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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the “**Board**”) of directors (the “**Directors**”) of KangLi International Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2024, together with the comparative figures for the corresponding period of the preceding financial year, as follows:

FINANCIAL PERFORMANCE HIGHLIGHTS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Key financial information and performance ratios		
– Revenue	1,005,473	835,643
– Gross profit	121,211	53,178
– Gross profit margin	12.1%	6.4%
– Profit for the period	62,228	10,144
– Net profit margin	6.2%	1.2%
– Earnings per share	RMB0.10	RMB0.02
	At	At
	30 June	31 December
	2024	2023
	(unaudited)	(unaudited)
Key performance ratios		
– Current ratio	1.5	1.6
– Gearing ratio	0.6	0.6

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2024 – UNAUDITED
(EXPRESSED IN (“RMB”))

	<i>Note</i>	Six months ended 30 June	
		2024	2023
		<i>RMB’000</i>	<i>RMB’000</i>
Revenue	4	1,005,473	835,643
Cost of sales		(884,262)	(782,465)
Gross profit	4(b)	121,211	53,178
Other income	5	3,655	4,436
Selling expenses		(33,428)	(25,572)
Administrative expenses		(9,985)	(10,877)
Impairment loss on trade receivables		(13)	(388)
Profit from operations		81,440	20,777
Finance costs	6(a)	(10,187)	(9,662)
Profit before taxation	6	71,253	11,115
Income tax	7	(9,025)	(971)
Profit attributable to equity shareholders of the Company for the period		<u>62,228</u>	<u>10,144</u>
Earnings per share			
Basic and diluted (<i>RMB</i>)	8	<u>0.10</u>	<u>0.02</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2024 – UNAUDITED

(EXPRESSED IN (“RMB”))

	Six months ended 30 June	
	2024	2023
	<i>RMB’000</i>	<i>RMB’000</i>
Profit for the period	62,228	10,144
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	<u>82</u>	<u>195</u>
Total comprehensive income attributable to equity shareholders of the Company for the period	<u>62,310</u>	<u>10,339</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2024 – UNAUDITED
(EXPRESSED IN (“RMB”))

	<i>Note</i>	At 30 June 2024 <i>RMB’000</i>	At 31 December 2023 <i>RMB’000</i>
Non-current assets			
Property, plant and equipment		346,821	353,084
Loan to a related party	9	21,375	20,825
		<u>368,196</u>	<u>373,909</u>
Current assets			
Inventories		496,134	459,601
Trade and bills receivables	10	544,321	549,539
Prepayments, deposits and other receivables		229,375	226,330
Cash at bank and on hand		224,400	168,990
		<u>1,494,230</u>	<u>1,404,460</u>
Current liabilities			
Trade and bills payables	11	395,827	376,026
Accrued expenses and other payables		50,088	47,360
Bank loans	12	500,448	441,328
Lease liabilities		1,982	1,900
Current taxation		31,852	33,598
		<u>980,197</u>	<u>900,212</u>
Net current assets		<u>514,033</u>	<u>504,248</u>
Total assets less current liabilities		<u>882,229</u>	<u>878,157</u>
Non-current liabilities			
Bank loans	12	–	60,000
Lease liabilities		27,591	27,980
Other non-current liabilities		3,643	3,798
Deferred tax liabilities		6,401	4,095
		<u>37,635</u>	<u>95,873</u>
NET ASSETS		<u>844,594</u>	<u>782,284</u>
CAPITAL AND RESERVES			
Share capital		534	534
Reserves		844,060	781,750
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		<u>844,594</u>	<u>782,284</u>

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 26 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 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 2023 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 IFRS Accounting Standards issued by the IASB.

The financial information relating to the financial year ended 31 December 2023 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 IFRS Accounting Standards 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* (“**2020 amendments**”)
- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants* (“**2022 amendments**”)
- Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*

- Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended IFRS Accounting Standards are discussed below:

Amendments to IAS 1, *Presentation of financial statements* (“**2020 and 2022 amendments**”, or collectively the “**IAS 1 amendments**”)

The IAS 1 amendments impact the classification of a liability as current or non-current, and are applied retrospectively as a package.

The 2020 amendments primarily clarify the classification of a liability that can be settled in its own equity instruments. If the terms of a liability could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments and that conversion option is accounted for as an equity instrument, these terms do not affect the classification of the liability as current or non-current. Otherwise, the transfer of equity instruments would constitute settlement of the liability and impact classification.

The 2022 amendments specify that conditions with which an entity must comply after the reporting date do not affect the classification of a liability as current or non-current. However, the entity is required to disclose information about non-current liabilities subject to such conditions in a full set of financial statements.

Upon the adoption of the amendments, the Group has reassessed the classification of its liabilities as current or non-current and did not identify any reclassification to be made.

Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*

The amendments clarify how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require the seller-lessee to apply the general requirements for subsequent accounting of the lease liability in such a way that it does not recognise any gain or loss relating to the right of use it retains. A seller-lessee is required to apply the amendments retrospectively to sale and leaseback transactions entered into after the date of initial application. The amendments do not have a material impact on these financial statements as the Group has not entered into any sale and leaseback transactions.

Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity’s liabilities, cash flows and exposure to liquidity risk. Since those disclosures are not required for any interim period presented within the annual reporting period in which the amendments are initially applied, the Group has not made additional disclosures in this interim financial report.

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 services lines is as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Manufacture and sale of steel products:		
– Sales of hard steel coil	76,329	54,843
– Sales of unpainted galvanised steel products	525,839	470,341
– Sales of painted galvanised steel products	400,136	309,354
	1,002,304	834,538
Provision of property management services	3,169	1,105
	1,005,473	835,643

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

(b) Segment reporting

The Group manages its businesses by business lines (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, 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 services.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to 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 2024 and 2023. 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.

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 2024 and 2023 is set out below:

	Six months ended 30 June 2024				
	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
Disaggregated by timing of revenue recognition					
– Point in time	76,329	525,839	400,136	–	1,002,304
– Over time	–	–	–	3,169	3,169
Revenue from external customers	<u>76,329</u>	<u>525,839</u>	<u>400,136</u>	<u>3,169</u>	<u>1,005,473</u>
Reportable segment gross profit	<u>6,174</u>	<u>64,597</u>	<u>49,598</u>	<u>842</u>	<u>121,211</u>
	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
Disaggregated by timing of revenue recognition					
– Point in time	54,843	470,341	309,354	–	834,538
– Over time	–	–	–	1,105	1,105
Revenue from external customers	<u>54,843</u>	<u>470,341</u>	<u>309,354</u>	<u>1,105</u>	<u>835,643</u>
Reportable segment gross profit	<u>4,793</u>	<u>29,812</u>	<u>18,251</u>	<u>322</u>	<u>53,178</u>

(ii) *Reconciliation of reportable segment profit or loss*

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment gross profit	121,211	53,178
Other income	3,655	4,436
Selling expenses	(33,428)	(25,572)
Administrative expenses	(9,985)	(10,877)
Impairment loss on trade receivables	(13)	(388)
Finance costs	(10,187)	(9,662)
Consolidated profit before taxation	<u>71,253</u>	<u>11,115</u>

(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 were delivered.

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
The People's Republic of China (the "PRC")	897,971	755,120
Thailand	67,729	56,344
Korea	21,782	18,617
Indonesia	10,711	2,005
Philippines	3,169	1,105
Other countries	4,111	2,452
	<u>1,005,473</u>	<u>835,643</u>

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	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income	1,019	1,133
Net foreign exchange gain	1,932	1,893
Government grants	529	312
Net loss on disposal of property, plant and equipment	(17)	(1)
Others	192	1,099
	<u>3,655</u>	<u>4,436</u>

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Interest on bank loans	9,452	8,947
Interest on lease liabilities	735	715
	<u>10,187</u>	<u>9,662</u>

(b) Staff costs

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Salaries, wages and other benefits	28,282	24,431
Contributions to defined contribution retirement plan	2,292	2,064
	<u>30,574</u>	<u>26,495</u>

(c) Other items

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Depreciation expenses:		
– owned property, plant and equipment	12,885	16,785
– right-of-use assets	1,487	1,204
	<u>14,372</u>	<u>17,989</u>
Cost of inventories	<u>884,262</u>	<u>782,465</u>

7 INCOME TAX

	<u>Six months ended 30 June</u>	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Current taxation		
PRC Corporate Income Tax:		
– Provision for the period	6,392	–
– Withholding tax in connection with the retained profit distributed by a subsidiary of the Group	–	1,802
	<u>6,392</u>	1,802
Hong Kong Profits Tax:		
– Provision for the period	283	–
Overseas Corporate Income Tax:		
– Provision for the period	44	–
	<u>6,719</u>	1,802
Deferred taxation		
Reversal and origination of temporary differences	<u>2,306</u>	(831)
	<u><u>9,025</u></u>	<u><u>971</u></u>

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 subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax. The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2023: 16.5%) to the six months ended 30 June 2024, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2023.
- (iii) 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 2024 (six months ended 30 June 2023: 25%).
- (iv) 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 5,000,000 pesos and with total assets (excluding land) not exceeding 100,000,000 pesos.
- (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 qualified as a HNTE and is entitled to the preferential tax rate of 15% for the calendar years 2022 to 2024.

- (vi) According to the relevant tax rules in the PRC, qualified research and development costs are allowed for bonus deduction for calculating income tax purpose, i.e. an additional 100% of such costs could be utilised as additional deductible expenses for the six months ended 30 June 2024 (six months ended 30 June 2023: 100%).
- (vii) For the six months ended 30 June 2023, a subsidiary of the Group established in the Chinese Mainland distributed dividends amounted to HK\$20,000,000 to its immediate holding company, KangLi (HK) Limited. Pursuant to the Sino-Hong Kong Double Tax Arrangement, the above dividends are subject to a PRC withholding Tax rate of 10%. Accordingly, withholding tax amounting to HK\$2,000,000 (equivalent to approximately RMB1,802,000) has been recognised as at 30 June 2023.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2024 is calculated based on the profit attributable to the equity shareholders of the Company of RMB62,228,000 (six months ended 30 June 2023: RMB10,144,000) and the weighted average of 606,252,000 (six months ended 30 June 2023: 606,252,000) ordinary shares in issue during the interim period.

(b) Diluted earnings per share

There was no difference between basic and diluted earnings per share as the Company did not have any dilutive potential shares outstanding during the six months ended 30 June 2024 and 2023.

9 LOAN TO A RELATED PARTY

On 28 February 2023, a loan agreement was entered into between a subsidiary of the Group, Jiangsu Jiangnan Precision Metal Material Co., Limited (“Jiangnan Precision”), as lender, and Jiangsu Jiangnan Tiehejin Co., Ltd. (“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.

10 TRADE AND BILLS RECEIVABLES

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Trade receivables, net of loss allowance	215,975	211,111
Bills receivables	328,346	338,428
	<u>544,321</u>	<u>549,539</u>

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 2024 RMB'000	At 31 December 2023 RMB'000
Less than 1 month	122,725	130,957
1 to 3 months	70,324	50,090
Over 6 months	1,121	15,377
6 to 12 months	21,805	14,687
	<u>215,975</u>	<u>211,111</u>

(b) At 30 June 2024, 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 2024, 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 RMB438,020,000 (31 December 2023: RMB367,684,000).

(c) At 30 June 2024, bills receivables include bank acceptance notes discounted at banks or endorsed to suppliers with recourse totalling RMB132,045,000 (31 December 2023: RMB163,605,000). 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 RMB132,045,000 (31 December 2023: RMB163,605,000).

- (d) At 30 June 2024, trade receivables of RMB23,592,000 (31 December 2023: RMB40,023,000) were discounted at banks. These trade receivables were not derecognised as the Group remains exposed to the credit risk of these receivables. The carrying amount of the associated bank loans amounted to RMB23,592,000 (31 December 2023: RMB40,023,000) (see Note 12).

11 TRADE AND BILLS PAYABLES

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Trade and bills payables:		
– Trade payables	82,037	79,277
– Bills payables	<u>286,630</u>	<u>272,412</u>
Financial liabilities measured at amortised cost	368,667	351,689
Contract liabilities:		
– Receipts in advance from customers	<u>27,160</u>	<u>24,337</u>
	<u>395,827</u>	<u>376,026</u>

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 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Within 3 months	209,716	198,785
Between 3 to 6 months	156,286	149,228
Over 6 months	<u>2,665</u>	<u>3,676</u>
	<u>368,667</u>	<u>351,689</u>

12 BANK LOANS

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

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Bank loans:		
– Secured by the Group's property, plant and equipment (Note 12(c))	38,000	53,000
– Secured by the Group's trade and bills receivables	119,648	162,328
– Guaranteed by third parties	45,000	45,000
– Unsecured and unguaranteed	108,000	70,000
	<u>310,648</u>	<u>330,328</u>
Add: current portion of long-term bank loans (Note 12(b))	<u>189,800</u>	<u>111,000</u>
	<u><u>500,448</u></u>	<u><u>441,328</u></u>

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

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Bank loans:		
– Secured by the Group's property, plant and equipment or restricted bank deposits (Note 12(c))	149,000	150,000
– Unsecured and unguaranteed	40,800	21,000
	<u>189,800</u>	<u>171,000</u>
Less: current portion of long-term bank loans (Note 12(a))	<u>(189,800)</u>	<u>(111,000)</u>
	<u><u>–</u></u>	<u><u>60,000</u></u>

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

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Within 1 year	189,800	111,000
After 1 year but within 2 years	<u>–</u>	<u>60,000</u>
	<u><u>189,800</u></u>	<u><u>171,000</u></u>

(c) The analysis of the Group's assets pledged for the Group's bank loans is as follows:

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Secured by property, plant and equipment	102,760	104,855
Secured by trade and bills receivables (Note 10)	119,648	162,328
Secured by restricted bank deposits	30,000	30,000
	<u>252,408</u>	<u>297,183</u>

(d) At 30 June 2024, the banking facilities of the Group amounted to RMB1,000,000,000 (31 December 2023: RMB960,000,000) 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 RMB571,560,000 at 30 June 2024 (31 December 2023: RMB497,330,000).

13 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 2024 (six months ended 30 June 2023: RMBNil).

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

The directors of the Company did not declare a final dividend for the year ended 31 December 2023 (2022: RMBNil).

14 COMMITMENTS

Capital commitments outstanding at 30 June 2024 not provided for in the interim financial report:

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Commitments in respect of property, plant and equipment:		
– Contracted for	<u>1,740</u>	<u>500</u>

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

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 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 coil, unpainted galvanized coil and painted galvanized coil products.

For the six months ended 30 June 2024, the Group's revenue from its principal business amounted to approximately RMB1,005,473,000, representing an increase of 20.3% compared with that of the corresponding period in 2023.

For the six months ended 30 June 2024, the sales volume of our cold rolled steel products and galvanized steel products totalled approximately 168,043 tonnes, representing an increase of approximately 23,778 tonnes or 16.5%, compared with approximately 144,265 tonnes for the corresponding period in 2023. In particular, the sales volume of our cold rolled steel products were approximately 16,230 tonnes, representing a year-on-year increase of approximately 4,545 tonnes or 38.9%, while the sales volume of our painted galvanized steel products among the galvanized steel products were approximately 58,332 tonnes, representing a year-on-year increase of approximately 11,947 tonnes or 25.8%. Along with the increased sales volume of all types of products, the unit sales price also increased by a certain extent, and the overall average selling price of all types of products increased by 3.1% compared with that of the same period in 2023. Benefiting from the increase in sales volume of our products and the increase in selling prices, our gross profit margin increased to 12.1% in 2024 from 6.4% for the corresponding period in 2023, resulting in a net profit of approximately RMB62,228,000.

In the first half of 2024, market demand remained robust since the second half of 2023, and we successfully met our production and sales objectives set in the first half of the year. However, we have observed a moderate decline in the sales volume of home appliances during the traditional 618 e-commerce promotion campaign in the first half of this year, which has led us to adopt a cautious stance towards the home appliance market's future demand. Moving forward, we will continue to maintain the existing quality and cost control efforts, while intensifying our efforts in overseas market expansion, with an aim to supplement product sales orders with the overseas market to offset any possible domestic demand shortfalls, based on which, we are optimistic about achieving our full-year sales and performance goals.

Taking into account of the ongoing robust economic performance of the Philippines, the Group considers the development of its property management business as a proactive exploration and practice of the development of the Group's diversification and internationalization. The property management business in the Philippines has diversified the Group's revenue streams. The Group will continue to pursue suitable business opportunities in the Philippines and other countries overseas for the sake of the Group's long-term and diversified international development.

FINANCIAL REVIEW

Financial Results

Revenue

Revenue of the Group is primarily generated from the sales of hard steel coil, unpainted galvanised steel products and painted galvanised steel products. For the six months ended 30 June 2024, the total revenue of the Group amounted to approximately RMB1,005,473,000, representing an increase of approximately 20.3% from approximately RMB835,643,000 for the six months ended 30 June 2023. The increase in the Group's revenue was primarily attributable to the increase in the sales volume and overall average selling prices of our products. The overall sales volume for the six months ended 30 June 2024 was 168,043 tonnes, representing an increase of 16.5% 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 an increase of 3.1% 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 2024 and 2023 is as follows:

	Six months ended 30 June						Change		
	2024			2023			increase/(decrease)		
	Revenue <i>RMB'000</i>	Sales volume <i>tonnes</i>	Average selling price <i>RMB/tonne</i>	Revenue <i>RMB'000</i>	Sales volume <i>tonnes</i>	Average selling price <i>RMB/tonne</i>	Revenue %	Sales volume %	Average selling price %
Cold rolled steel products									
Hard steel coil	76,329	16,230	4,703	54,843	11,685	4,693	39.2	38.9	0.2
Galvanized steel products									
– unpainted galvanized steel products	525,839	93,482	5,625	470,341	86,195	5,457	11.8	8.5	3.1
– painted galvanized steel products	400,136	58,332	6,860	309,354	46,385	6,669	29.3	25.8	2.9
	<u>925,975</u>	<u>151,813</u>	<u>6,099</u>	<u>779,695</u>	<u>132,580</u>	<u>5,881</u>	<u>18.8</u>	<u>14.5</u>	<u>3.7</u>
	<u>1,002,304</u>	<u>168,043</u>	<u>5,965</u>	<u>834,538</u>	<u>144,265</u>	<u>5,785</u>	<u>20.1</u>	<u>16.5</u>	<u>3.1</u>
Provision of property management services									
	<u>3,169</u>	<u>N/A</u>	<u>N/A</u>	<u>1,105</u>	<u>N/A</u>	<u>N/A</u>	<u>186.8</u>	<u>N/A</u>	<u>N/A</u>
Total	<u><u>1,005,473</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>835,643</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>20.3</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>

Gross profit and gross profit margin

For the six months ended 30 June 2024, gross profit of the Group amounted to approximately RMB121,211,000 (six months ended 30 June 2023: approximately RMB53,178,000). The overall gross profit margin increased from 6.4% in 2023 to 12.1% in 2024. 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 2024 and 2023 is as follows:

	Six months ended 30 June			
	2024		2023	
	Gross profit <i>RMB'000</i>	Gross profit margin %	Gross profit <i>RMB'000</i>	Gross profit margin %
Cold rolled steel products				
Hard steel coil	6,174	8.1	4,793	8.7
Galvanized steel products				
– unpainted galvanized steel products	64,597	12.3	29,812	6.3
– painted galvanized steel products	49,598	12.4	18,251	5.9
	<u>114,195</u>	<u>12.3</u>	<u>48,063</u>	<u>6.2</u>
	<u>120,369</u>	<u>12.0</u>	<u>52,856</u>	<u>6.3</u>
Provision of property management services	<u>842</u>	<u>26.6</u>	<u>322</u>	<u>29.1</u>
Total	<u><u>121,211</u></u>	<u><u>12.1</u></u>	<u><u>53,178</u></u>	<u><u>6.4</u></u>

During the current period, the increase in gross profit was mainly due to increase in both the sales volume and the average selling price of our products. 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 improved our gross profit margin.

Other income

Other income of the Group for the six months ended 30 June 2024 amounted to approximately RMB3,655,000 (2023: RMB4,436,000). Other income comprised mainly interest income and net foreign exchange gain.

Selling expenses

Selling expenses of the Group increased from RMB25,572,000 in the six months ended 30 June 2023 to approximately RMB33,428,000 in the current period. The increase was mainly due to the increase in transportation expenses as a result of increase in sales volume.

Administrative expenses

Administrative expenses of the Group dropped slightly from approximately RMB10,877,000 for the six months ended 30 June 2023 to approximately RMB9,985,000 for the current period.

Finance costs

Finance costs of the Group for the six months ended 30 June 2024 amounted to approximately RMB10,187,000 which recorded a slight increase of approximately 5.4% when compared to that of approximately RMB9,662,000 in the corresponding period in 2023. The increase was mainly due to increase in interest on discounted bills.

Profit before taxation

Profit before taxation of the Group increased significantly from approximately RMB11,115,000 in the six months ended 30 June 2023 to approximately RMB71,253,000 for the current period.

Income tax

Income tax expenses of the Group increased significantly from approximately RMB971,000 in the six months ended 30 June 2023 to approximately RMB9,025,000 for the current period. The increase income tax was mainly due to increase in taxable profit in a PRC operating subsidiary and the reversal of temporary differences recorded in deferred taxation.

Profit for the period

As a result of the foregoing, the profit of the Group increased from approximately RMB10,144,000 for the six months ended 30 June 2023 to approximately RMB62,228,000 for the current period. The net profit margin of the Group for the six months ended 30 June 2024 amounted to approximately 6.2% (six months ended 30 June 2023: 1.2%).

Liquidity and financial resources

As at 30 June 2024, the Group had cash at bank and on hand of approximately RMB224,400,000 (31 December 2023: approximately RMB168,990,000). As at 30 June 2024, the restricted bank deposits placed at banks as collaterals for bills issued and bank loans drawn by the Group amounted to approximately RMB123,542,000 in aggregate (31 December 2023: approximately RMB89,560,000). 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 RMB514,033,000 as at 30 June 2024 (31 December 2023: approximately RMB504,248,000). The current ratio, calculated by dividing the current assets by current liabilities, was approximately 1.5 as at 30 June 2024 (31 December 2023: approximately 1.6).

Borrowings and pledge of assets

As at 30 June 2024, the Group had bank loans amounted to approximately RMB500,448,000 (31 December 2023: approximately RMB501,328,000), of which: (i) approximately RMB102,760,000 was secured by the Group's property, plant and equipment; (ii) approximately RMB119,648,000 was secured by trade and bills receivables; and (iii) approximately RMB30,000,000 was secured by restricted bank deposits. All bank loans at the 30 June 2024 are repayable within one year.

The Group's gearing ratio, calculated by dividing total bank loans by total equity of the Group, as at 30 June 2024 was approximately 0.6 (31 December 2023: 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 2024, 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 2024, approximately 89.3% of the Group's revenue was settled in Renminbi and approximately 10.7% 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 2024, the Group had approximately 576 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 2024.

INTERIM DIVIDEND

The Board of the Company did not recommend to declare any interim dividend for the six months ended 30 June 2024.

SUBSEQUENT EVENTS AFTER 30 JUNE 2024

There were no major subsequent events since 30 June 2024 and up to the date of this announcement.

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 2024 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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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 2024, the Company has complied with the code provisions set out in the Corporate Governance Code under Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

PURCHASE, SALES OR REDEMPTION OF THE COMPANY’S SHARES

The Company has not redeemed any of its securities during the six months ended 30 June 2024. 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 2024.

MODEL CODE FOR DIRECTOR’S SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 of the Listing Rules as the code of conduct regarding directors’ dealing in the securities of the Company. The Company has made specific enquiry of all Directors and confirmed that they have fully complied with the required standard set out in the Model Code throughout the six months ended 30 June 2024.

PUBLICATION OF INTERIM RESULTS AND DISPATCH OF INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange at (www.hkexnews.hk) and the Company at (www.jnppmm.com). The interim report for the six months ended 30 June 2024 containing all information required by the Listing Rules will be dispatched to the Company’s shareholders and available on the above websites in due course.

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

Hong Kong, 26 August 2024

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