

TARGET

Intelligence Report

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S A T U R D A Y

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KANGLI INTERNATIONAL HOLDINGS LTD: PANDEMIC AND GEOPOLITICAL CONCERNS SHALL CONTINUE TO HAMPER MANAGEMENT

The '**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**' of KangLi International Holdings Ltd (康利國際控股有限公司) (Code: 6890, Main Board, The Stock Exchange of Hongkong Ltd) in respect of the six months, ended June 30, 2022, could well be described as a near disaster area.

Without further ado, the following table seems to say it all:

	For The Six Months, Ended June 30		Percentage Increase/(Decrease)*
	2022	2021	
	All Figures Are Denominated In Renminbi (RMB)'000 (except where otherwise stipulated)		
Revenue	764,715	992,642	(22.96)
Gross Profit	34,401	124,581	(72.39)
Gross Profit Margin*	4.50 percent	12.55 percent	(64.14)
Other Income ¹	5,015	137	3,560.58
Impairment Loss On Trade Receivables	(565)	(68)	730.88
Profit From Operations	3,615	85,240	(95.76)
Profit/(Loss) Before Taxation	(7,895)	73,760	(110.70)
Net Loss Attributable To Shareholders Of The Company	(5,144)	64,394	(107.99)
Earnings/(Loss) Per Share	(0.01)	0.11	(109.09)

* These are **TARGET**'s calculations.

¹ '*Other Income*' refers to Note Five to the Notes of the Accounts of the Company, found at Page 12 of the 2022 Interim Report, to wit:

‘OTHER INCOME’, amongst other things, where **‘Net foreign exchange gain/(loss)’**, in respect of the six months, ended June 30, 2022, came in at RMB4,940,000.00 (2021: [RMB908,000.00]).

At Page Five of the 2022 Interim Report, it was shown that, as at June 30, 2022, the Net Assets Attributable to Shareholders of the Company (Shareholders’ Funds) stood at RMB731,004,000.00, being a 3.97-percent decrease, compared with the December 31, 2021 figure of RMB761,224,000.00.

The Business Of KangLi International Holdings Ltd

The Business of KangLi International Holdings Ltd was described at Page 22 of the 2022 Interim Report as follows:

‘BUSINESS REVIEW

‘The Group is a leading midstream galvanized steel products manufacturer in the home appliance sector in Jiangsu Province, the PRC (The People’s Republic of China). 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...

‘The successive outbreaks of COVID-19 in different cities including Shanghai, Suzhou, Wuxi and Changzhou in early 2022, especially the outbreak in Shanghai, cast tremendous impacts on the economy to the peripheral regions as well as China as a whole...

‘Since COVID-19 came into existence, the home appliance market started to undergo exponential growth in the second half of year 2020, which trend extended to the first half of 2021. Such prematurity has resulted in the weakened demand at present days, with severe drop in the overall demand in the home appliance sector. In the first half of 2022, the drop in demand was remarkable across white goods, kitchen appliances, small appliances and so forth. Meanwhile, consumption further became weaker in face of the COVID-19 pandemic.

‘Under the drop in demand, the Group’s production capacity was not utilized to the fullest possible extent, leading to a higher share of fixed costs and in turn an increase in production costs. This is also one of the main reasons for the drop of the Group’s performance in the first half of 2022.’

At Page Nine of the 2022 Interim Report, one was informed, in some detail, as to the Company’s Revenue in respect of the six months, ended June 30:

Revenue From Contracts With Customers Within The Scope Of IFRS ¹ 15. ‘Disaggregated By Major Products’	For The Six Months, Ended June 30		Percentage Increase/(Decrease)*
	2022	2021	
	All Figures Are Denominated In RMB’000		
Sales Of Cold-Rolled Hard Steel Coil	38,768	47,385	(18.19)
Sales Of Hot-Dipped Unpainted Galvanised Steel Products	435,789	620,735	(29.79)
Sales Of Hot-Dipped Painted Galvanised Steel Products	290,158	324,522	(10.59)
TOTAL	764,715	992,642	(22.96)

* These are **TARGET**'s calculations.

¹ **IFRS**: International Financial Reporting Standards.

At Page 12 of the 2022 Interim Report, the two largest customers of the Company were identified, the largest, single customer of KangLi International Holdings Ltd, being corporate entities, domiciled in the PRC, followed by the second-largest, being The Kingdom of Thailand.

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