of approximately RMB971,000 was recognised for the current period. The tax credit for the corresponding period in 2022 were mainly due to reversal of over-provision of PRC Corporate Income Tax in prior years and deferred taxation.

Profit/(loss) for the period

As a result of the foregoing, the Group recorded a profit of approximately RMB10,144,000 for the six months ended 30 June 2023 (loss for the six months ended 30 June 2022: approximately RMB5,144,000).

Liquidity and financial resources

As at 30 June 2023, the Group had cash at bank and on hand of approximately RMB210,189,000 (31 December 2022: approximately RMB213,321,000). As at 30 June 2023, the restricted bank deposits placed at banks as collaterals for bills issued by the Group amounted to approximately RMB89,711,000 in aggregate (31 December 2022: approximately RMB75,389,000). The Board will ensure sufficient liquidity at any time to meet its matured liabilities.

Net current asset

The Group recorded net current assets of approximately RMB461,499,000 as at 30 June 2023 (31 December 2022: approximately RMB400,948,000). The current ratio, calculated by dividing the current assets by current liabilities, was approximately 1.5 as at 30 June 2023 (31 December 2022: approximately 1.5).

Borrowings and pledge of assets

As at 30 June 2023, the Group had bank and other loans amounted to approximately RMB491,332,000 (31 December 2022: approximately RMB429,390,000), of which approximately RMB53,000,000 was secured by the Group's property, plant and equipment, and approximately RMB122,832,000 was secured by bills receivables. Among the bank and other loans, RMB390,832,000 is repayable within one year or on demand and RMB100,500,000 is repayable after one year but within two years.

The Group's gearing ratio, calculated by dividing total bank and other loans by total equity of the Group, as at 30 June 2023 was approximately 0.7 (31 December 2022: approximately 0.6).

Capital structure

The Company's capital comprises ordinary shares and capital reserves. The Group finances its working capital, capital expenditures and other liquidity requirements through a combination of its cash and cash equivalents, cash flows generated from operations, bank facilities, and net proceeds from the initial public offering of the Company. The Group aims to maintain flexibility in funding by keeping sufficient bank balances, credit facilities available and interest bearing borrowings which enable the Group to continue its operation.

Contingent liabilities

As at 30 June 2023, the Group did not have any material contingent liabilities.

Financial risks

The Group is exposed to various financial risks, including foreign currency risk, interest rate risk and credit risk in the normal course of its business.

– Foreign currency risk

Most of the Group's businesses are settled in Renminbi. However, the Group's sales to overseas customers are settled in foreign currencies. For the first half of 2023, approximately 90.36% of the Group's revenue was settled in Renminbi and approximately 9.64% was settled in foreign currencies.

Exchange rate fluctuations will affect sales revenue settled in foreign currencies, which in turn may have adverse effects on the Group. The Group does not hedge against foreign currency risk by using any derivative contracts. The management of the Group manages its currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency risk should the need arise.

– Interest rate risk

The Group's interest rate risks primarily arise from fixed rate bank deposits and borrowings. The Group currently does not use any derivative contracts to hedge against its interest rate risks.

– Credit risk

The Group's credit risks primarily arise from trade and other receivables.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had approximately 549 employees, including executive Directors. The employees' salaries are reviewed and adjusted annually based on their performance and experience. The Group's employee benefits include performance bonus, medical insurance, mandatory provident fund scheme, local municipal government retirement scheme and education subsidy to encourage continuous professional development of staff.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group did not have material acquisitions and disposal of subsidiaries and associated companies for the six months ended 30 June 2023.

FUTURE PLANS FOR SIGNIFICANT INVESTMENTS AND CAPITAL ASSETS

Apart from that disclosed in the section headed "Use of net proceeds from Listing" in this report, the Group did not have any plans for any other significant investments and capital assets.

INTERIM DIVIDEND

The Board of the Company did not recommend to declare any interim dividend for the six months ended 30 June 2023.

SUBSEQUENT EVENTS AFTER 30 JUNE 2023

There were no major subsequent events since 30 June 2023 and up to the date of this report.

ADDITIONAL INFORMATION

REVIEW OF INTERIM FINANCIAL STATEMENTS

The Board has established the audit committee (the “Audit Committee”) which comprises three independent non-executive Directors, namely Mr. Lau Ying Kit, Mr. Yang Guang and Mr. Cao Cheng. The primary duties of the Audit Committee are to review and supervise the Company’s financial reporting process and internal controls.

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023 has been reviewed by the Audit Committee of the Company. The Audit Committee was satisfied that the Group’s unaudited interim financial statements were prepared in accordance with applicable accounting standards and fairly present the Group’s financial position and results for the current period and that adequate disclosures had been made.

USE OF NET PROCEEDS FROM LISTING

The shares of the Company were listed on the Stock Exchange on 19 November 2018 and the net proceeds raised from this initial public offering (including the exercise of the over-allotment option on 12 December 2018) after deducting professional fees, underwriting commissions and other related listing expenses amounted to approximately RMB107,086,000 (the “IPO Proceeds”).

As stated in the prospectus of the Company dated 31 October 2018 (the “Prospectus”), the intended uses of the IPO Proceeds are set out as follows:

1. approximately 96.1% of the IPO Proceeds, other than the proceeds from over-allotment option (as described in the Prospectus), will be used for construction of the buildings, production facilities and equipment and installation of hot-dipped galvanization line to expand the production capacity and increase the production efficiency;
2. approximately 3.9% of the IPO Proceeds, other than the proceeds from over-allotment option, will be used to repay a bank loan at an interest rate of 5.76% per annum which was due for repayment in December 2018; and
3. proceeds from the over-allotment option will be used to repay outstanding loans.

On 7 December 2020, the Board announced that the Company decided to reallocate RMB18,490,000 of the IPO Proceeds to acquire two adjacent parcels of land with a total site area of approximately 44,763.1 sq.m. which are approximately 600 metres away from the headquarters and the existing production capacity of the Group instead of renting lands to accommodate the planned new production line. The lands acquisition consideration was fully paid in January 2021.

On 10 May 2021, the Board announced that in view of the painted galvanized steel products have a relatively higher gross profit margin and utilization rate of the existing colour coating line almost reaches its full capacity, the Company decided to reallocate RMB29,500,000 of the IPO Proceeds to fund the purchase of a new composite coating intellectual colour coating production line.

Additional Information

As at 30 June 2023, the Group had utilized the IPO Proceeds as set out in the table below:

	IPO Proceeds RMB'000	Utilized up to 31 December 2019 RMB'000	Revised allocation for lands acquisition RMB'000	Utilized during the year ended 31 December 2020 RMB'000	Revised allocation for colour coating line RMB'000	Utilized during the year ended 31 December 2021 RMB'000	Utilized during the year ended 31 December 2022 RMB'000	Utilized during the period from 1 January 2023 to 30 June 2023 RMB'000	Unutilized balance as at 30 June 2023 RMB'000	Intended timetable for use of the unutilized proceeds
To expand the production capacity of the hot-dipped galvanization line	97,683	-	(18,490)	-	(29,500)	(20,370)	(29,323)	-	-	Not applicable
To expand the production capacity of the colour coating line	-	-	=	-	29,500	(20,650)	(2,950)	-	5,900	By/before 31 December 2023
To acquire lands to accommodate the new production line	-	-	18,490	(1,000)	-	(17,490)	-	-	-	Not applicable
To repay a bank loan due for repayment in December 2018	3,964	(3,964)	-	-	-	-	-	-	-	Not applicable
To repay outstanding loans	5,439	(5,439)	-	-	-	-	-	-	-	Not applicable
Total	107,086	(9,403)	-	(1,000)	-	(58,510)	(32,273)	-	5,900	

The unutilized balance of the net proceeds was placed with banks as at 30 June 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance practices as we believe that effective corporate governance practices are fundamental to safeguarding the interests of its shareholders and other stakeholders, and to enhancing shareholder value.

In the opinion of the Board of the Company, throughout the six months ended 30 June 2023, the Company has complied with the code provisions set out in the Corporate Governance Code under Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities during the six months ended 30 June 2023. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the six months ended 30 June 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules (the “Model Code”) to regulate the dealings of Directors of the Company in the Group’s securities. Upon specific enquiries made by the Company, all Directors have confirmed their compliance with the Model Code during the six months ended 30 June 2023.

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 June 2023, 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, 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 30 June 2023.
- (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 30 June 2023, 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 IN SHARES OR UNDERLYING SHARES

As at 30 June 2023, 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 30 June 2023.

Save as disclosed above, as at 30 June 2023, 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.

SHARE OPTIONS

The Company has conditionally adopted the share option scheme ("Share Option Scheme"), which was approved by written resolution passed by its shareholders on 25 October 2018.

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of the Group so as to bring about an increased market price of the shares in order to capitalise on the benefits of the options granted.

The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules. Details of the principal terms of the Share Option Scheme are set out below.

- The Directors may, at its absolute discretion, make an offer to grant options to any employee of the Group, any non-executive Directors (including independent non-executive Directors), any suppliers, any customers, any adviser or any participants who shall be determined by the Directors from time to time on the basis that the Directors' opinion as to his contribution to the development and growth of the Group.
- The maximum number of ordinary shares which may be issued upon exercise of all options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company shall not exceed 10% of the ordinary shares in issue upon the Listing (the Company may refresh this 10% limit under certain conditions) or 30% of the ordinary shares in issue from time to time where there are options to be granted and yet to be exercised.
- The total number of ordinary shares issued and to be issued upon exercise of the options granted to each qualified person under the Share Option Scheme or any other share option schemes adopted by the Company in any twelve-month period must not exceed 1% of the ordinary shares in issue. Any further grant of options which would result in the number of ordinary shares exceeding 1% requires a shareholders' approval with the relevant participant and its associates abstaining from voting.
- The offer of a grant of share options may be accepted within 21 days from the date the offer together with the payment of nominal consideration of HK\$1 by the grantee. The period within which the options must be exercised shall be determined by the Directors at the time of grant and such period must expire no later than 10 years from the date the offer has been made to the grantees. All outstanding options shall lapse, among other circumstances, when the grantee ceases to be a participant of the Share Option Scheme by reason of the termination of his/her employment.
- The subscription price will be determined by the Board at the time the grant of the options is made and shall not be less than the highest of:
 - (i) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the grant date;
 - (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the grant date; and
 - (iii) the nominal value of a share.
- The Share Option Scheme is valid and effective for a period of ten years commencing on 25 October 2018 (being the date of adoption of the Share Option Scheme).

As at 30 June 2023, there was no options outstanding, granted, cancelled, exercised or lapsed.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this interim report, at no time during the six months ended 30 June 2023 was the Company, its holding company, fellow subsidiaries or subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate or had exercised any such right.

PARTICULARS OF THE DIRECTORS' SERVICE CONTRACTS

As at 30 June 2023, none of the Directors had entered or was proposing to enter into a service contract with the Company or any member of the Group which is not terminable within one year without payment of compensation other than statutory compensation.

CHANGE IN INFORMATION IN RESPECT OF DIRECTORS

During the six months ended 30 June 2023 and up to the date of this interim report, there was no change in the information of the Directors that required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

By Order of the Board

KangLi International Holdings Limited

Liu Ping

Chairman

Hong Kong, 25 August 2023