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 2018

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 2018, together with the comparative figures for the previous financial year, as follows:

FINANCIAL PERFORMANCE HIGHLIGHTS

	2018	2017
	RMB'000	*RMB'000*
Key financial information		
– Revenue	**1,548,276**	1,497,537
– Gross profit	**130,760**	161,478
– Profit for the year	**50,921**	66,143
– Earnings per share *(RMB)*	**0.11**	0.15
Key performance ratios		
– Gross profit margin	**8.4%**	10.8%
– Net profit margin	**3.3%**	4.4%
– Return on equity	**8.5%**	15.9%
– Current ratio	**1.4**	1.1
– Gearing ratio	**0.5**	0.9

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HKD1.8 cents per share for the year ended 31 December 2018, which is subject to the approval of the Company's shareholders at the forthcoming annual meeting of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2018

(Expressed in Renminbi (“RMB”))

	Note	**2018** **RMB’000**	2017 *RMB’000* *(Note)*
Revenue	*3*	**1,548,276**	1,497,537
Cost of sales		**(1,417,516)**	(1,336,059)
Gross profit		**130,760**	161,478
Other income	*4*	**4,094**	998
Selling expenses		**(39,871)**	(44,829)
Administrative expenses		**(15,824)**	(11,619)
Profit from operations		**79,159**	106,028
Finance costs	*5(a)*	**(15,139)**	(12,734)
Costs incurred in connection with the initial listing of the Company’s shares		**(19,365)**	(3,584)
Net loss on disposal of a subsidiary		**–**	(156)
Profit before taxation	*5*	**44,655**	89,554
Income tax	*6*	**6,266**	(23,411)
Profit for the year		**50,921**	66,143
Attributable to:			
Equity shareholders of the Company		**50,921**	66,162
Non-controlling interests		**–**	(19)
Profit for the year		**50,921**	66,143
Earnings per share			
Basic and diluted *(RMB)*	*7*	**0.11**	0.15

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, 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 2018
(Expressed in RMB)

	2018 *RMB'000*	2017 *RMB'000* *(Note)*
Profit for the year	**50,921**	66,143
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	**(385)**	–
Total comprehensive income for the year	**50,536**	66,143
Attributable to:		
Equity shareholders of the Company	**50,536**	66,162
Non-controlling interests	**–**	(19)
Total comprehensive income for the year	**50,536**	66,143

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See Note 2(c).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018
(Expressed in RMB)

	Note	**2018** **RMB'000**	2017 RMB'000 (Note)
NON-CURRENT ASSETS			
Property, plant and equipment		**307,108**	339,550
Lease prepayments		**36,411**	37,811
		343,519	377,361
CURRENT ASSETS			
Inventories		**341,151**	266,466
Trade and bills receivables	*8*	**573,172**	499,134
Prepayments, deposits and other receivables		**19,706**	131,491
Cash at bank and on hand		**154,625**	41,302
		1,088,654	938,393
CURRENT LIABILITIES			
Trade and bills payables	*9*	**439,034**	408,201
Accrued expenses and other payables		**14,925**	75,589
Bank and other loans	*10*	**286,000**	306,989
Current taxation		**36,891**	30,409
		776,850	821,188
NET CURRENT ASSETS		**311,804**	117,205
TOTAL ASSETS LESS CURRENT LIABILITIES		**655,323**	494,566
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**21,050**	41,696
Other payables		**35,010**	36,410
		56,060	78,106
NET ASSETS		**599,263**	416,460
CAPITAL AND RESERVES			
Share capital	*11*	**534**	–
Reserves		**598,729**	416,460
Total equity attributable to equity shareholders of the Company		**599,263**	416,460
Non-controlling interests		**–**	–
TOTAL EQUITY		**599,263**	416,460

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, 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

The financial statements has 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 2018 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 2018 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") and its subsidiary, Qingdao Jiangnan Gangcai Jiagong Limited ("Jiangnan Gangcai") which was disposed of to a third party on 21 September 2017. 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 and 2017 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 number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRIC 22, *Foreign currency transactions and advance consideration*

In preparation of the listing of the Company's shares on the Stock Exchange, the Group has early adopted IFRS 15, *Revenue from contracts with customers*, on a fully retrospective basis, and applied IFRS 15 consistently since 1 January 2017. The adoption of IFRS 15 does not have any material impact on the amount and timing of how the Group recognised revenue. The Group has not applied any new standards or interpretations that are not yet effective for the current accounting period, except for the amendments to IFRS 9, *Prepayment features with negative compensation*, which have been adopted at the same time as IFRS 9.

(i)* IFRS 9*, Financial instruments,* including the amendments to IFRS 9*, Prepayment features with negative compensation

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9, *Financial instruments,* including the amendments to IFRS 9, *Prepayment features with negative compensation*, to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, the comparative information continues to be reported under IAS 39.

The following table summarises the impact of transition to IFRS 9 on retained earnings and the related tax impact at 1 January 2018.

	RMB'000
Retained earnings	
Recognition of additional expected credit losses on financial assets measured at amortised cost	21
Related tax	(5)
Net decrease in retained earnings at 1 January 2018	16

Further details of the nature and effect of the changes to previous accounting policies and the transaction approach are set out below:

a. *Classification of financial assets and financial liabilities*

IFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede IAS 39's categories of held-to maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The measurement categories for all financial assets and financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of IFRS 9.

b. *Credit losses*

IFRS 9 replaces the "incurred loss" model in IAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, and trade and other receivables).

The following table reconciles the closing loss allowance determined in accordance with IAS 39 at 31 December 2017 with the opening loss allowance determined in accordance with IFRS 9 at 1 January 2018.

	RMB'000
Loss allowance at 31 December 2017 under IAS 39	–
Additional credit loss recognised at 1 January 2018 on trade and bills receivables	21
Loss allowance at 1 January 2018 under IFRS 9	21

c. *Transition*

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

– The assessments on the determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) **IFRIC 22*, Foreign currency transactions and advance consideration***

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

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:

	2018	2017
	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	**84,478**	65,628
– Sales of hot-dipped unpainted galvanised steel products	**1,154,561**	1,184,024
– Sales of hot-dipped painted galvanised steel products	**309,237**	247,885
	1,548,276	1,497,537

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is 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:

	2018	2017
	RMB'000	*RMB'000*
Customer A	**199,443**	204,001
Customer B	**167,053**	*

* Transactions with this customer did not exceed 10% of the Group's revenue for the year ended 31 December 2017.

(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 2018 and 2017. 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 2018 and 2017 is set out below:

	2018			
	Hard steel coil RMB'000	***Unpainted galvanised steel products RMB'000***	***Painted galvanised steel products RMB'000***	***Total 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**

	2017			
	Hard steel coil RMB'000	*Unpainted galvanised steel products RMB'000*	*Painted galvanised steel products RMB'000*	*Total RMB'000*
Revenue recognised at a point in time from external customers	65,628	1,184,024	247,885	1,497,537
Reportable segment gross profit	5,408	114,435	41,635	161,478

(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.

	2018	2017
	RMB'000	*RMB'000*
The PRC	**1,442,033**	1,403,072
South Korea	**94,674**	87,996
Other countries	**11,569**	6,469
	1,548,276	1,497,537

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

	2018	2017
	RMB'000	*RMB'000*
Interest income	**292**	298
Net foreign exchange loss	**(627)**	(276)
Government grants	**4,224**	305
Net loss on disposal of property, plant and equipment	**(27)**	(16)
Others	**232**	687
	4,094	998

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2018	2017
	RMB'000	*RMB'000*
Interest on bank and other loans	**15,139**	12,734

No borrowing costs have been capitalised for the year ended 31 December 2018 (2017: RMBNil).

(b) Staff costs#

	2018	2017
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**42,120**	32,570
Contributions to defined contribution retirement plans	**3,013**	2,405
	45,133	34,975

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

	2018	2017
	RMB'000	*RMB'000*
Depreciation and amortisation#	**52,612**	50,032
Impairment losses on trade receivables	**403**	–
Operating lease charges in respect of office premises and warehouses	**907**	980
Auditor's remuneration		
– services in connection with the initial listing of the Company's shares	**2,100**	750
– audit services	**1,600**	–
Cost of inventories#	**1,417,516**	1,336,059

Cost of inventories includes RMB84,519,000 (2017: RMB73,401,000) relating to staff costs and depreciation and amortisation expenses, which amounts 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

	2018	2017
	RMB'000	*RMB'000*
Current tax		
Provision for the year	**14,375**	24,442
Deferred tax		
Origination and reversal of temporary differences	**(5,028)**	(1,031)
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)**	–
	(20,641)	(1,031)
	(6,266)	23,411

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the equity shareholders of the Company of RMB50,921,000 and the weighted average of 468,048,000 ordinary shares in issue during the year ended 31 December 2018, comprising:

(i) 200 ordinary shares in issue as at the date of the prospectus of the Company dated 31 October 2018 (the "Prospectus") and 449,999,800 ordinary shares issued pursuant to the capitalisation issue on the completion of the initial public offering, as if the above total of 450,000,000 ordinary shares were outstanding throughout the year ended 31 December 2018;

(ii) 150,000,000 ordinary shares issued on 19 November 2018 by initial public offering; and

(iii) 6,252,000 ordinary shares issued on 12 December 2018 by the exercise of an over-allotment option.

The basic earnings per share for the year ended 31 December 2017 is calculated based on the profit attributable to equity shareholders of the Company of RMB66,162,000 and the weighted average of 450,000,000 ordinary shares, comprising 200 ordinary shares in issue as at the date of the Prospectus and 449,999,800 ordinary shares issued pursuant to the capitalisation issue on the completion of the initial public offering, as if the above total of 450,000,000 ordinary shares were outstanding throughout the year ended 31 December 2017.

The calculation of the weighted average number of ordinary shares for the years ended 31 December 2018 and 2017 are as follows:

	2018	2017
Issued ordinary shares at 1 January	**100**	–
Issuance of shares upon incorporation of the Company *(Note 11(ii))*	**–**	100
Issuance of shares prior to the initial listing of the Company *(Note 11(ii))*	**100**	100
Effect of capitalisation issue on the completion of the initial public offering *(Note 11(iii))*	**449,999,800**	449,999,800
Effect of shares issued by initial public offering on 19 November 2018 *(Note 11(iv))*	**17,671,000**	–
Effect of shares issued by the exercise of an over-allotment option on 12 December 2018 *(Note 11(iv))*	**343,000**	–
Weighted average number of ordinary shares at 31 December	**468,014,000**	450,000,000

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the years ended 31 December 2018 and 2017.

8. TRADE AND BILLS RECEIVABLES

	31 December 2018 *RMB'000*	1 January 2018 *RMB'000*	31 December 2017 *RMB'000*
Trade receivables, net of loss allowance *(Note 8(i))*	**154,533**	113,357	113,378
Bills receivables *(Note 8(c))*	**418,639**	385,756	385,756
	573,172	499,113	499,134

Note: (i) Upon the adoption of IFRS 9, an opening adjustment at 1 January 2018 was made to recognise additional ECLs on trade receivables (see Note 2(c)(i)).

All of the trade and bills receivables, net of allowance for doubtful debts (if any), 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 recognition and net of allowance for doubtful debts (if any), are as follows:

	2018 *RMB'000*	2017 *RMB'000*
Within 1 month	**132,980**	89,617
1 to 3 months	**16,185**	23,723
3 to 6 months	**2,058**	8
Over 6 months	**3,310**	30
	154,533	113,378

(b) At 31 December 2018, the Group has discounted certain of the bank acceptance notes at banks, and endorsed certain of the bank acceptance notes 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 2018, 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 RMB262,525,000 (2017: RMB534,440,000).

(c) At 31 December 2018, bills receivables include bank acceptance notes discounted at banks or endorsed to suppliers with recourse totalling RMB340,514,000 (2017: RMB317,790,000). 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 RMB340,514,000 (2017: RMB317,790,000).

At 31 December 2018, bills receivables of the Group with carrying amount of RMB27,840,000 (2017: RMBNil) were pledged as collaterals for bills issued by the Group (see Note 9).

9. TRADE AND BILLS PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade and bills payables:		
– Trade payables	**380,436**	335,406
– Bills payables	**52,155**	36,232
	432,591	371,638
Contract liabilities:		
– Receipts in advance from customers	**6,443**	36,563
	439,034	408,201

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, are as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**228,147**	189,193
Between 3 to 6 months	**193,043**	170,951
Over 6 months	**11,401**	11,494
	432,591	371,638

10. BANK AND OTHER LOANS

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

	2018	2017
	RMB'000	*RMB'000*
Bank loans:		
– Secured by the Group's property, plant and equipment and land use right *(Note 10(i))*	**31,000**	–
– Secured by the Group's property, plant and equipment and land use right, and guaranteed by related parties *(Notes 10(i) and 10(ii))*	**–**	49,489
– Guaranteed by third parties	**160,000**	–
– Guaranteed by equity shareholders of the Company and/or a related party of the Group *(Note 10(ii))*	**–**	50,000
– Guaranteed by a third party and a related party of the Group and an equity shareholder of the Company *(Note 10(ii))*	**–**	50,000
– Unsecured and unguaranteed	**95,000**	110,000
	286,000	259,489
Loan from other financial institution:		
– Secured by property, plant and equipment of the Group *(Note 10(i))*	**–**	47,500
	286,000	306,989

Notes:

(i) At 31 December 2018, the aggregate carrying amount of property, plant and equipment and land use right pledged as collaterals for the Group's short-term bank and other loans is RMB72,266,000 (2017: RMB107,284,000).

(ii) The guarantees received from equity shareholders of the Company and related parties of the Group have been terminated in 2018.

11. SHARE CAPITAL

	2018		2017	
	No. of shares '000	***HK$'000***	*No. of shares '000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.001 each *(Notes 11(i))*	**5,000,000**	**5,000**	380,000	380

	2018		2017	
	No. of shares	***RMB'000***	*No. of shares*	*RMB'000*
Ordinary shares, issued and fully paid:				
At 1 January	**100**	**–**	–	–
Issuance of shares *(Note 11(ii))*	**100**	**–**	100	–
Capitalisation issue *(Note 11(iii))*	**449,999,800**	**396**	–	–
Issuance of shares by initial public offering *(Note 11(iv))*	**150,000,000**	**133**	–	–
Issuance of shares by the exercise of an over-allotment option *(Note 11(iv))*	**6,252,000**	**5**	–	–
At 31 December	**606,252,000**	**534**	100	–

Notes:

(i) Authorised share capital

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 December 2017. Its initial authorised share capital was HK$380,000 divided into 380,000,000 shares with a par value of HK$0.001 per share.

On 25 October 2018, the equity shareholders of the Company resolved to increase the authorised share capital of the Company from HK$380,000 divided into 380,000,000 shares of HK$0.001 each to HK$5,000,000 divided into 5,000,000,000 shares of HK$0.001 each.

(ii) Issuance of shares

On the date of its incorporation, the Company issued and allotted 100 shares at par value for cash.

On 16 March 2018, 72, 18 and 10 shares were allotted and issued to Newrich Limited, Star Century Corporate Limited, which are wholly owned by Mr. Mei Zefeng and Ms. Liu Ping, and West Capital Limited, a third party, respectively, for an aggregate amount of HK$89,520,000 (equivalent to approximately RMB72,248,000) in cash.

(iii) Capitalisation issue

Pursuant to the resolutions of the equity shareholders of the Company passed on 25 October 2018, the Company allotted and issued a total of 449,999,800 shares credited as fully paid at par to the equity shareholders whose names appeared on the register of members of the Company at the close of business on 25 October 2018 by way of capitalisation of the sum of HK$450,000 (equivalent to approximately RMB396,000) standing to the credit of the share premium account of the Company.

(iv) Issuance of shares by initial public offering

On 19 November 2018, 150,000,000 ordinary shares were issued at a price of HK$1.02 each upon the listing of the shares of the Company on the Stock Exchange. On 12 December 2018, 6,252,000 ordinary shares were issued at a price of HK$1.02 each upon the exercise of the over-allotment option. The proceeds of HK$156,000 (equivalent to approximately RMB138,000), representing the par value, were credited to the Company's share capital. The remaining proceeds, net of share issuance expenses, of approximately HK$146,758,000 (equivalent to approximately RMB129,897,000) were credited to the share premium account.

12. DIVIDENDS

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

	2018	2017
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period of HK$0.018 per ordinary share (2017: HK$Nil per ordinary share)	**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

The directors of the Company did not recommend any dividend in respect of the previous financial year during the year.

13. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2018 not provided for in the financial statements were as follows:

	2018	2017
	RMB'000	*RMB'000*
Commitments in respects of property, plant and equipment		
– Contracted for	**1,840**	907

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

	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**124**	111
After 1 year but within 5 years	**96**	192
	220	303

The Group leases certain office premises and warehouses under operating leases. The leases typically run for an initial period of 1 to 2 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

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 pickling rolls, cold-rolled steel, unpainted galvanized steel and painted galvanized steel products along the whole industry chain.

For the year ended 31 December 2018, the Group achieved a revenue amounting to RMB1,548,276,000, an increase of 3.4% compared with that of the corresponding period in 2017.

For the year ended 31 December 2018, the sales volume of our cold rolled steel products and galvanized steel products totalled 275,286 tonnes, a decrease of 11,654 tonnes or 4.1% compared with 286,940 tonnes for the year ended 31 December 2017. During the review period, the sales volume of our cold rolled steel products and galvanized steel products were 18,474 tonnes and 256,812 tonnes respectively, among the latter, the sales volume of our unpainted galvanized steel products and painted galvanized steel products were 213,611 tonnes and 43,201 tonnes respectively. Despite a decrease in sales volume, the average selling price of our products for the year ended 31 December 2018 increased by approximately RMB405 per tonne compared with that for the year ended 31 December 2017. Therefore, the total revenue increased for the year ended 31 December 2018.

In order to maintain and increase product quality and ensure business stability, the Group adopted various measures and completed a series of facilities enhancement projects so as to raise production standard, improve product quality and control production cost. For the year ended 31 December 2018, the Group strengthened the effort in joint development of materials with raw material suppliers, which means to coordinate with raw material suppliers to jointly develop two types of raw materials of hot-rolled coils whose functions are more unique, which further boarden the scope of physical functions of steel products of different types. For painted galvanized steel products, 16 more colours were newly introduced for color coating, which enhances the Group's capability of developing the market of painted galvanized steel products.

A wholly-owned subsidiary of the Company in the PRC formally obtained the status of High-tech Enterprise effective for the calendar year 2018 to 2020 in November 2018. This status not only recognizes the Group's technology innovation and usage of advanced technology equipment, but also entitles that subsidiary to enjoy a preferential tax rate at the corporate income tax rate of 15%, which brings a positive impact to the Group's operating results.

PROSPECTS

The year 2019 is a crucial year for comprehensively building a moderately prosperous society. Jiangsu Province will strive to facilitate development of high quality by developing advanced manufacturing industry cluster and supporting the real economy on a large scale, in particular the development of private economy, to deepen supply-side structural reform by raising the standard of the industry chain and to increase openness by giving huge support to the development of foreign trade.

At the beginning of January 2019, the National Development and Reform Commission and other departments issued "the Implementation Plan on Further Optimizing Supply and Promoting Steady Growth of Consumption to Form a Strong Domestic Market (2019)" (《進一步優化供給推動消費平穩增長促進形成強大國內市場的實施方案(2019年)》) and related policies to promote the purchase of home appliances. This policy mainly covers 15 kinds of products such as home appliances and kitchen appliances (including refrigerators, washing machines, water heaters and microwave ovens). It will stimulate the demand for replacement and upgrading home appliances and further promote the use of green and high-tech intelligent home appliances.

The home appliances market is evolving towards a more high-end and more high-tech intelligent development. Looking forward, the replacement and upgrading of home appliances such as refrigerators and washing machines will be a main driving force for the development of the Group.

In order to consolidate and further expand our market share, we will further strengthen our effort in market development, speed up the expansion plan of our production capability, further invest in maintenance and upgrading of our facilities as well as technological research and development to further improve the quality of our products. We will strive to consolidate and develop our business to bring long-term investment returns to all shareholders.

FINANCIAL REVIEW

Revenue

The total revenue of the Group amounted to RMB1,548,276,000 in 2018, representing an increase of 3.4% from RMB1,497,537,000 in 2017. In 2018, revenue of the Group was mainly generated from sales of hard steel coil and hot-dip galvanized steel products, with the sales amount of hard steel coil and galvanized steel products amounting to RMB84,478,000 (2017: RMB65,628,000) and RMB1,463,798,000 (2017: RMB1,431,909,000) respectively.

An analysis of the Group's revenue, sales volume and average selling price by products in 2018 and 2017 is as follows:

	Year ended 31 December								
	2018			2017			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	**84,478**	**18,474**	**4,573**	65,628	16,350	4,014	28.7%	13.0%	13.9%
Hot-dip galvanized steel products	**1,463,798**	**256,812**	**5,700**	1,431,909	270,590	5,292	2.2%	–5.1%	7.7%
– unpainted galvanized steel products	**1,154,561**	**213,611**	**5,405**	1,184,024	229,840	5,152	–2.5%	–7.1%	4.9%
– painted galvanized steel products	**309,237**	**43,201**	**7,158**	247,885	40,750	6,083	24.8%	6.0%	17.7%
Total	**1,548,276**	**275,286**	**5,624**	1,497,537	286,940	5,219	3.4%	–4.1%	7.8%

Gross profit and gross profit margin

Gross profit of the Group amounted to RMB130,760,000 in 2018, representing a decrease of 19.0% from RMB161,478,000 in 2017. Gross profit margin decreased from 10.8% in 2017 to 8.4% in 2018. An analysis of the Group's gross profit, proportion of total gross profit and gross profit margin by products in 2018 and 2017 is as follows:

	Year ended 31 December					
	2018			2017		
	Gross profit	**Proportion**	**Gross profit margin**	Gross profit	Proportion	Gross profit margin
	RMB'000	**%**	**%**	*RMB'000*	%	%
Cold rolled steel products						
Hard steel coil	**5,294**	**4.0%**	**6.3%**	5,408	3.3%	8.2%
Hot-dip galvanized steel products	**125,466**	**96.0%**	**8.6%**	156,070	96.7%	10.9%
– unpainted galvanized steel products	**78,595**	**60.2%**	**6.8%**	114,435	71.0%	9.7%
– painted galvanized steel products	**46,871**	**35.8%**	**15.2%**	41,635	25.7%	16.8%
Total	**130,760**	**100.0%**	**8.4%**	161,478	100.0%	10.8%

An overall decrease in the gross profit margin of the Group was mainly due to an increase in purchase costs of raw materials as a result of an increase in domestic steel price.

Other income

Other income of the Group increased from RMB998,000 in 2017 to RMB4,094,000 in 2018. The increase was mainly attributable to an increase of government grants recognized from RMB305,000 in 2017 to RMB4,224,000 in 2018 which primarily include subsidies awarded in recognition of our (i) transformation and upgrade and (ii) invention and patents.

Selling expenses

Selling expenses of the Group decreased from RMB44,829,000 in 2017 to RMB39,871,000 in 2018. The decrease was mainly due to a reduction in transportation expenses of the Company.

Administrative expenses

Administrative expenses of the Group increased from RMB11,619,000 in 2017 to RMB15,824,000 in 2018. The increase was mainly due to increase in annual audit fee, consultancy services fee and staff costs.

Finance costs

Finance costs of the Group increased from RMB12,734,000 in 2017 to RMB15,139,000 in 2018. The increase was mainly due to the average balance of bank and other loans during the year ended 31 December 2018 was higher than that in 2017.

Profit before taxation

Profit before taxation of the Group decreased from RMB89,554,000 in 2017 to RMB44,655,000 in 2018.

Income tax

A tax credit of RMB6,266,000 was recorded in 2018, while a tax expense of RMB23,411,000 was recorded in 2017, due to the effect on deferred tax as a result of an operating subsidiary of the Company obtaining the status of High-tech Enterprise in November 2018 with applicable tax rate of 15%.

Profit for the year

Profit for the year of the Group decreased from RMB66,143,000 in 2017 to RMB50,921,000 in 2018. Net profit margin of the Group decreased from 4.4% in 2017 to 3.3% in 2018. 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 2018, was 8.5% (2017: 15.9%).

Liquidity and financial resources

As of 31 December 2018, the Group had RMB154,625,000 (2017: RMB41,302,000) cash at bank and on hand, primarily due to an increase following the receipt of proceeds from the initial public offering. As of 31 December 2018, restricted bank deposits, bank balances and cash with original maturity over three months of the Group was approximately RMB9,685,000 in aggregate (2017: RMB12,520,000), representing a decrease of 22.6% compared to 31 December 2017. The Board will ensure sufficient liquidity at any time to meet its matured liabilities.

Net current asset

The Group recorded net current assets of RMB311,804,000 as of 31 December 2018, representing an increase of 166.0% as compared with RMB117,205,000 as of 31 December 2017. The current ratio, calculated by dividing the current assets by current liabilities, was 1.4 as of 31 December 2018 (2017: 1.1). The increase in net current asset and current ratio was primarily due to the receipt of proceeds from the initial public offering of the Company.

Borrowings and pledge of assets

As of 31 December 2018, the Group had bank and other loans amounting to RMB286,000,000 (2017: RMB306,989,000), of which RMB31,000,000 was secured by the Group's property, plant and equipment and land use right. All borrowings shall be repayable within one year.

The Group's gearing ratio, calculated by dividing total borrowings which include all interest-bearing loans, amounts due to related parties and others under accrued expenses and other payables by total equity of the Group, was 0.5 and 0.9 at 31 December 2018 and 2017 respectively. The improvement in gearing ratio was mainly attributable to the increase in equity of the Group as a result of the initial public offering of the Company.

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 2018, 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 2018, approximately 93.1% of the Group's revenue was settled in Renminbi and approximately 6.9% 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 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.

Subsequent events

The Group did not have any significant subsequent events.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save for the reorganisation for the purpose of listing of the Company, the Group did not have material acquisitions and disposal of subsidiaries and associated companies for the year ended 31 December 2018.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had 483 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 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 (the "Prospectus") dated 31 October 2018, 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 2018, the Group had utilized the IPO Proceeds as set out in the table below:

	IPO Proceeds *RMB*	**Utilization in 2018** *RMB*	**Unutilized amount** *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

There was no change in the intended use of net proceeds as previously disclosed in the Prospectus.

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 period from the Listing Date to 31 December 2018.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities during the period from the Listing Date to 31 December 2018 and neither the Company nor any of its subsidiaries has purchased or, sold any of the Company's securities during the period from the Listing Date to 31 December 2018.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period from the Listing Date to 31 December 2018, the Company has applied the principles in the Code on Corporate Governance Practices (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, save and except for code provisions A.1.1 and C.3.3(e)(i).

Under the code provision A.1.1 of the CG Code, the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. The Company was only listed on the Listing Date and only one Board meeting was held during the period from the Listing Date to 31 December 2018. All Directors attended that meeting. Going forward, the Company will fully comply with the requirement under the code provision A.1.1 of the CG Code to convene at least four regular meetings each year at approximately quarterly intervals to discuss the Group's business development, operations and financial performance.

Under the code provision C.3.3(e)(i) of the CG Code, Audit Committee must meet, at least twice a year, with the auditor and the Company as stated in the terms of reference of the Audit Committee. During the period from Listing Date to 31 December 2018, the Audit Committee held only one meeting with the auditor and all members of the Audit Committee attended to discuss the audit scope of the financial statements for the year ended 31 December 2018. Going forward, the Audit Committee will fully comply with the requirement under the code provision C.3.3(e)(i) of the CG Code and its terms of reference.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee of the Company comprised three independent non-executive Directors, 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 2018 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 2018 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 Monday, 10 June 2019. 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 HK1.8 cents per share for the year ended 31 December 2018 to the shareholders whose names appear on the register of members of the Company on Tuesday, 18 June 2019. The final dividend, if approved by the shareholders of the Company at the AGM, will be payable on or around Tuesday, 9 July 2019.

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 Monday, 10 June 2019, the register of members of the Company will be closed from Tuesday, 4 June 2019 to Monday, 10 June 2019, 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 Monday, 3 June 2019.

(b) For the purpose of determining shareholders who qualify for the final dividend, the register of members of the Company will be closed from Friday, 14 June 2019 to Tuesday, 18 June 2019, 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 Thursday, 13 June 2019.

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 2018 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, 22 March 2019

As at the date of this announcement, the Board comprises five executive Directors, being Mr. Mei Zefeng, Ms. Liu Ping, Mr. Zhang Zhihong, Mr. Xu Chao and Ms. Lu Xiaoyu, and three independent non-executive Directors, being Mr. Li Yuen Fai Roger, Mr. Cao Baozhong and Mr. Yang Guang.