



KANGLI INTERNATIONAL HOLDINGS LIMITED
康利國際控股有限公司

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

2021

INTERIM REPORT

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Chung Yau Tong

AUDIT COMMITTEE

Mr. Li Yuen Fai Roger (*Chairman*)
Mr. Cao Baozhong
Mr. Yang Guang

REMUNERATION COMMITTEE

Mr. Cao Baozhong (*Chairman*)
Mr. Li Yuen Fai Roger
Mr. Yang Guang
Mr. Zhang Zhihong

NOMINATION COMMITTEE

Ms. Liu Ping (*Chairman*)
Mr. Li Yuen Fai Roger
Mr. Cao Baozhong
Mr. Yang Guang

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

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

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

PRINCIPLE PLACE OF BUSINESS IN HONG KONG

Suite 812, 8/F, Ocean Centre
Harbour City, 5 Canton Road
Tsim Sha Tsui, Kowloon, Hong Kong

AUDITOR

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

HONG KONG LEGAL ADVISER

Wan & Tang
23/F, Somptueux Central
52 Wellington Street, Central, Hong Kong

PRINCIPAL SHARE REGISTRAR

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

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE

www.jnppmm.com

LISTING INFORMATION

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2021 – unaudited
(Expressed in Renminbi (“RMB”))

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Revenue	4	992,642	625,226
Cost of sales		(868,061)	(577,425)
Gross profit	4(b)	124,581	47,801
Other income	5	137	3,717
Selling expenses		(29,858)	(21,984)
Administrative expenses		(9,552)	(9,303)
Impairment loss on trade receivables		(68)	(47)
Profit from operations		85,240	20,184
Finance costs	6(a)	(11,480)	(8,317)
Profit before taxation	6	73,760	11,867
Income tax	7	(9,366)	(1,304)
Profit attributable to equity shareholders of the Company for the period		64,394	10,563
Earnings per share			
Basic and diluted (RMB)	8	0.11	0.02

The notes on pages 8 to 22 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2021 – unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Profit for the period	64,394	10,563
Other comprehensive income for the period (after tax):		
Item that are or may be reclassified subsequently to profit or loss		
– Exchange differences on translation into presentation currency of the Group	(67)	116
Total comprehensive income attributable to equity shareholders of the Company for the period	64,327	10,679

The notes on pages 8 to 22 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2021 – unaudited
(Expressed in RMB)

	Note	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Non-current assets			
Property, plant and equipment	9	292,236	294,369
Current assets			
Inventories	10	483,490	433,169
Trade and bills receivables	11	712,931	685,303
Prepayments, deposits and other receivables	12	152,231	235,231
Cash at bank and on hand	13	274,874	243,545
		1,623,526	1,597,248
Current liabilities			
Trade and bills payables	14	559,592	588,231
Accrued expenses and other payables	15	39,093	12,359
Bank and other loans	16	507,935	511,150
Lease liabilities		1,971	16,678
Current taxation		39,912	39,637
		1,148,503	1,168,055
Net current assets		475,023	429,193
Total assets less current liabilities		767,259	723,562
Non-current liabilities			
Lease liabilities		28,544	28,201
Deferred tax liabilities	17	11,494	13,211
		40,038	41,412
NET ASSETS		727,221	682,150
CAPITAL AND RESERVES			
Share capital		534	534
Reserves		726,687	681,616
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		727,221	682,150

The notes on pages 8 to 22 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2021 – unaudited
(Expressed in RMB)

	Attributable to equity shareholders of the Company							Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	
Balance at 1 January 2020	534	192,182	180,000	107,021	14,734	(68)	120,308	614,711
Changes in equity for the six months ended 30 June 2020:								
Profit for the period	-	-	-	-	-	-	10,563	10,563
Other comprehensive income for the period	-	-	-	-	-	116	-	116
Total comprehensive income	-	-	-	-	-	116	10,563	10,679
Dividends approved in respect of the previous year (Note 18(a))	-	(4,344)	-	-	-	-	-	(4,344)
Balance at 30 June 2020 and 1 July 2020	534	187,838	180,000	107,021	14,734	48	130,871	621,046
Changes in equity for the six months ended 31 December 2020:								
Profit for the period	-	-	-	-	-	-	61,848	61,848
Other comprehensive income for the period	-	-	-	-	-	(744)	-	(744)
Total comprehensive income	-	-	-	-	-	(744)	61,848	61,104
Appropriation to reserve	-	-	-	-	7,481	-	(7,481)	-
Balance at 31 December 2020	534	187,838	180,000	107,021	22,215	(696)	185,238	682,150
Balance at 1 January 2021	534	187,838	180,000	107,021	22,215	(696)	185,238	682,150
Changes in equity for the six months ended 30 June 2021:								
Profit for the period	-	-	-	-	-	-	64,394	64,394
Other comprehensive income for the period	-	-	-	-	-	(67)	-	(67)
Total comprehensive income	-	-	-	-	-	(67)	64,394	64,327
Dividends approved in respect of the previous year (Note 18(a))	-	(19,256)	-	-	-	-	-	(19,256)
Balance at 30 June 2021	534	168,582	180,000	107,021	22,215	(763)	249,632	727,221

The notes on pages 8 to 22 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2021 – unaudited
(Expressed in RMB)

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Operating activities			
Cash generated from operations		68,181	37,218
Income tax paid		(10,808)	(9,158)
Net cash generated from operating activities		57,373	28,060
Investing activities			
Payments for purchase of property, plant and equipment		(19,798)	(5,935)
Proceeds from disposal of property, plant and equipment		21	38
Interest received		910	1,426
Net cash used in investing activities		(18,867)	(4,471)
Financing activities			
Proceeds from new bank and other loans		379,034	232,246
Repayment of bank and other loans		(382,249)	(217,769)
Capital element of lease rentals paid		(15,070)	(5,418)
Interest element of lease rentals paid		(29)	(49)
Net increase in amounts due to related parties		8,650	3,920
Interest paid		(10,745)	(7,741)
Net cash (used in)/generated from financing activities		(20,409)	5,189
Net increase in cash and cash equivalents		18,097	28,778
Cash and cash equivalents at the beginning of the period	13	158,495	130,616
Effect of foreign exchange rate changes		(748)	1,689
Cash and cash equivalents at the end of the period	13	175,844	161,083

The notes on pages 8 to 22 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

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

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the “IASB”). It was authorised for issue on 27 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The financial information relating to the financial year ended 31 December 2020 that is included in the interim financial report as comparative information does not constitute the Company’s annual consolidated financial statements for that financial year but is derived from those financial statements.

3 CHANGES IN ACCOUNTING POLICIES

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

- Amendment to IFRS 16, *Covid-19-related rent concessions*
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform – phase 2*

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

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products:		
– Sales of cold-rolled hard steel coil	47,385	35,124
– Sales of hot-dipped unpainted galvanised steel products	620,735	384,423
– Sales of hot-dipped painted galvanised steel products	324,522	205,679
	992,642	625,226

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

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting

The Group manages its businesses by products. 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 six months ended 30 June 2021 and 2020. Assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

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

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2021 and 2020 is set out below:

	30 June 2021			Total RMB'000
	Hard steel coil RMB'000	Unpainted galvanised steel products RMB'000	Painted galvanised steel products RMB'000	
Revenue from external customers recognised at a point in time	47,385	620,735	324,522	992,642
Reportable segment gross profit	3,663	68,582	52,336	124,581

	30 June 2020			Total RMB'000
	Hard steel coil RMB'000	Unpainted galvanised steel products RMB'000	Painted galvanised steel products RMB'000	
Revenue from external customers recognised at a point in time	35,124	384,423	205,679	625,226
Reportable segment gross profit	2,330	22,952	22,519	47,801

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(c) Geographic information

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
The People's Republic of China (the "PRC")	927,744	595,095
Thailand	58,056	16,898
South Korea	6,842	13,233
	992,642	625,226

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

5 OTHER INCOME

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Interest income	910	1,426
Net foreign exchange (loss)/gain	(908)	1,489
Government grants	27	783
Net loss on disposal of property, plant and equipment	(6)	(32)
Others	114	51
	137	3,717

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Interest on bank and other loans	10,745	7,741
Interest on lease liabilities	735	576
	11,480	8,317

6 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Salaries, wages and other benefits	23,242	19,668
Contributions to defined contribution retirement plan	1,503	275
	24,745	19,943

(c) Other items

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Depreciation and amortisation		
– owned property, plant and equipment	20,483	23,559
– right-of-use assets	1,421	917
Cost of inventories (Note 10(b))	868,061	577,425

7 INCOME TAX

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Current taxation		
PRC Corporate Income Tax:		
– Provision for the period	11,016	2,513
– (Over)/under-provision in respect of prior years	(62)	478
	10,954	2,991
Hong Kong Profits Tax:		
– Provision for the period	129	233
	11,083	3,224
Deferred taxation (Note 17)		
Reversal and origination of temporary differences	(1,717)	(1,920)
	9,366	1,304

7 INCOME TAX (CONTINUED)

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 2020/21 onwards. The profits tax rate for the first Hong Kong Dollar ("HK\$") 2,000,000 of profits will be taxed at 8.25%, and profits above that amount will be subject to a tax rate of 16.5%.
- (iii) The subsidiary of the Group established in the PRC (excluding Hong Kong) is subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2021 (six months ended 30 June 2020: 25%).
- (iv) The PRC Corporate Income Tax Law allows enterprises to apply for certificate of "High and New Technology Enterprise" ("HNTE"), which entitles the qualified enterprises to a preferential income tax rate of 15%, subject to fulfillment of the recognition criteria. The subsidiary of the Group established in the PRC was qualified as a HNTE and was entitled to the preferential tax rate of 15% for the three calendar years ended 31 December 2018, 2019 and 2020. The provision for PRC Corporate Income Tax for this subsidiary was calculated at the same basis in 2021.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2021 is calculated based on the profit attributable to the equity shareholders of the Company of RMB64,394,000 (six months ended 30 June 2020: RMB10,563,000) and the weighted average of 606,252,000 (six months ended 30 June 2020: 606,252,000) ordinary shares in issue during the interim period.

(b) Diluted earnings per share

There was no difference between basic and diluted earnings per share as the Company did not have any dilutive potential shares outstanding during the six months ended 30 June 2021 and 2020.

9 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2021, no addition to right-of-use assets was recognised (six months ended 30 June 2020: RMB746,000).

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2021, the Group acquired items of plant and machinery with a cost of RMB19,798,000 (six months ended 30 June 2020: RMB5,935,000). Items of plant and machinery with a net book value of RMB27,000 were disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB70,000).

10 INVENTORIES

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Raw materials and consumables	183,785	208,901
Finished goods	299,705	224,268
	483,490	433,169

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

	Six months ended 30 June 2021 RMB'000	2020 RMB'000
Carrying amounts of inventories sold	868,061	577,425

11 TRADE AND BILLS RECEIVABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Trade receivables, net of loss allowance	165,778	174,215
Bills receivables	547,153	511,088
	712,931	685,303

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

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

11 TRADE AND BILLS RECEIVABLES (CONTINUED)

(a) Ageing analysis

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Less than 1 month	132,867	139,943
1 to 3 months	32,495	33,816
3 to 6 months	173	81
Over 6 months	243	375
	165,778	174,215

(b) At 30 June 2021, the Group has discounted certain of the bank acceptance notes it received from customers at banks, and endorsed certain of the bank acceptance notes it received from customers to its suppliers and other creditors for settlement of the Group's trade and other payables on a full recourse basis. Upon the above discounting or endorsement, the Group has derecognised the bills receivables in their entirety. These derecognised bank acceptance notes have maturity dates of less than six months from the end of the reporting period. In the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these notes and has discharged its obligation of the payables to its suppliers and other creditors. The Group considered the issuing banks of these notes are of high credit standings and non-settlement of these notes by the issuing banks on maturity is highly unlikely. At 30 June 2021, the Group's maximum exposure to loss and undiscounted cash outflow should the issuing banks fail to settle the notes on maturity dates amounted to RMB109,069,000 (31 December 2020: RMB96,789,000).

(c) At 30 June 2021, bills receivables include bank acceptance notes discounted at banks or endorsed to suppliers with recourse totalling RMB289,271,000 (31 December 2020: RMB286,706,000). 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 RMB289,271,000 (31 December 2020: RMB286,706,000).

At 30 June 2021, bills receivables of the Group with carrying amount of RMB54,721,000 (31 December 2020: RMB52,161,000) were pledged as collaterals for bills issued by the Group (see Note 14).

12 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Advances to staff	736	1,169
Others	1,448	2,924
Financial assets measured at amortised cost	2,184	4,093
Prepayments and deposits:		
– Prepayments for purchase of raw materials	147,354	229,330
– Prepayments for utilities and other expenses	2,693	1,808
	150,047	231,138
	152,231	235,231

13 CASH AT BANK AND ON HAND

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Cash at bank	274,019	243,274
Cash on hand	855	271
Cash at bank and on hand included in the consolidated statement of financial position	274,874	243,545
Less: restricted deposits (Note (i))	99,030	85,050
Cash and cash equivalents included in the condensed consolidated cash flow statement	175,844	158,495

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

Note:

- (i) Restricted deposits represent deposits placed at banks as collaterals for bills issued by the Group (see Note 14).

14 TRADE AND BILLS PAYABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Trade and bills payables:		
– Trade payables	78,218	87,949
– Bills payables	467,297	485,578
	545,515	573,527
Contract liabilities:		
– Receipts in advance from customers	14,077	14,704
	559,592	588,231

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Within 3 months	262,467	293,393
Between 3 to 6 months	276,851	274,523
Over 6 months	6,197	5,611
	545,515	573,527

15 ACCRUED EXPENSES AND OTHER PAYABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Payables for other taxes	5,706	6,303
Payables for staff related costs	4,819	5,391
Dividends payables	19,256	–
Amounts due to related parties	8,961	311
Others	351	354
Financial liabilities measured at amortised cost	39,093	12,359

16 BANK AND OTHER LOANS

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Bank loans:		
– Secured by the Group's property, plant and equipment (Note (i))	38,000	68,000
– Secured by bills receivables	57,835	17,260
– Guaranteed by third parties	40,000	40,000
– Unsecured and unguaranteed	166,400	141,000
	302,235	266,260
Loans from other financial institutions:		
– Secured by bills receivables	205,700	244,890
	507,935	511,150

Note:

- (i) At 30 June 2021, the aggregate carrying amount of property, plant and equipment pledged as collaterals for the Group's short-term bank and other loans is RMB55,829,000 (31 December 2020: RMB57,053,000).

- (b) At 30 June 2021, the banking facilities of the Group amounted to RMB665,000,000 (31 December 2020: RMB625,000,000) were secured by the Group's property, plant and equipment, and/or guaranteed by third parties, or unsecured and unguaranteed. These facilities were utilised to the extent of RMB462,400,000 at 30 June 2021 (31 December 2020: RMB496,950,000).

17 DEFERRED TAX ASSETS AND LIABILITIES

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

Deferred tax arising from:	Assets		Liabilities		Net RMB'000
	Credit loss allowance RMB'000	Depreciation and finance costs arising from capitalisation of leases RMB'000	Accelerated tax allowance for depreciation expenses RMB'000	Retained profits to be distributed RMB'000	
At 1 January 2020	97	268	(15,791)	(1,063)	(16,489)
Credited/(charged) to the consolidated statement of profit or loss	40	161	4,154	(1,077)	3,278
At 31 December 2020	137	429	(11,637)	(2,140)	(13,211)
Credited to the consolidated statement of profit or loss (Note 7)	10	93	1,614	–	1,717
At 30 June 2021	147	522	(10,023)	(2,140)	(11,494)

18 DIVIDENDS

(a) Dividends

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

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: RMBNil).

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of HK\$0.038 per ordinary share (six months ended 30 June 2020: HK\$0.008 per ordinary share)	19,256	4,344

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of financial instruments carried at other than fair value

The carrying amounts of the financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2021 and 31 December 2020.

20 COMMITMENTS

Capital commitments outstanding at 30 June 2021 not provided for in the interim financial report:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Commitments in respect of property, plant and equipment:		
– Contracted for	47,387	29,155
– Authorised but not contracted for	32,136	54,950
	79,523	84,105

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

21 MATERIAL RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Sales of scrap materials (Note (i))	5,960	3,999
Operating lease expenses	48	48
Net increase in amounts due to related parties	8,650	3,920

Note:

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

22 IMPACTS OF COVID-19 PANDEMIC

The Covid-19 pandemic since early 2020 continues to bring uncertainties to the Group's operating environment and may impact the Group's operations and financial position.

Despite of the easing of the Covid-19 pandemic in Mainland China, the Group continues to closely monitor the possible impact of the Covid-19 pandemic has on the Group's businesses and keep contingency measures in place and under review in the case where the Covid-19 pandemic rebounds. The directors of the Company confirm that these contingency measures include but not limited to reassessing the fluctuation to the demand and selling prices 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 to ensure the Group 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 on extension of payment terms.

As far as the Group's businesses are concerned, the Covid-19 pandemic may impact the demand of the Group's steel products which in turn may result in the decrease in sales of such products and/or impact the scarcity of raw materials which in turn may result in the increase in purchase prices of raw materials, 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.

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

For the six months ended 30 June 2021, the Group recorded a revenue amounting to approximately RMB992,642,000, an increase of approximately RMB367,416,000 or approximately 58.8% compared with that of the corresponding period in 2020.

For the six months ended 30 June 2021, the sales volume of our cold rolled steel products and galvanized steel products totalled 147,811 tonnes, representing an increase of 30,113 tonnes or 25.6% compared with 117,698 tonnes for the corresponding period in 2020. In particular, the sales volume of our cold rolled steel products and galvanized steel products were 8,822 tonnes and 138,989 tonnes respectively, and among the latter, the sales volume of our unpainted galvanized steel products and painted galvanized steel products were 97,393 tonnes and 41,596 tonnes respectively, representing an increase of 20,510 tonnes for unpainted galvanized steel products and 9,035 tonnes for painted galvanized steel products as compared with the corresponding period in 2020.

During the first half of 2021, the robust market demand at the end of 2020 continued, contributing to the substantial growth in the sales volume of our products as compared with the corresponding period in 2020. Meanwhile, alongside the ongoing price rise in hot-rolled coils, which are one of our major raw materials, the selling prices of our products also went up, which in turn led to the substantial increase in our sales revenue. Robust market demand drove up the per-unit selling prices of our products considerably as compared with the corresponding period in 2020, which in turn contributed to the increase in our gross profit margin to 12.6% from 7.6% in the corresponding period in 2020. Facing the remarkable increase in raw material prices, we adopted effective measures and adjusted the inventory level of our raw materials in a timely manner, thereby effectively guarding ourselves against risks.

PROSPECTS

Our production capacity expansion project has commenced and is currently underway in an orderly manner as planned; construction of factories is in progress while procurement of relevant production equipment has been completed. We anticipate that the construction of factories can be completed by October 2021, at which point installation of production equipment can start. It is our goal that the new production line can be put to use as soon as possible.

The new factories will uplift our production capacity of painted galvanized steel products and in turn drive up the sales volume of these products. The new colour coating line adopts more advanced emission treatment installations that can effectively reduce the emission of hazardous gases for better environmental protection. At the same time, smart equipment will be extensively used in the new factories, including a slitting and cutting system that makes cutter replacements fully automatic, as well as 3D smart storage. The use of all these equipment will further uplift our production efficiency, enhance product quality, and reduce production costs.

In active response to China's policy of hitting peak emissions and attaining carbon neutrality by targeted timelines, we are in the process of introducing energy management system and planning to utilize 5G technology for real-time management of energy consumption at different production units, for more precise cost control as well as energy saving and emission reduction.

FINANCIAL REVIEW

Financial Performance Highlights

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Key financial information and performance ratios		
– Revenue	992,642	625,226
– Gross profit	124,581	47,801
– Gross profit margin	12.6%	7.6%
– Profit for the period	64,394	10,563
– Net profit margin	6.5%	1.7%
– Earnings per share	RMB0.11	RMB0.02

	At 30 June 2021 (unaudited)	At 31 December 2020 (audited)
	Key performance ratios	
– Current ratio	1.4	1.4
– Gearing ratio	0.7	0.7

Financial Results

Revenue

Revenue of the Group is primarily generated from the sales of hard steel coil and hot-dip galvanized steel products. For the six months ended 30 June 2021, the total revenue of the Group amounted to approximately RMB992,642,000, representing an increase of approximately 58.8% from approximately RMB625,226,000 for the six months ended 30 June 2020. The increase in the Group's revenue was primarily attributable to the increase in the sales volume and average selling prices of the Group's products. The overall sales volume for the six months ended 30 June 2021 was 147,811 tonne, representing an increase of 25.6% when compared to that in the same period in the previous year. The overall average selling price of our products for the current period recorded an increase of 26.4% when compared to that in the same period in the previous year.

An analysis of the Group's revenue, sales volume and average selling price by products in the six months ended 30 June 2021 and 2020 is as follows:

Six months ended 30 June

	2021			2020			Change		
	Revenue RMB'000	Sales volume tonnes	Average selling price RMB/tonne	Revenue RMB'000	Sales volume tonnes	Average selling price RMB/tonne	Revenue %	Sales volume %	Average selling price %
Cold rolled steel products									
Hard steel coil	47,385	8,822	5,371	35,124	8,254	4,255	+34.9%	+6.9%	+26.2%
Hot-dip galvanized steel products	945,257	138,989	6,801	590,102	109,444	5,392	+60.2%	+27.0%	+26.1%
– unpainted galvanized steel products	620,735	97,393	6,374	384,423	76,883	5,000	+61.5%	+26.7%	+27.5%
– painted galvanized steel products	324,522	41,596	7,802	205,679	32,561	6,317	+57.8%	+27.7%	+23.5%
Total	992,642	147,811	6,716	625,226	117,698	5,312	+58.8%	+25.6%	+26.4%

Gross profit and gross profit margin

For the six months ended 30 June 2021, gross profit of the Group amounted to approximately RMB124,581,000 (six months ended 30 June 2020: approximately RMB47,801,000). The overall gross profit margin increased from 7.6% in 2020 to 12.6% in 2021. An analysis of the Group's gross profit, proportion of total gross profit and gross profit margin by products in the six months ended 30 June 2021 and 2020 is as follows:

Six months ended 30 June

	2021		2020	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Cold rolled steel products				
Hard steel coil	3,663	7.7%	2,330	6.6%
Hot-dip galvanized steel products	120,918	12.8%	45,471	7.7%
– unpainted galvanized steel products	68,582	11.0%	22,952	6.0%
– painted galvanized steel products	52,336	16.1%	22,519	10.9%
Total	124,581	12.6%	47,801	7.6%

An increase in the overall gross profit margin of the Group was mainly due to the combined effect of increase of average selling prices of our products and effective cost management on the raw materials during the current period.

Other income

Other income of the Group amounted to approximately RMB137,000 for the six months ended 30 June 2021, representing a decrease of RMB3,580,000 from approximately RMB3,717,000 in the corresponding period in 2020. The decrease was mainly attributable to decrease in bank interest income and foreign exchange gain.

Selling and distribution expenses

Selling and distribution expenses of the Group increased from approximately RMB21,984,000 in the six months ended 30 June 2020 to approximately RMB29,858,000 in the corresponding period in 2021. The increase was mainly due to the increase in transportation expenses as a result of increase in sales volumes.

Administrative expenses

Administrative expenses of the Group for the six months ended 30 June 2021 amounted to approximately RMB9,552,000 which is comparable to that of approximately RMB9,303,000 in the corresponding period in 2020.

Finance costs

Finance costs of the Group increased from approximately RMB8,317,000 in the six months ended 30 June 2020 to approximately RMB11,480,000 in the corresponding period in 2021. The increase was mainly due to the increase in interest on discounted bills.

Profit before taxation

Profit before taxation of the Group increased significantly from approximately RMB11,867,000 in the six months ended 30 June 2020 to approximately RMB73,760,000 in the corresponding period in 2021.

Income tax

Income tax expenses of the Group increased from approximately RMB1,304,000 in the six months ended 30 June 2020 to approximately RMB9,366,000 in the six months ended 30 June 2021. A subsidiary of the Company in the PRC was entitled to the preferential income tax rate of 15% from 2018 to 2020 as it obtained the status of High and New Technology Enterprise (“HNTE”) from relevant tax authority at the end of 2018. The status of HNTE is being renewed at the moment and the provision for PRC Corporate Income Tax for this subsidiary was calculated at the same basis for the current period.

Profit for the period

As a result of the foregoing, the profit of the Group for the period increased from approximately RMB10,563,000 for the six months ended 30 June 2020 to approximately RMB64,394,000 for the corresponding period in 2021. The net profit margin of the Group for the six months ended 30 June 2021 amounted to approximately 6.5% (six months ended 30 June 2020: approximately 1.7%).

Liquidity and financial resources

As at 30 June 2021, the Group had cash at bank and on hand of approximately RMB274,874,000 (31 December 2020: approximately RMB243,545,000). As at 30 June 2021, the restricted bank deposits placed at banks as collaterals for bills issued by the Group amounted to approximately RMB99,030,000 in aggregate, comparable to approximately RMB85,050,000 as at 31 December 2020. The Board will ensure sufficient liquidity at any time to meet its matured liabilities.

Net current asset

The Group recorded net current assets of approximately RMB475,023,000 as at 30 June 2021 (31 December 2020: approximately RMB429,193,000). The current ratio, calculated by dividing the current assets by current liabilities, was approximately 1.4 as at 30 June 2021 (31 December 2020: approximately 1.4).

Borrowings and pledge of assets

As at 30 June 2021, the Group had bank and other loans amounted to approximately RMB507,935,000 (31 December 2020: approximately RMB511,150,000), of which approximately RMB38,000,000 was secured by the Group’s property, plant and equipment, and approximately RMB263,535,000 was secured by bills receivables. All borrowings shall be repayable within one year.

The Group’s gearing ratio, calculated by dividing total borrowing which includes all interest-bearing loans and amounts due to related parties under accrued expenses and other payables by total equity of the Group, as at 30 June 2021 was approximately 0.7 (31 December 2020: approximately 0.7).

Capital structure

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

Contingent liabilities

As at 30 June 2021, the Group did not have any material contingent liabilities.

Financial risks

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

– Foreign currency risk

Most of the Group's businesses are settled in Renminbi. However, the Group's sales to overseas customers are settled in foreign currencies. For the first half of 2021, approximately 93.5% of the Group's revenue was settled in Renminbi and approximately 6.5% was settled in foreign currencies.

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

– Interest rate risk

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

– Credit risk

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had approximately 499 employees, including executive Directors. The employees' salaries are reviewed and adjusted annually based on their performance and experience. The Group's employee benefits include performance bonus, medical insurance, mandatory provident fund scheme, local municipal government retirement scheme and education subsidy to encourage continuous professional development of staff.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group did not have material acquisitions and disposal of subsidiaries and associated companies for the six months ended 30 June 2021.

FUTURE PLANS FOR SIGNIFICANT INVESTMENTS AND CAPITAL ASSETS

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

INTERIM DIVIDEND

The Board of the Company did not recommend to declare any interim dividend for the six months ended 30 June 2021.

SUBSEQUENT EVENTS AFTER 30 JUNE 2021

There were no major subsequent events since 30 June 2021 and up to the date of this interim report.

ADDITIONAL INFORMATION

REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2021 has been reviewed by the Audit Committee of the Company. The Audit Committee was satisfied that the Group’s unaudited interim financial statements were prepared in accordance with applicable accounting standards and fairly present the Group’s financial position and results for the current period and that adequate disclosures had been made.

USE OF NET PROCEEDS FROM LISTING

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

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

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

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

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

Additional Information

As at 30 June 2021, the Group had utilized the IPO Proceeds as set out in the table below:

	IPO Proceeds RMB'000	Utilized up to 31 December 2019 RMB'000	Revised allocation for lands acquisition RMB'000	Utilized during the year ended 31 December 2020 RMB'000	Revised allocation for colour coating line RMB'000	Utilized during the period from 1 January 2021 to 30 June 2021 RMB'000	Unutilized balance as at 30 June 2021 RMB'000	Intended timetable for use of the unutilized proceeds
To expand the production capacity of the hot-dip galvanization line	97,683	-	(18,490)	-	(29,500)	(8,150)	41,543	By/before 31 December 2021
To expand the production capacity of the colour coating line	-	-	-	-	29,500	(8,850)	20,650	By/before 31 December 2021
To acquire lands to accommodate the new production line	-	-	18,490	(1,000)	-	(17,490)	-	Not applicable
To repay a bank loan due for repayment in December 2018	3,964	(3,964)	-	-	-	-	-	Not applicable
To repay outstanding loans	5,439	(5,439)	-	-	-	-	-	Not applicable
Total	107,086	(9,403)	-	(1,000)	-	(34,490)	62,193	

The unutilized balance of the net proceeds was placed with banks as at 30 June 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

In the opinion of the Board of the Company, throughout the six months ended 30 June 2021, the Company has complied with the code provisions set out in the Corporate Governance Code under Appendix 14 to the Rules Governing the Securities Listing on the Stock Exchange (the "Listing Rules").

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities during the six months ended 30 June 2021. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the six months ended 30 June 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules (the “Model Code”) to regulate the dealings of Directors of the Company in the Group’s securities. Upon specific enquiries made by the Company, all Directors have confirmed their compliance with the Model Code during the six months ended 30 June 2021.

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

At 30 June 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), which were required (a) to be notified to the Company and The Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be and were entered in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, were as follows:

Interests in Shares and Underlying Shares of the Company

Name of Director	Capacity/Nature of Interest	Number of Shares (Note 1)	Approximate percentage of interest in the Company (Note 2)
Mr. Mei Zefeng (Note 3)	Interest of controlled corporation	343,220,000 (L)	56.61%
	Interest of spouse	85,500,000 (L)	14.10%
Ms. Liu Ping (Note 4)	Interest of controlled corporation	85,500,000 (L)	14.10%
	Interest of spouse	343,220,000 (L)	56.61%

Notes:

- (1) The Letter “L” denotes long position in the Company’s shares.
- (2) The percentage is calculated based on the total number of issued shares as at 30 June 2021.
- (3) Mr. Mei Zefeng, being the sole director of Newrich Limited, is the sole shareholder of Newrich Limited which holds 343,220,000 shares. Therefore, Mr. Mei Zefeng is deemed to be interested in Newrich Limited’s interest in the Company’s shares pursuant to the SFO. In addition, Mr. Mei Zefeng is the spouse of Ms. Liu Ping. Therefore, Mr. Mei Zefeng is deemed to be interested in Ms. Liu Ping’s interest in the Company’s shares pursuant to the SFO.
- (4) Ms. Liu Ping, being the sole director of Star Century Corporate Limited, is the sole shareholder of Star Century Corporate Limited which holds 85,500,000 shares. Therefore, Ms. Liu Ping is deemed to be interested in Star Century Corporate Limited’s interest in the Company’s shares pursuant to the SFO. In addition, Ms. Liu Ping is the spouse of Mr. Mei Zefeng. Therefore, Ms. Liu Ping is deemed to be interested in Mr. Mei Zefeng’s interest in the Company’s shares pursuant to the SFO.

Save as disclosed above, as at 30 June 2021, so far as was known to the Directors and chief executives of the Company, none of the Directors and the chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES

As at 30 June 2021, to the best knowledge of the Directors, the following interests and short position of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Capacity/Nature of Interest	Number of Shares (Note 1)	Approximate percentage of interest in the Company (Note 2)
Mr. Mei Zefeng	Interest of controlled corporation	343,220,000 (L)	56.61%
	Interest of spouse	85,500,000 (L)	14.10%
Ms. Liu Ping	Interest of controlled corporation	85,500,000 (L)	14.10%
	Interest of spouse	343,220,000 (L)	56.61%
Newrich Limited	Beneficial owner	343,220,000 (L)	56.61%
Star Century Corporate Limited	Beneficial owner	85,500,000 (L)	14.10%
江蘇常州經濟開發管理委員會 (Note 3)	Interest of controlled corporation	59,000,000 (L)	9.73%
常州東方新城建設有限公司 (Note 3)	Interest of controlled corporation	59,000,000 (L)	9.73%
常州東方水務投資發展有限公司 (Note 3)	Interest of controlled corporation	59,000,000 (L)	9.73%
香港東方控股實業有限公司 (Note 3)	Beneficial owner	59,000,000 (L)	9.73%

Notes:

- (1) The Letter "L" denotes long position in the Company's shares.
- (2) The percentage is calculated based on the total number of issued shares as at 30 June 2021.
- (3) 香港東方控股實業有限公司 holds 59,000,000 shares of the Company. 江蘇常州經濟開發管理委員會 holds 100% of the issued shares of 常州東方新城建設有限公司, which holds 100% of the issued shares of 常州東方水務投資發展有限公司, which holds 100% of the issued shares of 香港東方控股實業有限公司. Therefore, each of 江蘇常州經濟開發管理委員會, 常州東方新城建設有限公司 and 常州東方水務投資發展有限公司 is deemed to be interested in same number of shares in which 香港東方控股實業有限公司 is interested under the SFO.

Save as disclosed above, as at 30 June 2021, the Directors have not been notified by any persons who had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company pursuant to Division 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTIONS

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

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

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

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

As at 30 June 2021, there was no options outstanding, granted, cancelled, exercised or lapsed.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this interim report, at no time during the six months ended 30 June 2021 was the Company, its holding company, fellow subsidiaries or subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate or had exercised any such right.

PARTICULARS OF THE DIRECTORS' SERVICE CONTRACTS

As at 30 June 2021, none of the Directors had entered or was proposing to enter into a service contract with the Company or any member of the Group which is not terminable within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the six months ended 30 June 2021, none of our Directors or their respective close associates (other than members of our Group) has any interest in a business, apart from the business of our Group, which competes or likely compete, either directly or indirectly, with the business of the Group which would require disclosure under Rule 8.10 of the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section "Connected Transactions and Continuing Connected Transactions" in the Report of the Directors of the Company's 2020 annual report, neither the Directors nor any entity connected with the Directors had a material interests, whether directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the six months ended 30 June 2021.

CHANGE IN INFORMATION IN RESPECT OF DIRECTORS

During the six months ended 30 June 2021, there was no change in the information of the Directors that required to be disclosed pursuant to Rule 13.51(B)(1) of the Listing Rules.

By Order of the Board
KangLi International Holdings Limited

Liu Ping
Chairman

Hong Kong, 27 August 2021