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 RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the "Board") of directors (the "Directors") of KangLi International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022, together with the comparative figures for the previous financial year, as follows:

FINANCIAL PERFORMANCE HIGHLIGHTS

	2022	2021
	RMB'000	*RMB'000*
Key financial information		
– Revenue	**1,492,155**	2,035,409
– Gross profit	**35,663**	234,201
– (Loss)/profit for the year	**(31,253)**	98,097
– (Loss)/earnings per share *(RMB)*	**(0.05)**	0.16
Key performance ratios		
– Gross profit margin	**2.4%**	11.5%
– Net profit margin	**N/A**	4.8%
– Return on equity	**N/A**	12.9%
– Current ratio	**1.5**	1.4
– Gearing ratio	**0.6**	0.7

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in Renminbi ("RMB"))

	Note	**2022** **RMB'000**	2021 RMB'000
Revenue	3	**1,492,155**	2,035,409
Cost of sales		**(1,456,492)**	(1,801,208)
Gross profit		**35,663**	234,201
Other income/(loss)	4	**12,916**	(271)
Selling expenses		**(50,050)**	(55,233)
Administrative expenses		**(21,800)**	(20,322)
Impairment loss on trade receivables		**(14)**	(785)
(Loss)/profit from operations		**(23,285)**	157,590
Finance costs	5(a)	**(20,766)**	(22,943)
(Loss)/profit before taxation	5	**(44,051)**	134,647
Income tax	6	**12,798**	(36,550)
(Loss)/profit attributable to equity shareholders of the Company for the year		**(31,253)**	98,097
(Loss)/earnings per share			
Basic and diluted *(RMB)*	7	**(0.05)**	0.16

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in RMB)

	2022 *RMB'000*	2021 *RMB'000*
(Loss)/profit for the year	**(31,253)**	98,097
Other comprehensive income for the year (after tax):		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements denominated in foreign currencies into presentation currency of the Group	**432**	233
Total comprehensive income attributable to equity shareholders of the Company for the year	**(30,821)**	98,330

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

(Expressed in RMB)

	Note	At 31 December 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Non-current assets			
Property, plant and equipment		**371,831**	354,300
Deferred tax assets		**4,618**	–
		376,449	354,300
Current assets			
Inventories		**380,537**	388,881
Trade and bills receivables	*8*	**503,396**	721,918
Prepayments, deposits and other receivables		**172,475**	231,203
Cash at bank and on hand		**213,321**	216,064
		1,269,729	1,558,066
Current liabilities			
Trade and bills payables	*9*	**381,318**	515,758
Accrued expenses and other payables		**66,240**	40,040
Bank and other loans	*10*	**388,390**	503,927
Lease liabilities	*11*	**1,524**	1,808
Current taxation		**31,309**	49,472
		868,781	1,111,005
Net current assets		**400,948**	447,061
Total assets less current liabilities		**777,397**	801,361
Non-current liabilities			
Bank and other loans	*10*	**41,000**	–
Lease liabilities	*11*	**27,706**	27,949
Other non-current liabilities		**4,117**	–
Deferred tax liabilities		**–**	12,188
		72,823	40,137
NET ASSETS		**704,574**	761,224
CAPITAL AND RESERVES			
Share capital	*12*	**534**	534
Reserves		**704,040**	760,690
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**704,574**	761,224

Notes to the financial statements
(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.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 comprise the Group.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) 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 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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.

3 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. Further details regarding the Group's principal activities are disclosed in Note 3(b).

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

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products:		
– Sales of cold-rolled hard steel coil	**92,075**	100,400
– Sales of hot-dipped unpainted galvanised steel products	**868,662**	1,258,625
– Sales of hot-dipped painted galvanised steel products	**531,418**	676,384
	1,492,155	2,035,409

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets are disclosed in Note 3(b) and Note 3(c) respectively.

The Group's customer with whom transactions has exceeded 10% of the Group's revenue is as below:

	2022	2021
	RMB'000	*RMB'000*
Customer A	**203,399**	253,996

(b) Segment reporting

The Group manages its businesses by products. 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 three 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.

(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 years ended 31 December 2022 and 2021. 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 years ended 31 December 2022 and 2021 is set out below:

	2022			
	Hard steel coil	**Unpainted galvanised steel products**	**Painted galvanised steel products**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Revenue from external customers recognised at a point in time	**92,075**	**868,662**	**531,418**	**1,492,155**
Reportable segment gross profit	**5,863**	**4,681**	**25,119**	**35,663**

	2021			
	Hard steel coil	Unpainted galvanised steel products	Painted galvanised steel products	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers recognised at a point in time	100,400	1,258,625	676,384	2,035,409
Reportable segment gross profit	6,137	111,256	116,808	234,201

(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.

	2022	2021
	RMB'000	*RMB'000*
The People's Republic of China (the "PRC")	**1,344,569**	1,847,275
Thailand	**147,586**	151,175
South Korea	**–**	36,959
	1,492,155	2,035,409

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.

4 OTHER INCOME/(LOSS)

	2022	2021
	RMB'000	*RMB'000*
Interest income	**1,353**	1,780
Net foreign exchange gain/(loss)	**10,967**	(2,813)
Government grants	**994**	438
Net loss on disposal of property, plant and equipment	**(643)**	(5)
Others	**245**	329
	12,916	(271)

5 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

(a) Finance costs

	2022	2021
	RMB'000	*RMB'000*
Interest expenses on bank and other loans	**19,323**	21,470
Interest expenses on lease liabilities	**1,443**	1,473
	20,766	22,943

No borrowing costs have been capitalised for the year ended 31 December 2022 (2021: RMB Nil).

(b) Staff costs#

	2022	2021
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**50,340**	50,753
Contributions to defined contribution retirement plans	**4,187**	3,506
	54,527	54,259

The employees of the subsidiaries of the Group established in the PRC (other than Hong Kong) participate in defined contribution retirement benefit plans managed by the local government authorities. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (other than Hong Kong), from the above mentioned retirement plans at their normal retirement age.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of Hong Kong Dollar ("HK$") 30,000. Contributions to the MPF Scheme vest immediately.

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	2022 *RMB'000*	2021 *RMB'000*
Depreciation expenses:#		
– owned property, plant and equipment	**31,442**	39,471
– right-of-use assets	**2,671**	2,880
	34,113	42,351
Operating lease expenses relating to short-term leases	**1,154**	1,309
Auditors' remuneration:		
– audit services	**1,600**	1,680
Cost of inventories#	**1,456,492**	1,801,208

Cost of inventories includes RMB70,004,000 (2021: RMB79,863,000) relating to staff costs and depreciation expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 5(b) for each of these types of expenses.

6 INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	2022 *RMB'000*	2021 *RMB'000*
Current taxation:		
Provision of PRC Corporate Income Tax for the year	**5,445**	36,353
(Over)/under-provision in respect of prior years	**(1,437)**	940
	4,008	37,293
Provision of Hong Kong Profits Tax for the year	**–**	280
	4,008	37,573
Deferred taxation:		
Origination and reversal of temporary differences	**(16,806)**	(1,638)
Withholding tax in connection with the retained profits to be distributed by a subsidiary of the Group	**–**	615
	(16,806)	(1,023)
	(12,798)	36,550

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 PRC (excluding Hong Kong) is subject to PRC Corporate Income Tax rate of 25% for the year ended 31 December 2022 (2021: 25%).

(iv) 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 year 2022, to 2024. Accordingly, the deferred tax balances at 1 January 2022 were remeasured at the preferential income tax rate of 15%.

(v) According to the relevant tax rules in the PRC, qualified research and development costs are allowed for bonus deduction for income tax purpose, i.e. an additional 100% for the year ended 31 December 2022 (2021: 100%) of such costs could be utilised as additional deductible expenses.

(vi) In 2022, a subsidiary of the Group established in the PRC made distributions RMB54,460,000 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%. A deferred tax liability of RMB2,755,000 had been recognized as at 31 December 2021, and hence, an additional RMB2,691,000 of PRC withholding tax is recognized for the year ended 31 December 2022.

7 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share for the year ended 31 December 2022 is calculated based on the loss attributable to the equity shareholders of the Company of RMB31,253,000 (2021: profit of RMB98,097,000) and the weighted average of 606,252,000 (2021: 606,252,000) ordinary shares in issue during the year.

(b) Diluted (loss)/earnings per share

There were no dilutive potential shares outstanding during the years ended 31 December 2022 and 2021.

8 TRADE AND BILLS RECEIVABLES

	At 31 December 2022	At 31 December 2021
	RMB'000	*RMB'000*
Trade receivables, net of loss allowance	**146,976**	171,843
Bills receivables *(Note 8(c))*	**356,420**	550,075
	503,396	721,918

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

The balance of bills receivables represent 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 being recognised and net of loss allowance, is as follows:

	At 31 December 2022	At 31 December 2021
	RMB'000	*RMB'000*
Within 1 month	**108,636**	106,795
1 to 3 months	**38,263**	64,911
3 to 6 months	**–**	72
Over 6 months	**77**	65
	146,976	171,843

(b) At 31 December 2022, 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 31 December 2022, 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 RMB64,339,000 (2021: RMB79,433,000).

(c) At 31 December 2022, bills receivables include bank acceptance notes discounted at banks or endorsed to suppliers with recourse totalling RMB134,828,000 (2021: RMB283,448,000). 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 RMB134,828,000 (2021: RMB283,448,000).

At 31 December 2022, bills receivables of the Group with carrying amount of RMB Nil (2021: RMB59,902,000) were pledged as collaterals for bills issued by the Group (see Note 9).

9 TRADE AND BILLS PAYABLES

	At 31 December 2022	At 31 December 2021
	RMB'000	*RMB'000*
Trade and bills payables:		
– Trade payables	**62,573**	77,081
– Bills payables	**309,021**	424,186
Financial liabilities measured at amortised cost	**371,594**	501,267
Contract liabilities:		
– Receipts in advance from customers	**9,724**	14,491
	381,318	515,758

All of the trade and bills payables are expected to be settled within one year or are repayable on demand. All of the contract liabilities are expected to be recognised as revenue within one year.

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

	At 31 December 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Within 3 months	**242,825**	280,398
Between 3 to 6 months	**107,505**	215,257
Over 6 months	**21,264**	5,612
	371,594	501,267

10 BANK AND OTHER LOANS

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

	At 31 December 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Bank loans:		
– Secured by the Group's property, plant and equipment *(Note)*	**53,000**	68,000
– Secured by bills receivables	**49,980**	12,715
– Guaranteed by third parties	**40,000**	30,000
– Unsecured and unguaranteed loans	**188,000**	167,000
	330,980	277,715
Loans from other financial institutions:		
– Secured by bills receivables	**57,410**	226,212
	388,390	503,927

Note: At 31 December 2022, the aggregate carrying amount of property, plant and equipment pledged as collaterals for the Group's short-term bank and other loans is RMB32,315,000 (2021: RMB44,684,000).

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

	At 31 December 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Bank loans:		
– Unsecured and unguaranteed loans	**41,000**	–

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

	At 31 December 2022 *RMB'000*	At 31 December 2021 *RMB'000*
After 1 year but within 2 years	**41,000**	–

(c) At 31 December 2022, the banking facilities of the Group amounted to RMB959,000,000 (2021: RMB629,000,000) 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 RMB474,000,000 at 31 December 2022 (2021: RMB483,625,000).

(d) Certain of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the loans would become payable on demand. The Group regularly monitors its compliance with these covenants. At 31 December 2022, none of the covenants relating to the bank loans had been breached (2021: None).

11 LEASE LIABILITIES

At 31 December 2022, the lease liabilities were repayable as follows:

	At 31 December 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Within 1 year	**1,524**	1,808
After 1 year but within 2 years	**1,285**	1,561
After 2 years but within 5 years	**3,774**	3,774
After 5 years	**22,647**	22,614
	27,706	27,949
	29,230	29,757

12 SHARE CAPITAL

	2022		2021	
	No. of shares '000	*HK$'000*	*No. of shares '000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.001 each	**5,000,000**	**5,000**	5,000,000	5,000

	2022		2021	
	No. of shares	*RMB'000*	*No. of shares*	*RMB'000*
Ordinary shares, issued and fully paid:				
At 1 January and at 31 December	**606,252,000**	**534**	606,252,000	534

13 DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2022	2021
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period of HK$Nil per ordinary share (2021: HK$0.050 per ordinary share)	**–**	25,829

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

	2022	2021
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.05 per ordinary share (2021: HK$0.038 per ordinary share)	**25,829**	19,256

14 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2022 not provided for in the consolidated financial statements were as follows:

	At 31 December 2022	At 31 December 2021
	RMB'000	*RMB'000*
Commitments in respect of property, plant and equipment		
– Contracted for	**20**	61,504

15 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

On 28 February 2023, a loan agreement was entered into between 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 the property, which is proposed 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 excercise such option.

The loan agreement and the transactions contemplated thereunder are subject to the approval by the independent shareholders of the Company at an extraordinary general meeting of the Company to be held on 14 April 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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. We have the production capability of pickled rolls, cold-rolled steel, unpainted galvanized steel and painted galvanized steel products along the whole industry chain.

For the year ended 31 December 2022, the Group recorded a revenue amounting to approximately RMB1,492,155,000, a decrease of approximately 26.7% compared with that of the corresponding period in 2021.

For the year ended 31 December 2022, the sales volume of our cold rolled steel products and galvanized steel products totaled approximately 238,011 tonnes, representing a decrease of approximately 55,924 tonnes or approximately 19.0% as compared with approximately 293,935 tonnes for the year ended 31 December 2021. During the review period, the sales volume of our cold rolled steel products and galvanized steel products were approximately 18,194 tonnes and approximately 219,817 tonnes respectively, and among the latter, the sales volume of our unpainted galvanized steel products and painted galvanized steel products were approximately 147,396 tonnes and approximately 72,421 tonnes respectively. Except for a slight increase in the sales volume of cold rolled steel products, the sales volume of unpainted galvanized steel products and painted galvanized steel products decreased by approximately 22.6% and approximately 15.7%, respectively.

Under the impact of the pandemic, international geopolitical conflicts, and energy crisis, the economy downturned and led a wrenching decline to the prices of steel, and thus, the selling prices of our products also dropped significantly. The average selling price dropped by approximately RMB656 to approximately RMB6,269/tonne as compared with approximately RMB6,925/tonne in 2021. Although our effort to control the production costs do have the costs of cold rolled steel products and unpainted galvanized steel products both decreased, the costs of painted galvanized steel products however increased due to its relatively long turnover cycle which caused a time gap between the product selling price and the corresponding raw material purchase price.

The market recovered to some extent after the Chinese New Year in 2022. Yet, as demands failed to be unleashed as excepted, the economy went downhill at home and abroad while the pandemic recurred, the real estate and home appliance consumer markets encountered a continued downturn, which directly affected our order volume. The lack of orders led to the overcapacity of our production lines, and increased our production costs, which was the main reason for our underperformance.

PROSPECTS

2023 will still not be easy and we need to remain cautious. However, with the complete release of the pandemic, we are still confident about the future.

In November 2022, the BOC Research Institute released its latest report on China's Economic and Financial Outlook. The report predicts that in 2023, China's economy will enter into a period of replacing growth drivers for domestic and foreign demand, and the internal and external environment and conditions for development may improve. The pandemic prevention and control measures may be more optimized, which is conducive to the gradual recovery of various production and life orders and the gradual pick-up of the real estate market, coupled with the low base in 2022, China's macroeconomic indicators will rebound from the previous year.

We expect the real estate industry to gradually recover in 2023, with long-term policy tightening but short-term policy easing. Recently, all kinds of favorable real estate policies have been intensively released in the various regions, the need to stabilize the property market is expected to become stronger. Although a massive rebound is unlikely to unfold, the current status will certainly be improved. The improvement of the real estate industry is expected to drive the increased demand for home appliances consumption.

In the future, we will continue to expand the application fields of our products, ranging from traditional white goods to various small home appliances and kitchen appliances, and at the same time, we will continue to explore more high-end fields to increase the sales proportion of high-end products. With the official commissioning of the new production line, we will gradually transfer the production capacity of painted galvanized steel products to the new production line, so as to improve production efficiency and reduce production costs. At the same time, the old production line will be upgraded to satisfy products with higher requirements when opportunity arises.

The Board is full of confidence in the future operations of the Group and has reviewed various business development opportunities at the same time, including but not limited to possible diversification into other businesses. After considering the economic performance in the Philippines, the Group has established a subsidiary in the Philippines by the end of 2022 as a starting point, with a view to promoting its property management business over there. The Group is in the process of identifying and negotiating with local property owners for our property management services in the Philippines, which is expected to diversify its revenue stream. The Board will continue to seek other business opportunities in the Philippines with an aim to bring long-term value to the Group.

FINANCIAL REVIEW

Revenue

Revenue of the Group is primarily generated from the sale of hard steel coil and hot-dip galvanized steel products. For the year ended 31 December 2022, the total revenue of the Group amounted to approximately RMB1,492,155,000, representing a decrease of approximately 26.7% from approximately RMB2,035,409,000 for the year ended 31 December 2021. During the year, the sales volume of hard steel coil was approximately 18,194 tonnes, representing a slight increase of approximately 2.8% when compared to the previous year, but the sales volume of galvanized steel products for the year ended 31 December 2022 was approximately 219,817 tonnes, representing a decrease of approximately 20.4%. The overall sales volume for the current year recorded a decrease of approximately 19.0%. The average selling price of different products recorded a decrease of approximately 6.8%-10.9%. The overall average selling price recorded a decrease of approximately 9.5% when compared to that in the previous year. The significant decrease in turnover in current year is the combined effect of decrease in sales volume and average selling price.

An analysis of the Group's revenue, sales volume and average selling price by products in 2022 and 2021 is as follows:

	Year ended 31 December								
	2022			2021			Change		
	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	**92,075**	**18,194**	**5,061**	100,400	17,698	5,673	–8.3%	+2.8%	–10.8%
Hot-dip galvanized steel products	**1,400,080**	**219,817**	**6,369**	1,935,009	276,237	7,005	–27.6%	–20.4%	–9.1%
– unpainted galvanized steel products	**868,662**	**147,396**	**5,893**	1,258,625	190,332	6,613	–31.0%	–22.6%	–10.9%
– painted galvanized steel products	**531,418**	**72,421**	**7,338**	676,384	85,905	7,874	–21.4%	–15.7%	–6.8%
Total	**1,492,155**	**238,011**	**6,269**	2,035,409	293,935	6,925	–26.7%	–19.0%	–9.5%

Gross profit and gross profit margin

For the year ended 31 December 2022, gross profit of the Group amounted to approximately RMB35,663,000 (2021: approximately RMB234,201,000). Overall gross profit margin decreased significantly from approximately 11.5% in 2021 to approximately 2.4% in 2022. An analysis of the Group's gross profit, proportion of total gross profit and gross profit margin by products in 2022 and 2021 is as follows:

	Year ended 31 December					
	2022			2021		
	Gross profit *RMB'000*	**Proportion** *%*	**Gross profit margin** *%*	Gross profit *RMB'000*	Proportion *%*	Gross profit margin *%*
Cold Rolled Steel Products						
Hard steel coil	**5,863**	**16.4%**	**6.4%**	6,137	2.6%	6.1%
Hot-dip galvanized steel products	**29,800**	**83.6%**	**2.1%**	228,064	97.4%	11.8%
– unpainted galvanized steel products	**4,681**	**13.1%**	**0.5%**	111,256	47.5%	8.8%
– painted galvanized steel products	**25,119**	**70.4%**	**4.7%**	116,808	49.9%	17.3%
Total	**35,663**	**100.0%**	**2.4%**	234,201	100.0%	11.5%

During the current year, 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 larger than the average unit cost of raw materials and as a result, the overall gross profit and gross profit ratio drop. Besides, the drop in sales volume affected the utilization rate of our production facilities to generate revenue to cover the production related sunk costs which lower of our gross profit margin.

Other income/(loss)

The balance comprises mainly interest income, government grants and exchange gain or loss. The balance in 2021 was a net loss of approximately RMB271,000 while the balance in 2022 was a net income of approximately RMB12,916,000. The change was mainly attributable to a large net foreign exchange gain recorded in current year.

Selling expenses

Selling and distribution expenses of the Group decreased from approximately RMB55,233,000 in 2021 to approximately RMB50,050,000 in 2022. The decrease was mainly due to the decrease in transportation expenses as a result of decrease in sales volume.

Administrative expenses

Administrative expenses of the Group increased slightly from approximately RMB20,322,000 in 2021 to approximately RMB21,800,000 in 2022.

Finance costs

Finance costs of the Group decreased from approximately RMB22,943,000 in 2021 to approximately RMB20,766,000 in 2022. The decrease was mainly due to decrease in interest on discounted bills.

(Loss)/profit before taxation

The Group recorded a profit before taxation of approximately RMB134,647,000 in 2021 while a loss before taxation of approximately RMB44,051,000 was recorded in 2022.

Income tax

The Group recorded an income tax expense of approximately RMB36,550,000 in 2021 while an income tax credit of approximately RMB12,798,000 was recognized in 2022. The tax credit recognized in 2022 was mainly due to reversal of deferred taxation liabilities. Besides, a subsidiary of the Company in the PRC obtained the status of High and New Technology Enterprise in 2022 and enjoyed the preferential income tax rate of 15% (2021: 25%). In addition to the drop in sales in the current year, the provision of PRC Corporate Income Tax decreased significantly for the current year.

(Loss)/profit for the year

As a result of the foregoing, the Group recorded a loss of approximately RMB31,253,000 for the current year (2021: profit of approximately RMB98,097,000).

Liquidity and financial resources

As at 31 December 2022, the Group had approximately RMB213,321,000 (2021: approximately RMB216,064,000) cash at bank and on hand. As at 31 December 2022, the restricted deposit placed at banks as collaterals for bills issued by the Group amounted to approximately RMB75,389,000 (2021: approximately RMB80,946,000), representing an decrease of approximately 6.9%. The drop was attributable to the decrease in the deposits placed at banks as collaterals for bills issued by the Group.

Net current assets

The Group recorded net current assets of approximately RMB400,948,000 as at 31 December 2022, representing a decrease of approximately 10.3% as compared with approximately RMB447,061,000 as of 31 December 2021. The current ratio, calculated by dividing the current assets by current liabilities, was approximately 1.5 as of 31 December 2022 (2021: approximately 1.4). The net current assets and current ratio in 2021 and 2022 were comparable and remained healthy.

Borrowings and pledge of assets

As at 31 December 2022, the Group had bank and other loans amounting to approximately RMB429,390,000 (2021: approximately RMB503,927,000), of which approximately RMB53,000,000 was secured by the Group's property, plant and equipment and approximately RMB107,390,000 was secured by bills receivables. Among the bank and other loans, RMB388,390,000 is repayable within one year or on demand and RMB41,000,000 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, was approximately 0.6 and 0.7 as at 31 December 2022 and 2021 respectively.

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.

Contingent liabilities

As at 31 December 2022, 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 risks**

  Most of the Group's businesses are settled in RMB. However, the Group's sales to overseas customers are settled in foreign currencies. In 2022, approximately 90.1% of the Group's revenue was settled in RMB and approximately 9.9% 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 foreign 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 risks**

  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 risks**

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group did not have material acquisitions and disposals of subsidiaries and associated companies for the year ended 31 December 2022.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had 512 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.

USE OF NET PROCEEDS FROM LISTING AND CHANGE IN USE OF PROCEEDS

The shares (the "Shares") of the Company were listed on the Stock Exchange on 19 November 2018 (the "Listing Date") 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-dip 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. RMB20,650,000 of the purchase consideration of the new composite coating intellectual colour coating production line was paid before 31 December 2021.

As at 31 December 2022, 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*	**Unutilized balance as at 31 December 2022** *RMB'000*	**Intended timetable for use of the unutilized proceeds**
To expand the production capacity of the hot-dip 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 31 December 2022.

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 10 to 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 during the year ended 31 December 2022.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities during the year ended 31 December 2022 and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the year ended 31 December 2022.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board believes that good corporate governance is essential to the success of the Company and to the enhancement of shareholder value. The Company is committed to building and maintaining high standards of corporate governance to enhance its transparency and accountability. The Company's corporate governance practices are based on the principles and the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules.

Throughout the year, the Company has applied the principles in the CG Code which are applicable to the Company and, in the opinion of the Directors, the Company has complied with all applicable code provisions set out in the CG Code.

The Board will continually review and monitor its corporate governance practices to ensure compliance with the CG Code.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee of the Company comprised three INEDs, namely, Mr. Lau Ying Kit (the chairman), Mr. Cao Cheng and Mr. Yang Guang. The Audit Committee has reviewed the audited consolidated results of the Group for the year ended 31 December 2022 and discussed with the management the accounting principles and practices adopted by the Group, risk management and internal controls and financial reporting matters of the Group.

SCOPE OF WORK OF KPMG

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2022 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

EVENTS AFTER THE REPORT PERIOD

On 28 February 2023, a loan agreement was entered into amongst Jiangsu Jiangnan Precision Metal Material Co., Limited* (江蘇江南精密金屬材料有限公司) ("**Jiangnan Precision**"), an indirect wholly owned subsidiary of the Company, as lender, Jiangsu Jiangnan Tiehejin Co., Ltd.* (江蘇江南鐵合金有限公司) ("**Jiangnan Tiehejin**"), a company controlled by the same 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 and an interest rate of 5.5% per annum to Jiangnan Tiehejin for a term of 3 years. For details, please refer to the announcement of the Company dated 28 February 2023 and the circular of the Company dated 24 March 2023.

ANNUAL GENERAL MEETING

The Annual General Meeting ("AGM") of the Company will be held on Friday, 9 June 2023. The notice of AGM will be sent to shareholders in due course.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2022.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are entitled to attend and vote at the AGM to be held on Friday, 9 June 2023, the register of members of the Company will be closed from Tuesday, 6 June 2023 to Friday, 9 June 2023, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 5 June 2023.

PUBLICATION OF FINAL RESULTS AND DISPATCH OF ANNUAL REPORT

This final results announcement is published on the websites of the Stock Exchange at (www.hkexnews.hk) and the Company at (www.jnpmm.com). The 2022 annual report 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.

APPRECIATION

I herein would like to express sincere gratitude towards all of our Board members, the management and every employee for their hard work for our Group over the past year. I also would like to express my appreciation to all shareholders, partners and customers for their support and trust.

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

Hong Kong, 24 March 2023

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

* *For identification purpose only*