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 2019

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 2019, together with the comparative figures for the previous financial year, as follows:

FINANCIAL PERFORMANCE HIGHLIGHTS

	2019	2018
	RMB'000	*RMB'000*
Key financial information		
– Revenue	**1,495,630**	1,548,276
– Gross profit	**99,525**	130,760
– Profit for the year	**24,698**	50,921
– Earnings per share *(RMB)*	**0.04**	0.11
Key performance ratios		
– Gross profit margin	**6.7%**	8.4%
– Net profit margin	**1.7%**	3.3%
– Return on equity	**4.0%**	8.5%
– Current ratio	**1.5**	1.4
– Gearing ratio	**0.6**	0.5

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HKD0.008 per ordinary share for the year ended 31 December 2019, which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019
(Expressed in Renminbi (“RMB”))

	Note	2019 RMB’000	2018 RMB’000 (Note)
Revenue	*3*	**1,495,630**	1,548,276
Cost of sales		**(1,396,105)**	(1,417,516)
Gross profit		**99,525**	130,760
Other income	*4*	**5,069**	4,094
Selling expenses		**(42,288)**	(39,871)
Administrative expenses		**(17,409)**	(15,824)
Profit from operations		**44,897**	79,159
Finance costs	*5(a)*	**(21,428)**	(15,139)
Costs incurred in connection with the initial listing of the Company’s shares		**–**	(19,365)
Profit before taxation	*5*	**23,469**	44,655
Income tax	*6*	**1,229**	6,266
Profit attributable to equity shareholders of the Company for the year		**24,698**	50,921
Earnings per share			
Basic and diluted *(RMB)*	*7*	**0.04**	0.11

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(c).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019
(Expressed in RMB)

	2019	2018
	RMB'000	*RMB'000*
		(Note)
Profit for the year	**24,698**	50,921
Other comprehensive income for the year (after tax):		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation into presentation currency of the Group	**317**	(385)
Total comprehensive income for the year	**25,015**	50,536

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(c).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019
(Expressed in RMB)

	Note	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000 (Note)
NON-CURRENT ASSETS			
Property, plant and equipment		**305,316**	307,108
Lease prepayments		**–**	36,411
		305,316	343,519
CURRENT ASSETS			
Inventories		**335,512**	341,151
Trade and bills receivables	*8*	**489,461**	573,172
Prepayments, deposits and other receivables		**94,955**	19,706
Cash at bank and on hand		**184,216**	154,625
		1,104,144	1,088,654
CURRENT LIABILITIES			
Trade and bills payables	*9*	**345,750**	439,034
Accrued expenses and other payables		**23,818**	14,925
Bank and other loans	*10*	**329,769**	286,000
Lease liabilities		**2,082**	–
Current taxation		**40,813**	36,891
		742,232	776,850
NET CURRENT ASSETS		**361,912**	311,804
TOTAL ASSETS LESS CURRENT LIABILITIES		**667,228**	655,323
NON-CURRENT LIABILITIES			
Other payables		**–**	35,010
Lease liabilities	*11*	**36,028**	–
Deferred tax liabilities		**16,489**	21,050
		52,517	56,060
NET ASSETS		**614,711**	599,263
CAPITAL AND RESERVES			
Share capital	*12*	**534**	534
Reserves		**614,177**	598,729
TOTAL EQUITY		**614,711**	599,263

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(c).

Notes:

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 "Listing Date"). 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 will be disclosed in the 2019 annual report.

The IASB has issued certain new and revised 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 and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Group.

The Company was incorporated on 21 December 2017. Prior to the incorporation of the Company, the principal business of the Group has been carried out by Jiangsu Jiangnan Precision Metal Material Co., Limited ("Jiangnan Precision"). Pursuant to a group reorganisation to rationalise the corporate structure in preparation of the listing of the Company's shares on the Stock Exchange which was completed on 5 February 2018 (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group. The Reorganisation only involved inserting of the Company and other newly formed entities with no substantive operations as holding companies of Jiangnan Precision. Jiangnan Precision was controlled by Mr. Mei Zefeng before and after the Reorganisation and therefore there were no changes in the economic substance of the ownership and the business of the Group. Accordingly, the Reorganisation has been accounted for using a principle similar to that for a reverse acquisition, with Jiangnan Precision treated as the acquirer for accounting purposes. The consolidated financial statements for the years ended 31 December 2018 have been prepared and presented as a continuation of the consolidated financial statements of Jiangnan Precision with the assets and liabilities of Jiangnan Precision recognised and measured at their historical carrying amounts prior to the Reorganisation.

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 a new IFRS, IFRS 16, Leases, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, Leases, none of the 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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, Leases

IFRS 16 replaces IAS 17, Leases, and the related interpretations, IFRIC 4, Determining whether an arrangement contains a lease, SIC-15, Operating leases – incentives, and SIC-27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) ***Lessee accounting and transitional impact***

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempted.

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.9%.

To ease the transition to IFRS 16, the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019.

The following table reconciles the operating lease commitments as disclosed in Note 14(b) at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 *RMB'000*
Operating lease commitments at 31 December 2018	220
Less: commitments relating to short-term leases exempted from capitalisation:	(28)
	192
Less: total future interest expenses	(9)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	183
Add: other payables in connection with lease prepayments recognised at 31 December 2018	36,411
Total lease liabilities recognised at 1 January 2019 *(Note 11)*	36,594

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018	**Capitalisation of operating lease contracts**	**Reclassification of right-of-use assets and lease liabilities**	**Carrying amount at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:				
Property, plant and equipment	307,108	183	36,411	343,702
Lease Prepayments	36,411	–	(36,411)	–
Total non-current assets	343,519	183	–	343,702
Accrued expenses and other payables	14,925	–	(1,401)	13,524
Lease liabilities (current) *(Note 11)*	–	94	1,401	1,495
Current liabilities	776,850	94	–	776,944
Net current assets	311,804	(94)	–	311,710
Total assets less current liabilities	655,323	89	–	655,412
Other payables *(Note 11)*	35,010	–	(35,010)	–
Lease liabilities (non-current) *(Note 11)*	–	89	35,010	35,099
Total non-current liabilities	56,060	89	–	56,149
Net assets	599,263	–	–	599,263

(iii) Impact on the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities at 1 January 2019, the Group as a lessee is required to recognise interest expenses accrued on the outstanding balance of the lease liabilities, and the depreciation of the right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the consolidated cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a change in presentation of cash flows within the consolidated cash flow statement.

The following tables give an indication of the estimated impact of the adoption of IFRS 16 on the Group's financial results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply in 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				2018
	Amounts reported under IFRS 16 (A)	**Add back: IFRS 16 depreciation and interest expenses (B)**	**Deduct: Estimated amounts related to operating leases as if under IAS 17** ***(Note 1)*** **(C)**	**Hypothetical amounts for 2019 as if under IAS 17 (D=A+B-C)**	Compared to amounts reported for 2018 under IAS 17
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*
Financial results impacted by the adoption of IFRS 16:					
Profit from operations	**44,897**	**1,694**	**(1,785)**	**44,806**	79,159
Finance costs	**(21,428)**	**1,821**	**–**	**(19,607)**	(15,139)
Profit before taxation	**23,469**	**3,515**	**(1,785)**	**25,199**	44,655
Profit for the year	**24,698**	**3,515**	**(1,785)**	**26,428**	50,921

	2019			2018
	Amounts reported under IFRS 16 (A)	**Estimated amounts related to operating leases as if under IAS 17** ***(Notes 1 & 2)*** **(B)**	**Hypothetical amounts for 2019 as if under IAS 17 (C=A+B)**	Compared to amounts reported for 2018 under IAS 17
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*
Line items in the consolidated cash flow statement impacted by the adoption of IFRS 16:				
Cash (used in)/generated from operations	**(33,957)**	**(1,785)**	**(35,742)**	91,132
Net cash (used in)/generated from operating activities	**(33,367)**	**(1,785)**	**(35,152)**	83,239
Capital element of lease rentals paid	**(279)**	**279**	**–**	–
Interest element of lease rentals paid	**(1,506)**	**1,506**	**–**	–
Net cash generated from financing activities	**24,447**	**1,785**	**26,232**	43,654

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash (used in)/generated from operating activities and net cash generated from financing activities as if IAS 17 still applied.

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:

	2019	2018
	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	**89,391**	84,478
– Sales of hot-dipped unpainted galvanised steel products	**969,961**	1,154,561
– Sales of hot-dipped painted galvanised steel products	**436,278**	309,237
	1,495,630	1,548,276

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 customers with whom transactions have exceeded 10% of the Group's revenue are as below:

	2019	2018
	RMB'000	*RMB'000*
Customer A	**243,391**	199,443
Customer B	**174,382**	167,053

(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 2019 and 2018. 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 and selling and administrative expenses, 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 2019 and 2018 is set out below:

	2019			
	Hard steel coil	**Unpainted galvanised steel products**	**Painted galvanised steel products**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Revenue recognised at a point in time from external customers	**89,391**	**969,961**	**436,278**	**1,495,630**
Reportable segment gross profit	**3,865**	**45,635**	**50,025**	**99,525**

	2018			
	Hard steel coil	Unpainted galvanised steel products	Painted galvanised steel products	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue recognised at a point in time from external customers	84,478	1,154,561	309,237	1,548,276
Reportable segment gross profit	5,294	78,595	46,871	130,760

(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.

	2019	2018
	RMB'000	*RMB'000*
The People's Republic of China (the "PRC")	**1,429,311**	1,442,033
South Korea	**54,982**	94,674
Other countries	**11,337**	11,569
	1,495,630	1,548,276

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 provided.

4. OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
Interest income	**1,600**	292
Net foreign exchange gain/(loss)	**2,288**	(627)
Government grants	**1,526**	4,224
Net loss on disposal of property, plant and equipment	**(511)**	(27)
Others	**166**	232
	5,069	4,094

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2019	2018
	RMB'000	*RMB'000*
Interest expenses on bank and other loans	**19,607**	15,139
Interest expenses on lease liabilities	**1,821**	–
	21,428	15,139

Note: The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 2(c).

No borrowing costs have been capitalised for the year ended 31 December 2019 (2018: RMBNil).

(b) Staff costs#

	2019	2018
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**45,565**	42,120
Contributions to defined contribution retirement plans	**3,295**	3,013
	48,860	45,133

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 Dollars ("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

	2019	2018
	RMB'000	*RMB'000*
Depreciation#		
– owned property, plant and equipment *(Note)*	**47,290**	52,612
– right-of-use assets *(Note)*	**1,694**	–
Impairment losses on trade receivables	**224**	403
Minimum lease payments for leases previously classified as operating leases under IAS 17 *(Note)*	**–**	907
Operating lease expenses relating to short-term leases	**1,301**	–
Auditors' remuneration		
– audit services	**1,670**	1,600
– services in connection with the initial listing of the Company's shares	**–**	2,100
Cost of inventories#	**1,396,105**	1,417,516

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. The Group's land use rights which were previously presented as lease prepayments are identified as right-of-use assets. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term and amortisation of lease prepayments as previously presented in 2018. Under this approach, the comparative information is not restated. See Note 2(c).

Cost of inventories includes RMB83,768,000 (2018: RMB84,519,000) 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

	2019	2018
	RMB'000	*RMB'000*
Current taxation		
Provision of PRC Corporate Income Tax for the year	**4,942**	14,375
Over-provision in respect of prior years	**(3,021)**	–
	1,921	14,375
Provision of Hong Kong Profits Tax for the year	**1,411**	–
	3,332	14,375
Deferred taxation		
Origination and reversal of temporary differences	**(4,561)**	(5,028)
Withholding tax in connection with the retained profits to be distributed by a subsidiary of the Group	**–**	1,063
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**–**	(16,676)
	(4,561)	(20,641)
	(1,229)	(6,266)

Notes:

(i) The Company and a subsidiary of the Group incorporated in 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 2018/19 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 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 2019 (2018: 25%).

(iv) The PRC Corporate Income Tax Law allows enterprises to apply for certificate of "High and New Technology Enterprise" ("HNTE"), which entities the qualified companies 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 three calendar years ended/ending 31 December 2018, 2019 and 2020.

(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 75% of such costs could be utilised as additional deductible expenses. The over-provision of current taxation for the year ended 31 December 2019 was mainly attributable to the subsidiary of the Group obtained approval from the relevant tax authority for bonus deduction for research and development costs incurred in 2018.

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2019 is calculated based on the profit attributable to the equity shareholders of the Company of RMB24,698,000 and the weighted average of 606,252,000 ordinary shares in issue during the year ended 31 December 2019.

The basic earnings per share for the year ended 31 December 2018 is based on the profit attributable to the equity shareholders of the Company of RMB50,921,000 and the weighted average of 468,014,000 ordinary shares in issue during the year ended 31 December 2018.

The calculation of the weighted average number of ordinary shares for the years ended 31 December 2019 and 2018 are as follows:

	2019	2018
Issued ordinary shares at 1 January	**606,252,000**	100
Issuance of shares prior to the initial listing of the Company's shares	**–**	100
Effect of capitalisation issue on the completion of the initial public offering	**–**	449,999,800
Effect of shares issued by initial public offering on 19 November 2018	**–**	17,671,000
Effect of shares issued by the exercise of an over-allotment option on 12 December 2018	**–**	343,000
Weighted average number of ordinary shares at 31 December	**606,252,000**	468,014,000

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the years ended 31 December 2019 and 2018.

8. TRADE AND BILLS RECEIVABLES

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Trade receivables, net of loss allowance	**158,808**	154,533
Bills receivables *(Note 8(c))*	**330,653**	418,639
	489,461	573,172

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 twelve months.

(a) Ageing analysis

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

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 month	**118,969**	132,980
1 to 3 months	**18,999**	16,185
3 to 6 months	**20,680**	2,058
Over 6 months	**160**	3,310
	158,808	154,533

(b) At 31 December 2019, 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 each of 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 2019, the Group's maximum exposure to loss and undiscounted cash outflow should the issuing banks fail to settle the bills on maturity dates amounted to RMB261,382,000 (2018: RMB262,525,000).

(c) At 31 December 2019, bills receivables include bank acceptance notes discounted at banks or endorsed to suppliers with recourse totalling RMB172,137,000 (2018: RMB340,514,000). 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 RMB172,137,000 (2018: RMB340,514,000).

At 31 December 2019, bills receivables of the Group with carrying amount of RMB4,000,000 (2018: RMB27,840,000) were pledged as collaterals for bills issued by the Group (see Note 9).

9. TRADE AND BILLS PAYABLES

	At 31 December 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Trade and bills payables:		
– Trade payables	**80,721**	380,436
– Bills payables	**248,010**	52,155
	328,731	432,591
Contract liabilities:		
– Receipts in advance from customers	**17,019**	6,443
	345,750	439,034

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

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 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Within 3 months	**206,280**	228,147
Between 3 to 6 months	**112,278**	193,043
Over 6 months	**10,173**	11,401
	328,731	432,591

10. BANK AND OTHER LOANS

(a) The Group's short-term bank and other loans comprise:

	At 31 December 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Bank loans:		
– Secured by the Group's property, plant and equipment *(Note)*	**53,000**	31,000
– Secured by bills receivables	**34,342**	–
– Guaranteed by third parties	**40,000**	160,000
– Unsecured and unguaranteed	**107,000**	95,000
	234,342	286,000
Loans from other financial institutions:		
– Secured by bills receivables	**95,427**	–
	329,769	286,000

Note: At 31 December 2019, the aggregate carrying amount of property, plant and equipment pledged as collaterals for the Group's short-term bank and other loans is RMB69,422,000 (2018: RMB72,266,000).

(b) At 31 December 2019, the banking facilities of the Group amounted to RMB540,000,000 (2018: RMB449,906,000) 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 RMB333,400,000 at 31 December 2019 (2018: RMB302,628,800).

(c) 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 2019, none of the covenants relating to the bank loans had been breached (2018: None).

11. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to IFRS 16:

	At 31 December 2019		**At 1 January 2019** *(Note)*	
	Present value of the minimum lease payments *RMB'000*	**Total minimum lease payments** *RMB'000*	**Present value of the minimum lease payments** *RMB'000*	**Total minimum lease payments** *RMB'000*
Within 1 year	2,082	2,170	1,495	1,566
After 1 year but within 2 years	1,963	2,149	1,489	1,637
After 2 years but within 5 years	4,685	5,651	4,200	5,091
After 5 years	29,380	64,043	29,410	65,909
	36,028	71,843	35,099	72,637
	38,110	74,013	36,594	74,203
Less: total future interest expenses		(35,903)		(37,609)
Present value of lease liabilities		38,110		36,594

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. These liabilities have been aggregated with the brought forward balances from 31 December 2018 relating to "other payables" in connection with the Group's lease prepayments. Comparative information at 31 December 2018 has not been restated in this regard. Further details on the impacts of the transition to IFRS 16 are set out in Note 2(c).

12. SHARE CAPITAL

	2019		2018	
	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

	2019		2018	
	No. of shares	***RMB'000***	*No. of shares*	*RMB'000*
Ordinary shares, issued and fully paid:				
At 1 January	**606,252,000**	**534**	100	–
Issuance of shares	**–**	**–**	100	–
Capitalisation issue	**–**	**–**	449,999,800	396
Issuance of shares by initial public offering	**–**	**–**	150,000,000	133
Issuance of shares by the exercise of an over-allotment option	**–**	**–**	6,252,000	5
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

	2019	2018
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period of HK$0.008 per ordinary share (2018: HK$0.018 per ordinary share)	**4,344**	9,567

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

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

	2019	2018
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.018 per ordinary share (2017: HK$Nil per ordinary share)	**9,567**	–

14. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2019 not provided for in the consolidated financial statements were as follows:

	At 31 December 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Commitments in respects of property, plant and equipment		
– Contracted for	**2,667**	1,840

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December 2018 *RMB'000*
Within 1 year	124
After 1 year but within 5 years	96
	220

The Group is the lessee in respect of a number of office premises held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see Note 2(c)). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position, and the details regarding the Group's future lease payments are disclosed in note 11.

15. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

Impact from the Novel Coronavirus Pneumonia Outbreak

The Novel Coronavirus Pneumonia Outbreak (the "NCP Outbreak") since early 2020 has brought about additional uncertainties in the Group's operating environment and may impact the Group's operations and financial position.

The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place certain contingency measures. The directors of the Company confirm that these contingency measures include but not limited to reassessing the fluctuation (if any) to the demand and selling price of the Group's steel products in light of the fluctuations in the purchase prices of raw materials, reassessing the sustainability of existing suppliers and/or expanding the supplier base of raw materials in ensuring the Group is able to meet customers' demands, negotiating with customers on possible delay in delivery timetables, improving the Group's cash management by expediting debtor settlements, and negotiating with suppliers an extension of payment terms. The Group will keep the contingency measures under review as the NCP Outbreak situation evolves.

As far as the Group's businesses are concerned, the NCP Outbreak may cause production and delivery delays of the Group's steel products, but the directors of the Company consider that such impact is temporary and could be reduced by expediting production upon cessation of the NCP Outbreak. In addition, the NCP Outbreak may also significantly impact the demand of the Group's steel products which in turn may result in the decrease in sales of such products, and hence the profitability of the Group's operations and the potential impairment of the Group's production facilities in future periods. Such possible decrease in the demand of the Group's products may be a result of the customers' deteriorating operations which may increase the impairment risks of related debtors in future periods. These possible impacts have not been reflected in the Group's consolidated financial statements as of 31 December 2019, and the actual impacts may differ from these estimates as the NCP Outbreak situation continues to evolve and when further information may become available.

16. COMPARATIVE FIGURES

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2(c).

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. The Group has 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 2019, the Group recorded a revenue amounting to approximately RMB1,495,630,000, a decrease of approximately 3.4% compared with that of the corresponding period in 2018.

For the year ended 31 December 2019, the sales volume of our cold rolled steel products and galvanized steel products totalled 276,242 tonnes, representing an increase of 956 tonnes or approximately 0.3% compared with 275,286 tonnes for the year ended 31 December 2018. During the review period, the sales volume of our cold rolled steel products and galvanized steel products were 20,843 tonnes and 255,399 tonnes respectively, and among the latter, the sales volume of our unpainted galvanized steel products and painted galvanized steel products were 189,715 tonnes and 65,684 tonnes respectively. Under fierce market competition, the year saw a remarkable decrease in both the sales volume and average selling price of unpainted galvanized steel products. The sales volume of unpainted galvanized steel products dropped from 213,611 tonnes in the year ended 31 December 2018 by 23,896 tonnes or approximately 11.2% to 189,715 tonnes in 2019. As regards painted galvanized steel products, the sales volume increased from 43,201 tonnes in the year ended 31 December 2018 by 22,483 tonnes or approximately 52.0% to 65,684 tonnes in 2019. Our total sales volume for the year ended 31 December 2019 remained relatively stable.

As the utilization of our painted galvanized steel production line was yet to reach its maximum capacity, we geared up our efforts on boosting sales and took up additional sales orders for our painted galvanized steel products, which had led to the substantial increase in the sales volume of our painted galvanized steel products.

In 2019, with our dedication to the research and enhancement of craftsmanship, we submitted application for 9 utility model patents. By enhancing techniques and craftsmanship, we managed to uplift our production efficiency, reduce losses during production processes, and in turn lower the relevant costs of our products.

PROSPECTS

The Central Economic Work Conference held at the end of 2019 stressed "the holistic implementation of city-specific policies and the long-lasting austerity mechanism for stabilizing land prices, property prices and expectations, and fostering the steady and healthy development of the real estate market". Austerity measures on the real estate industry were not slackened, while some gradual slowdown was noted. The steady development of the real estate market is good to the demand for home appliances. Since June 2019, a number of policies were introduced in the PRC to boost demand in various industries such as automobile, home appliances, consumer electronics products and so forth, and to facilitate the recycling and rejuvenation of home appliances as well as the elimination of products with high power consumption. Meanwhile, with the promotion of 5G technology and the growth in demand for non-conventional rigid-demand products such as dishwashers and tumble dryers, it is anticipated that the home appliances market will see new momentum for growth.

The Group will strive for long-term steady development and seek further expansion of its market share by engaging in active communication with local governments, identifying suitable land parcels and expediting its capacity expansion plan.

The Novel Coronavirus Pneumonia Outbreak (the "NCP Outbreak") in early 2020 spread across the PRC and the world at large and will likely cause substantial impact on economic development. To mitigate the effect of the NCP Outbreak on businesses, the government has launched various policies to ease the financial burden on businesses. We believe that we can win this battle against epidemic and resume normal production and operation in the near future.

The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures. As far as the Group's businesses are concerned, the NCP Outbreak may cause production and delivery delays of the Group's steel products, but the directors of the Company consider that such impact is temporary and could be reduced by expediting production upon cessation of the NCP Outbreak. In addition, the NCP Outbreak may also significantly impact the demand of the Group's steel products which in turn may result in the decrease in sales of such products, and hence the profitability of the Group's operations and the potential impairment of the Group's production facilities in future periods. Such possible decrease in the demand of the Group's products may be a result of the customers' deteriorating operations which may increase the impairment risks of related debtors in future periods.

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 2019, the total revenue of the Group amounted to approximately RMB1,495,630,000, representing a decrease of approximately 3.4% from approximately RMB1,548,276,000 in the year ended 31 December 2018. During the year, the average selling price of the Group's hard steel coil and galvanized steel products decreased by approximately 5% to 7% as compared to the previous year, whilst the decrease in total sales volume was relatively mild under the Group's efforts in adjusting the product mix for sale.

An analysis of the Group's revenue, sales volume and average selling price by products in 2019 and 2018 is as follows:

	Year ended 31 December								
	2019			2018			Change		
	Revenue	**Sales volume**	**Average selling price**	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price
	RMB'000	***tonnes***	***RMB/tonne***	*RMB'000*	*tonnes*	*RMB/tonne*	%	%	%
Cold rolled steel products									
Hard steel coil	**89,391**	**20,843**	**4,289**	84,478	18,474	4,573	5.8%	12.8%	–6.2%
Hot-dip galvanized steel products	**1,406,239**	**255,399**	**5,506**	1,463,798	256,812	5,700	–3.9%	–0.6%	–3.4%
– unpainted galvanized steel products	**969,961**	**189,715**	**5,113**	1,154,561	213,611	5,405	–16.0%	–11.2%	–5.4%
– painted galvanized steel products	**436,278**	**65,684**	**6,642**	309,237	43,201	7,158	41.1%	52.0%	–7.2%
Total	**1,495,630**	**276,242**	**5,414**	1,548,276	275,286	5,624	–3.4%	0.3%	–3.7%

Gross profit and gross profit margin

For the year ended 31 December 2019, gross profit of the Group amounted to approximately RMB99,525,000 (2018: approximately RMB130,760,000). Overall gross profit margin decreased from approximately 8.4% in 2018 to approximately 6.7% in 2019. An analysis of the Group's gross profit, proportion of total gross profit and gross profit margin by products in 2019 and 2018 is as follows:

	Year ended 31 December					
	2019			2018		
	Gross profit	**Proportion**	**Gross profit margin**	Gross profit	Proportion	Gross profit margin
	RMB'000	%	%	*RMB'000*	%	%
Cold rolled steel products						
Hard steel coil	**3,865**	**3.9%**	**4.3%**	5,294	4.0%	6.3%
Hot-dip galvanized steel products	**95,660**	**96.1%**	**6.8%**	125,466	96.0%	8.6%
– unpainted galvanized steel products	**45,635**	**45.9%**	**4.7%**	78,595	60.2%	6.8%
– painted galvanized steel products	**50,025**	**50.2%**	**11.5%**	46,871	35.8%	15.2%
Total	**99,525**	**100.0%**	**6.7%**	130,760	100.0%	8.4%

A decrease in the overall gross profit margin of the Group was mainly the result of the more remarkable drop in average selling price of products than the drop in average raw material prices for the Group's products. The Company will strengthen the expectation management of market price of steel.

Other income

Other income of the Group amounted to approximately RMB5,069,000 in 2019, representing an increase of approximately RMB975,000 from approximately RMB4,094,000 in 2018. The increase was mainly attributable to an increase in interest income and net foreign exchange gain.

Selling expenses

Selling and distribution expenses of the Group increased from approximately RMB39,871,000 in 2018 to approximately RMB42,288,000 in 2019. The increase was mainly due to the increase in transportation expenses and business hospitality expenses of the Group.

Administrative expenses

Administrative expenses of the Group increased from approximately RMB15,824,000 in 2018 to approximately RMB17,409,000 in 2019. The increase was mainly due to the increase in consultancy services fee and staff costs.

Finance costs

Finance costs of the Group increased from approximately RMB15,139,000 in 2018 to approximately RMB21,428,000 in 2019. The increase was mainly due to the increase in acceptance discounted interest.

Profit before taxation

Profit before taxation of the Group decreased from approximately RMB44,655,000 in 2018 to approximately RMB23,469,000 in 2019.

Income tax

Tax credits of approximately RMB1,229,000 and approximately RMB6,266,000 recorded for the year ended 31 December 2019 and 2018 respectively were mainly due to reverse of deferred tax resulted from timing differences and change in tax rate. The significant tax credit recorded in 2018 was due to an operating subsidiary of the Company having obtained the status of High-tech Enterprise in November 2018. That subsidiary is entitled to a preferential tax rate of 15% from 2018 to 2020 and an additional tax deductible allowance on qualified research and development costs incurred.

Profit for the year

As a result of the foregoing, profit for the year of the Group decreased from approximately RMB50,921,000 in 2018 to approximately RMB24,698,000 in 2019. Net profit margin of the Group decreased from approximately 3.3% in 2018 to approximately 1.7% in 2019. The return on equity, calculated by dividing net profit for the year by total equity at the end of the year, as at 31 December 2019, was approximately 4.0% (2018: 8.5%).

Liquidity and financial resources

As at 31 December 2019, the Group had approximately RMB184,216,000 (2018: RMB154,625,000) cash at bank and on hand. As at 31 December 2019, the restricted deposit placed at banks as collaterals for bills issued by the Group amounted to approximately RMB53,600,000 (2018: RMB9,685,000), representing an increase of approximately 4.5 times. The substantial increase was attributable to the increase in the deposit for notes payable.

Net current asset

The Group recorded net current assets of approximately RMB361,912,000 as at 31 December 2019, representing an increase of approximately 16.1% as compared with approximately RMB311,804,000 as of 31 December 2018. The current ratio, calculated by dividing the current assets by current liabilities, was approximately 1.5 as of 31 December 2019 (2018: 1.4). The net current asset and current ratio in 2019 and 2018 were comparable and remained healthy.

Borrowings and pledge of assets

As at 31 December 2019, the Group had bank borrowings amounting to approximately RMB329,769,000 (2018: RMB286,000,000), of which approximately RMB53,000,000 was secured by the Group's plant and equipment and approximately RMB129,769,000 was secured by bills receivables. All borrowings shall be repayable within one year.

The Group's gearing ratio, calculated by dividing total borrowings which include all interest-bearing loans and amounts due to related parties under accrued expenses and other payables by total equity of the Group, was approximately 0.6 and 0.5 as at 31 December 2019 and 2018 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 2019, 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. In 2019, approximately 95.6% of the Group's revenue was settled in Renminbi and approximately 4.4% 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 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.

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 2019.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 556 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

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.

As at 31 December 2019, the Group had utilized the IPO Proceeds as set out in the table below:

	IPO Proceeds	**Utilized up to 31 December 2018**	**Utilized during the year ended 31 December 2019**	**Unutilized balance as at 31 December 2019**
	RMB	*RMB*	*RMB*	*RMB*
To expand the production capacity and increase the production efficiency	97,683,000	–	–	97,683,000
To repay a bank loan due for repayment in December 2018	3,964,000	3,964,000	–	–
To repay outstanding loans	5,439,000	5,439,000	–	–
Total	107,086,000	9,403,000	–	97,683,000

The remaining balance of the net proceeds was placed with banks. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus.

As disclosed in the Prospectus, the Directors have identified two parcels of land which are in proximity to the Group's current production facilities and were then available for lease and manufacturing uses in late 2018 and based on the business development plan, the construction work of the new production plant should have begun and the instalment payment for production facilities and equipment should have been made as at 31 December 2019.

However, pursuant to the communication with the People's Government of Hengshanqiao Town, Wujin District, Changzhou City (常州市武進區橫山橋鎮人民政府) (the "People's Government"), according to the latest master planning of Hengshanqiao Town, the two parcels of land identified by the Company would no longer be classified as industrial use but reclassified by the PRC government as agricultural use, rendering it not fitting into the Group's expansion plan. As securing suitable land parcels is the most critical stage of our development plan, based on the latest industrial land policy, the management has visited and explored different possible locations in close proximity to the Group's current production base, negotiated with different potential landlords and actively communicated with the People's Government. The development plan is behind schedule at the moment and once the suitable land parcels is secured, it is expected that the development plan will be implemented as it was intended.

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 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 during the year ended 31 December 2019.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities during the year ended 31 December 2019 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 2019.

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Under the code provision A.6.7 of the CG Code, independent non-executive directors ("INED") should attend general meetings to develop a balanced understanding of the views of shareholders. During the year, not all INEDs attended general meetings of the Company due to other business engagements, which have deviated from the code provision A.6.7 of the CG Code.

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, save for the deviation of the code provision A.6.7 as described above, 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. Li Yuen Fai Roger (the chairman), Mr. Cao Baozhong and Mr. Yang Guang. The Audit Committee has reviewed the audited consolidated results of the Group for the year ended 31 December 2019 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 2019 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.

ANNUAL GENERAL MEETING

The Annual General Meeting ("AGM") of the Company will be held on Wednesday, 24 June 2020. The notice of AGM will be sent to shareholders in due course.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK$0.008 per ordinary share for the year ended 31 December 2019 to the shareholders whose names appear on the register of members of the Company on Monday, 6 July 2020. The final dividend, if approved by the shareholders of the Company at the AGM, will be payable on or around Monday, 27 July 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:

(a) For the purpose of determining shareholders who are entitled to attend and vote at the AGM to be held on Wednesday, 24 June 2020, the register of members of the Company will be closed from Friday, 19 June 2020 to Wednesday, 24 June 2020, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 18 June 2020.

(b) For the purpose of determining shareholders who are qualified for the final dividend, the register of members of the Company will be closed from Thursday, 2 July 2020 to Monday, 6 July 2020, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 30 June 2020.

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 2019 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, 30 March 2020

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. Li Yuen Fai Roger, Mr. Cao Baozhong and Mr. Yang Guang.