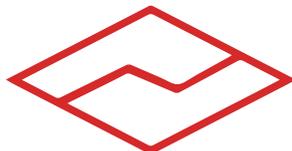


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## **MAIKE TUBE INDUSTRY HOLDINGS LIMITED**

**( 迈科管业控股有限公司 )**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1553)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The Board (the “**Board**”) of Directors (the “**Directors**”) of Maike Tube Industry Holdings Limited (the “**Company**”) announced the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2021 together with the comparative figures for the corresponding period of 2020 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

		<b>Six months ended</b>	
		<b>30 June</b>	
	<i>Notes</i>	<b>2021</b>	2020
		<b><i>RMB'000</i></b>	<i>RMB'000</i>
		<b>(unaudited)</b>	(unaudited)
Revenue	3	<b>751,771</b>	538,360
Cost of sales		<b>(613,445)</b>	(413,049)
Gross profit		<b>138,326</b>	125,311
Other income	4	<b>21,514</b>	1,863
Other gains and losses	4	<b>4,486</b>	5,027
Distribution and selling expenses		<b>(44,305)</b>	(32,762)
Administrative expenses		<b>(21,517)</b>	(17,685)
Research and development costs		<b>(27,061)</b>	(23,007)
Impairment losses under expected credit loss model, net of reversal	5	<b>1,471</b>	(47)
Finance costs	6	<b>(2,603)</b>	(3,165)
Profit before taxation	7	<b>70,311</b>	55,535
Taxation charge	8	<b>(7,533)</b>	(3,638)
Profit for the period		<b>62,778</b>	51,897
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operation		<b>(1,066)</b>	375
Total comprehensive income for the period		<b>61,712</b>	52,272
Profit (loss) for the period attributable to:			
Owners of the Company		<b>62,861</b>	51,897
Non-controlling interests		<b>(83)</b>	—
		<b>62,778</b>	51,897
Total comprehensive income (expense) for the period attributable to:			
— Owners of the Company		<b>62,065</b>	52,272
— Non-controlling interests		<b>(353)</b>	—
		<b>61,712</b>	52,272
Earnings per share			
— Basic ( <i>RMB yuan</i> )	10	<b>0.145</b>	0.120

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 30 JUNE 2021*

		<b>30 June</b>	31 December
		<b>2021</b>	2020
	<i>Notes</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment	<i>11</i>	<b>250,153</b>	237,418
Deferred tax assets		<b>1,239</b>	1,536
Deposits for property, plant and equipment		<b>56,279</b>	4,710
		<b>307,671</b>	243,664
<b>Current assets</b>			
Inventories		<b>308,194</b>	211,076
Trade receivables	<i>12</i>	<b>255,210</b>	203,724
Trade receivables backed by bills	<i>13</i>	<b>8,987</b>	27,860
Contract assets	<i>14</i>	<b>21,143</b>	18,644
Tax recoverable		<b>4,889</b>	4,240
Deposits, prepayments and other receivables		<b>139,670</b>	88,217
Amounts due from related parties	<i>15</i>	<b>5,513</b>	5,825
Financial assets at fair value through profit or loss (“FVTPL”)		—	88,415
Pledged bank deposits		<b>5,639</b>	19,726
Bank balances and cash		<b>106,651</b>	87,254
		<b>855,896</b>	754,981
<b>Current liabilities</b>			
Trade and bill payables	<i>16</i>	<b>56,345</b>	72,091
Contract liabilities		<b>34,486</b>	46,640
Derivative financial instruments		<b>101</b>	306
Refund liabilities		<b>5,279</b>	10,120
Other payables and accrued charges	<i>17</i>	<b>59,545</b>	44,229
Amounts due to related parties	<i>15</i>	<b>664</b>	764
Provisions		<b>486</b>	1,401
Tax liabilities		<b>14</b>	85
Borrowings	<i>18</i>	<b>174,190</b>	64,078
Lease liabilities		<b>2,886</b>	814
Dividend payables		<b>43,316</b>	—
		<b>377,312</b>	240,528

		<b>30 June</b>	31 December
		<b>2021</b>	2020
	<i>Notes</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>Net current assets</b>		<u><b>478,584</b></u>	<u>514,453</u>
<b>Total assets less current liabilities</b>		<u><b>786,255</b></u>	<u>758,117</u>
<b>Non-current liabilities</b>			
Lease liabilities		<b>3,175</b>	—
Deferred tax liabilities		<u><b>2,293</b></u>	<u>2,691</u>
		<u><b>5,468</b></u>	<u>2,691</u>
<b>Net assets</b>		<u><u><b>780,787</b></u></u>	<u><u>755,426</u></u>
<b>Capital and reserves</b>			
Share capital	<i>19</i>	<b>304</b>	304
Reserves		<u><b>773,871</b></u>	<u>755,122</u>
Attributable to owners of the Company		<b>774,175</b>	755,426
Non-controlling interests	<i>20</i>	<u><b>6,612</b></u>	<u>—</u>
<b>Total equity</b>		<u><u><b>780,787</b></u></u>	<u><u>755,426</u></u>

## NOTES

### 1. GENERAL AND BASIS OF PREPARATION

Maike Tube Industry Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands on 1 February 2019. Its shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 18 December 2019. The immediate holding company is Ying Stone Holdings Limited (“**Ying Stone**”), which was incorporated in the British Virgin Islands (the “**BVI**”) and entirely owned by Mr. Kong Linglei (孔令磊) (“**Mr. Kong**”). The addresses of the registered office and the principal place of business of the Company are P.O. BOX 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands and Meigui Zone of Industrial Park, Pingyin County, Jinan, Shandong Province, the PRC.

The Company is an investment holding company. The principal activities of its subsidiaries are mainly engaged in the manufacturing of steel pipe products and the prefabricated pipe nipple products. The Company and its subsidiaries are collectively referred as the “**Group**”.

The Group’s condensed consolidated financial statements are presented in Renminbi (“**RMB**”), which is the functional currency of the Company.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

#### **Application of amendments to HKFRSs**

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendments to HKFRS 9, HKAS 39 HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### 3. REVENUE AND SEGMENTAL INFORMATION

#### Revenue

Revenue represents the fair value of amounts received and receivable from the sales of goods provided by the Group to related companies/external customers, net of related taxes. The following is an analysis of the Group's revenue for the six months ended 30 June 2021:

	Six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<i>Recognised at a point in time:</i>		
Sales of pipe products:		
— ERW steel pipes	175,103	159,371
— Standard prefabricated pipe nipples	190,030	124,873
— Spiral Submerged Arc Welded steel pipes	141,153	107,999
— Customised steel pipes	102,706	85,372
— Design and supply assembled piping system	6,257	9,562
Trading of steel coils	136,522	51,183
	<u>751,771</u>	<u>538,360</u>

The Group's revenue are under fixed price arrangement with the customers. Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location and inspected by the customers or the goods have been loaded into shipper's trucks (delivery). Transportation and other related activities that occur before customers obtains control of the related good are considered as fulfilment activities. A receivable is recognised by the Group when the goods are delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The credit term is generally 15 to 360 days upon delivery.

#### Segmental information

The Group's operation is derived from the production and sales of pipe products in the PRC and Vietnam. For the purpose of resources allocation and performance assessment, the chief operating decision maker ("CODM") (i.e. the chief executive officer) reviews the overall results and financial position of the Group as a whole. Accordingly, no operating segment is presented.

### 3. REVENUE AND SEGMENTAL INFORMATION — CONTINUED

#### Geographical information

Information about the Group's revenue from external customers is presented based on the destination of goods in the sales orders/contracts.

	Revenue from external customers	
	Six months ended	
	30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
PRC	446,525	296,361
The United States of America ("US")	129,828	94,300
Other countries in America (excluding US)	47,763	38,434
Other countries in Asia (excluding PRC)	67,517	70,427
Europe	17,231	11,923
Others	42,907	26,915
	<u>751,771</u>	<u>538,360</u>

### 4. OTHER INCOME, GAINS AND LOSSES

	Six months ended	
	30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
<b>Other income</b>		
Government grant	21,284	1,642
Bank interest income	230	221
	<u>21,514</u>	<u>1,863</u>
<b>Other gains and losses</b>		
Gain on sales of scrap materials	6,108	2,620
Fair value gains on financial assets at FVTPL		
— structured bank deposits	639	1,058
— foreign currency forward contracts ( <i>note i</i> )	234	134
Fair value losses on derivative financial instruments ( <i>note ii</i> )	(1,407)	(118)
Gains on disposals of property, plant and equipment	—	3
Net exchange (losses) gains	(1,228)	697
Others	140	633
	<u>4,486</u>	<u>5,027</u>

#### 4. OTHER INCOME, GAINS AND LOSSES — CONTINUED

Notes:

- i. During the interim period, net gains (losses) on US\$ to RMB foreign currency forward contracts represented realised gains of RMB266,000 (six months ended 30 June 2020: realised gains of RMB37,000) and unrealised losses of RMB32,000 (six months ended 30 June 2020: unrealised gains of RMB97,000) on changes in fair value of foreign currency forward contracts.
- ii. During the interim period, amount represented net losses (gains) on commodity derivative contracts represented realised losses of RMB1,645,000 (six months ended 30 June 2020: realised gains of RMB83,000) and unrealised gains of RMB238,000 (six months ended 30 June 2020: unrealised losses of RMB201,000) arising on changes in fair value of commodity derivative contracts.

#### 5. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Impairment losses (reversed) recognised on:		
— trade receivables	(1,890)	187
— contract assets	419	(140)
	<u>(1,471)</u>	<u>47</u>

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

#### 6. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Finance costs represent interest on:		
— bank borrowings	2,525	3,132
— lease liabilities	78	33
	<u>2,603</u>	<u>3,165</u>

## 7. PROFIT BEFORE TAXATION

	Six months ended	
	30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	13,507	12,024
Less: capitalised in inventories	(10,744)	(9,227)
Total depreciation	2,763	2,797
Write-down of inventories (included in cost of inventories sold)	507	21

## 8. TAXATION CHARGE

	Six months ended	
	30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
PRC Enterprise Income Tax (“EIT”):		
Current period	7,139	8,889
Under (over) provision in prior periods	495	(5,244)
Deferred tax credit:	(101)	(7)
Taxation charge	7,533	3,638

## 9. DIVIDEND

During the current interim period, a final dividend of HK12 cents per share in respect of the year ended 31 December 2020 (2020: nil) was declared of the Company. The aggregate amount of the final dividend declared in the interim period amounted to HK\$52,056,000, equivalent to RMB43,316,000 (2020: nil).

Subsequent to the end of the current interim period, the Company has paid the proposed dividend.



## 12. TRADE RECEIVABLES

	<b>30 June 2021 <i>RMB'000</i> (unaudited)</b>	31 December 2020 <i>RMB'000</i> (audited)
Trade receivables	261,263	211,667
Less: allowance of impairment loss	<u>(6,053)</u>	<u>(7,943)</u>
Total trade receivables	<u><b>255,210</b></u>	<u>203,724</u>

The Group allows credit period of 15 to 360 days to its trade customers. The following is an ageing analysis of trade receivables, net of allowance for impairment loss, presented based on the invoice date at the end of each reporting period.

	<b>30 June 2021 <i>RMB'000</i> (unaudited)</b>	31 December 2020 <i>RMB'000</i> (audited)
0–60 days	162,834	97,376
61–180 days	66,239	70,279
181 days–1 year	23,962	27,694
Over 1 year	<u>2,175</u>	<u>8,375</u>
	<u><b>255,210</b></u>	<u>203,724</u>

## 13. TRADE RECEIVABLES BACKED BY BILLS

	<b>30 June 2021 <i>RMB'000</i> (unaudited)</b>	31 December 2020 <i>RMB'000</i> (audited)
Trade receivables backed by bills	<u><b>8,987</b></u>	<u>27,860</u>

### 13. TRADE RECEIVABLES BACKED BY BILLS — CONTINUED

For customers who used bank bills to settle their trade receivables upon the expiry of the initial credit period, the ageing analysis of trade receivables backed by bills at the end of each reporting period was based on the date of the Group's receipt of the bills from the customers.

	<b>30 June 2021</b>	31 December 2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(unaudited)</b>	(audited)
0–180 days	<b>1,263</b>	25,298
181 days–1 year	<b>7,724</b>	2,562
	<hr/> <b>8,987</b> <hr/>	<hr/> 27,860 <hr/>

As at 30 June 2021, the Group has pledged trade receivables backed by bills amounted to RMB5,640,000 (31 December 2020: RMB15,290,000) to secure general banking facilities granted to the Group.

### 14. CONTRACT ASSETS

	<b>30 June 2021</b>	31 December 2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(unaudited)</b>	(audited)
Retention receivables on sales of pipe products	<b>23,199</b>	20,281
Less: allowance for impairment loss	<b>(2,056)</b>	(1,637)
	<hr/> <b>21,143</b> <hr/>	<hr/> 18,644 <hr/>

## 15. AMOUNT(S) DUE FROM RELATED PARTIES/TO RELATED PARTIES

### Amounts due from related parties

Details of amounts due from related parties which are trade nature, unsecured, interest-free and repayable on demand are as follows:

	30 June 2021 <i>RMB'000</i> (unaudited)	31 December 2020 <i>RMB'000</i> (audited)
Meide Group Co., Ltd. (“Meide”) (note i)	3,983	4,214
Linyi Meide Gengchen Metal Material Co., Ltd. 臨沂玫德庚辰金屬材料有限公司 (“Linyi Meide Gengchen”) (note ii)	546	1,446
Meide Group Linyi Co., Ltd. 玫德集團臨沂有限公司 (“Linyi Meide”) (note ii)	512	28
Meide Group Weihai Co., Ltd. 玫德集團威海有限公司 (“Meide Weihai”) (note ii)	300	—
Jinan Mech Valve Technology Co., Ltd. 濟南邁克閥門科技有限公司 (“Mech Valve”) (note ii)	94	132
Jinan Mech Crafts Co., Ltd. 濟南邁克工藝品有限公司 (“Mech Crafts”) (note ii)	71	5
Jinan Kede Intelligent Technology Co., Ltd. 濟南科德智能科技有限公司 (“Kede Intelligent”) (note ii)	7	—
	<u>5,513</u>	<u>5,825</u>

#### Note:

- i. Meide is controlled by Mr. Kong.
- ii. Subsidiaries of Meide.

## 15. AMOUNT(S) DUE FROM RELATED PARTIES/TO RELATED PARTIES — CONTINUED

The Group allows credit period from 60–180 days to these related parties. The following is an ageing analysis of the trade nature amounts due from related parties based on the invoice date at the end of the reporting period.

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
0–60 days	4,874	4,628
61–180 days	639	1,102
181–360 days	—	95
	<u>5,513</u>	<u>5,825</u>

There is no overdue of amounts due from related parties as at the reporting period. The Group did not hold any collateral over these balances.

### Amounts due to related parties

Details of amounts due to a related party which are trade nature, unsecured, interest-free and repayable on demand are stated as follows:

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
Mech Valve	278	702
Meide Ayvaz Metal Products Co., Ltd. 玫德艾瓦茲（濟南）金屬制品有限公司 (“ <b>Ayvaz Metal</b> ”) (note)	208	6
Meide Archung (HeBi) Tube Co., Ltd. 玫德雅昌（鶴壁）管業有限公司 (“ <b>Meide Archung</b> ”) (note)	81	—
Siam Fittings Co., Ltd. 泰鋼管配件有限公司 (“ <b>Siam Fittings</b> ”) (note)	76	—
Meide	20	56
Linyi Meide	1	—
	<u>664</u>	<u>764</u>

*Note:* Subsidiaries of Meide.

## 15. AMOUNT(S) DUE FROM RELATED PARTIES/TO RELATED PARTIES — CONTINUED

The credit period on purchases of goods is 60 days. The following is an ageing analysis of amount due to a related party presented based on the invoice date at the end of the reporting period:

	<b>30 June 2021 <i>RMB'000</i> (unaudited)</b>	31 December 2020 <i>RMB'000</i> (audited)
0–60 days	456	764
61–180 days	<u>208</u>	<u>—</u>
	<b><u>664</u></b>	<b><u>764</u></b>

## 16. TRADE AND BILL PAYABLES

	<b>30 June 2021 <i>RMB'000</i> (unaudited)</b>	31 December 2020 <i>RMB'000</i> (audited)
Trade payables	51,830	47,650
Bill payables	<u>4,515</u>	<u>24,441</u>
	<b><u>56,345</u></b>	<b><u>72,091</u></b>

The following is an ageing analysis of bills payables at the end of the reporting period:

	<b>30 June 2021 <i>RMB'000</i> (unaudited)</b>	31 December 2020 <i>RMB'000</i> (audited)
0–180 days	<b><u>4,515</u></b>	<b><u>24,441</u></b>

## 16. TRADE AND BILL PAYABLES — CONTINUED

The average credit period on purchases of goods is 30 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
0–30 days	18,256	27,587
31–60 days	6,969	6,281
61–120 days	5,103	2,165
121–180 days	10,711	2,428
181–360 days	6,242	3,729
Over 360 days	4,549	5,460
	<u>51,830</u>	<u>47,650</u>

## 17. OTHER PAYABLES AND ACCRUED CHARGES

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
Staff costs payable	15,449	10,224
Accrued charges	8,908	6,941
Other tax payable	9,176	13,938
Guarantee receipts from staff on trade receivables ( <i>note</i> )	7,366	5,571
Government grant received	2,714	2,817
Deposits received from suppliers	8,689	573
Transportation cost payable	5,580	2,624
Agency fee payable	1,663	1,541
	<u>59,545</u>	<u>44,229</u>

*Note:* The amounts received by the Group represented guarantee on certain trade receivables provided by relevant sales staff of the Group. Once the trade receivables are considered non-recoverable, the related guarantee receipts from sales staff would not be payable to sales staff accordingly.

## 18. BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to RMB165,000,000 (30 June 2020: RMB74,000,000). The loans carry interest at fixed market rates ranging from 3.85% to 4.35% per annum. The proceeds were used to finance the acquisition of raw material.

## 19. SHARE CAPITAL

	Number of shares	Amount <i>US\$</i>	<i>US\$'000</i>	Equivalent amount to <i>RMB'000</i>
Ordinary Shares of US\$0.0001 each				
Authorised:				
At 1 January 2020 (audited), 30 June 2020 (unaudited), 1 January 2021 (audited) and 30 June 2021 (unaudited)	<u>5,000,000,000</u>	<u>500,000</u>	<u>500</u>	<u>3,486</u>
Issued and fully paid				
At 1 January 2020 (audited), 30 June 2020 (unaudited), 1 January 2021 (audited) and 30 June 2021 (unaudited)	<u>433,800,000</u>	<u>43,380</u>	<u>44</u>	<u>304</u>

## 20. NON-CONTROLLING INTERESTS

	Share of net assets of a subsidiary <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2021	—	—
Share of loss for the period	(83)	(83)
Other comprehensive expense for the period	(270)	(270)
Non-controlling interests arising on the incorporation of a subsidiary	<u>6,965</u>	<u>6,965</u>
At 30 June 2021	<u>6,612</u>	<u>6,612</u>

In November 2020, the Group entered into an investment agreement with JJ Fittings Limited (“**JJ Fitting**”) and The Essence Electrical Products Co. Limited (“**Essence Electrical**”), to set up Delta Electric (Thailand) Co., Ltd (“**Delta Electric**”). The registered capital of Delta Electric was in the form of cash, with THB110,000,000 (equivalent to approximately RMB24,420,000) which will be paid within 90 days after signed the agreement. The interest of the Group, JJ Fitting and Essence Electrical in Delta Electric was 71%, 19% and 10% respectively. At the end of current interim period, the registered capital was fully paid.

## 21. CAPITAL COMMITMENTS

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
— acquisition of property, plant and equipment	<u>65,240</u>	<u>1,827</u>

## 22. PLEDGE OF ASSETS

At the end of the reporting period, the Group has pledged the following assets to secure the general banking facilities granted to the Group:

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
Property, plant and equipment	70,157	56,694
Right-of-use assets	42,968	43,474
Pledged bank deposits	5,639	19,726
Trade receivables backed by bills	<u>5,640</u>	<u>15,290</u>
	<u>124,404</u>	<u>135,184</u>

## 23. RELATED PARTY TRANSACTIONS

During the interim period, other than those disclosed in elsewhere in the condensed consolidated financial statements, the Group had the following significant transactions with related companies:

### a) Transactions

Name of relate company	Nature of transactions	Six months ended	
		2021	2020
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Meide	Sales of pipe products	17,544	11,773
	Sales of scrap materials	11,780	7,502
	Purchase of inventories	97	190
Linyi Meide Gengchen	Sales of pipe products	1,164	5
Linyi Meide	Sales of pipe products	470	20
Meiyuan Renewable Resources Co., Ltd. 山東玫源再生資源有限公司 ("Meiyuan Renewable") (note i)	Sales of pipe products	—	134
Mech Valve	Sales of pipe products	63	—
	Purchase of inventories	425	—
Mech Crafts	Sales of pipe products	113	—
Kede Intelligent	Sales of pipe products	10	—
Meide Weihai	Sales of pipe products	265	—
Ayvaz Metal	Purchase of inventories	179	—
Meide Archung	Sales of pipe products	8	—
Siam Fittings	Interest expenses on lease liabilities	64	—
	Lease liabilities (note ii)	5,686	—

The above transactions were transacted at prices agreed between the parties.

#### Notes:

- i Subsidiaries of Meide.
- ii During the six months ended 30 June 2021, the Group entered into a new lease agreements for the use of buildings with Siam Fittings for 2 years and 9 months. The Group has recognized an addition of right-of-use assets and lease liabilities of RMB6,338,000 and RMB6,338,000 respectively.

## 23. RELATED PARTY TRANSACTIONS — CONTINUED

### b) Compensation of key management personnel

The remuneration of Directors and other members of key management during the period were as follows:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Salaries and other benefits	1,720	869
Discretionary bonus	674	2,028
Contributions to retirement benefit schemes	91	89
	<u>2,485</u>	<u>2,986</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group primarily engages in (i) the manufacturing and sales of standard prefabricated pipe nipple products; (ii) the manufacturing and sales of steel pipe products; and (iii) the design and supply of assembled piping systems. The Group also conducted sales of steel coils that were procured from its suppliers.

The standard prefabricated pipe nipple products of the Group are used in pipe system to connect straight pipes or pipe sections, which can be adjusted to different sizes or shapes. Standard prefabricated pipe nipple products and steel pipes products feature different specifications, such as length, outside diameter and surface treatment, which cater for various needs of the Group's customers and comply with international standards. We directly or indirectly sold most of our standard prefabricated pipe nipple products and customized steel pipe products to overseas markets. Our welded steel pipe products are roughly classified into standard ERW steel pipes and SSAW steel pipes. Our Group has received certifications in quality control including, among other things, the ISO9001 certification, ISO14001 certification and OHSAS18001 certification. Our products are widely applied in the municipal pipeline system designed for natural gas, water supply, sewage, HVAC and fire extinguish water pipes. Leveraging our industry knowledge and expertise, we also design and supply assembled piping system for our customers. Customers would seek technical advice or suggestions on the design and/or engineering solutions for their desired assembled piping systems through building information modeling and three-dimension design system to minimise wastage of material and improve efficiency, thus reducing production costs.

During the reporting period, there was occurrence of the COVID-19 pandemic, the cancellation of export tax rebate for some steel products, the appreciation in exchange rate of USD to RMB, increased price of main raw materials. The combination of such factors posed negative impacts on the Group's performance and business operation to some extent, as well as the implementation of business strategies. Despite the impact of the foregoing factors, the Company has made every effort to address various challenges under the Board's leadership, and explored potential markets through multiple means. For the six months ended 30 June 2021, the Group recorded a revenue of approximately RMB751.8 million, representing a year-on-year increase of 39.6%, and achieved an accumulative net profit of approximately RMB62.8 million, representing a year-on-year increase of 21.0%.

## **PRODUCTION EXPANSION**

The Group pushed forward the implementation of the project to update the SSAW steel pipe production line and to build an ancillary building.

As of 30 June 2021, the Company had invested RMB51.0 million in the project, accounting for approximately 60% of the target investment amount. It is expected that commercial operation of the increased production capacity for SSAW steel pipes will commence in the fourth quarter of 2021, and that may further improve the delivery capabilities of the Group.

Through the cooperation with two joint venture partners in November 2020, the project of establishing a production base of connector for power pipelines in Thailand commenced. As of 30 June 2021, the Company has made investments contribution of RMB17.2 million to the project. It is expected to achieve the production capacity of 3,000 tons per year. The first batch of products of 16.8 tons produced by our newly established subsidiary had been delivered to our customers as at 30 June 2021.

## **NEW ORDERS**

For the six months ended 30 June 2021, the Group received new orders for approximately 17,900 tons of standard prefabricated pipe products, of which approximately 93.6% were from overseas customers. We also received new orders for approximately 99,800 tons of steel pipe products, of which approximately 68.4% were from domestic customers. During the six months ended 30 June 2021, the Group had delivered approximately 12,700 tons of standard prefabricated pipe products and approximately 71,400 tons of steel pipe products.

## **STANDARD PREFABRICATED PIPE PRODUCTS**

The standard prefabricated pipe products are our key competitive products. For the six months ended 30 June 2021, our revenue from standard prefabricated pipe products amounted to approximately RMB190.0 million, accounting for 25.2% of the total revenue of the Group. For the six months ended 30 June 2020, our revenue from standard prefabricated pipe products amounted to approximately RMB124.9 million, accounting for 23.2% of the total revenue of the Group. The total revenue generated from standard prefabricated pipe products increased 52.2% as compared to the corresponding period last year mainly due to the increase in the Company's development of new products and purchase amount from our customers.

## **STEEL PIPE PRODUCTS**

Our steel pipe products are made through rolling steel plate and welding the seam, and are mainly used for gas, water supply, HVAC and fire extinguish. In order to meet the demand of individual customers, the Group produced standard steel pipes with value-added processes under customised requirements of customers, including but not limited to pipe body processing, non-standardised surface treatment, pipe end processing, thickened galvanisation, and internal smoothing. For the six months ended 30 June 2021, our ERW steel pipes, spiral submerged arc welded steel pipes and customised steel pipes recorded revenues of approximately RMB175.1 million, RMB141.1 million and RMB102.7 million, respectively, representing a year-on-year increase of 9.9%, 30.7% and 20.3% as compared to the same period in 2020, respectively. The main reason for the increase was the increased selling price of the Group's products caused by the higher raw material cost. The total revenue generated from the sales of steel pipe products accounted for approximately 55.8% of the total revenue for the six months ended 30 June 2021.

## **DESIGN AND SUPPLY OF ASSEMBLED PIPING SYSTEM**

Leveraging our industry experience, we are able to design and supply assembled piping systems to our customers to satisfy various physical and functional characteristics of our customers' designated sites. For the six months ended 30 June 2021, our design and supply of assembled piping system recorded the revenue of approximately RMB6.3 million, representing a year-on-year decrease of approximately 34.6% as compared to the same period in 2020, mainly due to late project delivery. The total revenue generated from the sales of design and supply of assembled piping system accounted for approximately 0.8% of the total revenue for the six months ended 30 June 2021.

## **FINANCIAL REVIEW**

Our revenue is generated from (i) sales of standard prefabricated pipe products; (ii) sales of steel pipe products; (iii) sales of the design and supply of assembled piping systems; and (iv) sales of steel coils that were procured from suppliers.

For the six months ended 30 June 2021, our total revenue was approximately RMB751.8 million, representing an increase of approximately RMB213.4 million or 39.6% as compared to the six months ended 30 June 2020. The increase in revenue was mainly due to (i) the increase in the sales of steel coils; (ii) a year-on-year increase in delivery of standard prefabricated pipe products; and (iii) a year-on-year increase in the selling price of steel pipe products.

## Sales by product categories

The following table sets forth the breakdown of our revenue, sales volume, ASP, gross profit and gross profit margin by product categories for the periods indicated:

	For the six months ended 30 June											
	2021						2020					
	Revenue RMB'000	% of total	Sales volume ton'000	ASP RMB/ton	Gross profit RMB'000	Gross profit margin	Revenue RMB'000	% of total	Sales volume ton'000	ASP RMB/ton	Gross profit RMB'000	Gross profit margin
Standard prefabricated pipe nipples	190,030	25.2%	12.7	14,963	76,332	40.2%	124,873	23.1%	9.0	13,881	58,472	46.8%
Steel pipe products												
ERW steel pipes	175,103	23.3%	31.6	5,541	22,652	12.9%	159,371	29.6%	35.1	4,537	27,662	17.4%
SSAW steel pipes	141,153	18.8%	22.4	6,301	20,697	14.7%	107,999	20.1%	27.3	3,952	17,714	16.4%
Customised steel pipes	102,706	13.7%	17.4	5,903	15,538	15.1%	85,372	15.9%	16.8	5,701	16,284	19.1%
Design and supply of assembled piping system	6,257	0.8%	N/A	N/A	2,267	36.2%	9,562	1.8%	N/A	N/A	4,753	49.7%
Steel coils trade	136,522	18.2%	30.2	4,520	840	0.6%	51,183	9.5%	16.9	3,029	426	0.8%
<b>Total</b>	<b>751,771</b>	<b>100.0%</b>	<b>114.3</b>		<b>138,326</b>	<b>18.4%</b>	<b>538,360</b>	<b>100.0%</b>	<b>105.1</b>		<b>125,311</b>	<b>23.3%</b>

The revenue generated from sales of standard prefabricated pipe products increased to approximately RMB190.0 million for the six months ended 30 June 2021, representing an increase of approximately RMB65.2 million or 52.2% as compared to the six months ended 30 June 2020, which was mainly due to the increase in sales volume and the ASP for the six months ended 30 June 2021.

The revenue generated from ERW steel pipes increased by approximately RMB15.7 million or 9.9% for the six months ended 30 June 2020 to approximately RMB175.1 million for the six months ended 30 June 2021, which was mainly due to the increase in the ASP for the six months ended 30 June 2021. The revenue generated from SSAW steel pipes increased by approximately RMB33.2 million or 30.7% for the six months ended 30 June 2020 to approximately RMB141.2 million for the six months ended 30 June 2021. The revenue generated from customised steel pipes increased by approximately RMB17.3 million or 20.3% for the six months ended 30 June 2020 to approximately RMB102.7 million for the six months ended 30 June 2021.

The revenue generated from design and supply of assembled piping system decreased from approximately RMB9.6 million for the six months ended 30 June 2020 by approximately RMB3.3 million or 34.6% to approximately RMB6.3 million for the six months ended 30 June 2021, which was mainly due to the decrease in the delivery of orders to our customers during the current period.

The revenue generated from steel coils increased by approximately RMB85.4 million or 166.7% for the six months ended 30 June 2020 to approximately RMB136.5 million for the six months ended 30 June 2021, mainly due to the increase in sales volume for the six months ended 30 June 2021.

### Sales by geographical regions

The following table sets forth the breakdown of our revenue by geographical regions of our products for the periods indicated:

	For the six months ended 30 June			
	2021		2020	
	Revenue	% of total	Revenue	% of total
	<i>RMB'000</i>		<i>RMB'000</i>	
<b>Domestic market</b>				
PRC	<b>446,525</b>	<b>59.4%</b>	296,360	55.1%
<b>Overseas markets</b>				
The United States	<b>129,828</b>	<b>17.3%</b>	94,300	17.5%
Other countries in America (excluding the United States)	<b>47,763</b>	<b>6.3%</b>	38,435	7.1%
Other countries in Asia (excluding the PRC)	<b>67,517</b>	<b>9.0%</b>	70,427	13.1%
Europe	<b>17,231</b>	<b>2.3%</b>	11,923	2.2%
Others	<b>42,907</b>	<b>5.7%</b>	26,915	5.0%
Total	<b><u>751,771</u></b>	<b><u>100.0%</u></b>	<b><u>538,360</u></b>	<b><u>100.0%</u></b>

*Note:* Other countries in Americas (excluding the United States) comprise the continents of North and South America. Others mainly include Oceania and Africa.

### GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit increased by approximately 10.4% or RMB13.0 million from approximately RMB125.3 million for the six months ended 30 June 2020 to approximately RMB138.3 million for the six months ended 30 June 2021. Such increase was mainly attributable to the increase in sales of standard prefabricated pipe products. Due to the change in the sales products structure, the gross profit margin decreased by 4.9% as compared to the corresponding period of last year.

## **OTHER INCOME**

For the six months ended 30 June 2021, other income mainly represents government grant and interest income, which increased from approximately RMB1.9 million for the six months ended 30 June 2020 by approximately 1,031.6% or RMB19.6 million to approximately RMB21.5 million for the six months ended 30 June 2021. The increase in other income was mainly due to the increase in government grant by RMB19.6 million.

## **OTHER GAINS AND LOSSES**

For the six months ended 30 June 2021, other gains and losses mainly represent gains on sales of scrap materials, fair value gains on structured bank deposits, fair value gains on foreign currency forward contracts, fair value losses on derivative financial instruments and net exchange gains or losses. Other gains and losses decreased from approximately RMB5.0 million for the six months ended 30 June 2020 by approximately 10% or RMB0.5 million to approximately RMB4.5 million for the six months ended 30 June 2021. Changes in other gains and losses were mainly attributable to gains on sales of scrap materials of approximately RMB6.1 million as compared to the gains on scrap of RMB2.6 million in the same period of last year; the income from structured bank deposits decreased by approximately RMB0.5 million; fair value losses on derivative financial instrument was approximately RMB1.4 million in 2021 as compared to the losses of approximately RMB0.1 million in the same period of 2020; and losses from foreign exchange recorded approximately RMB1.2 million in 2021 as compared to the gains of approximately RMB0.7 million in the same period of 2020.

## **DISTRIBUTION AND SELLING EXPENSES**

Distribution and selling expenses increased from approximately RMB32.8 million for the six months ended 30 June 2020 by approximately 35.1% or RMB11.5 million to approximately RMB44.3 million for the six months ended 30 June 2021, which was primarily due to (i) the increase in ocean freight and sundry expenditures; and (ii) the increase in the compensation expense.

## **ADMINISTRATIVE EXPENSES**

Administrative expenses increased from approximately RMB17.7 million for the six months ended 30 June 2020 by approximately 21.5% or RMB3.8 million to approximately RMB21.5 million for the six months ended 30 June 2021, which was primarily due to the increase in compensation of management staff.

## **RESEARCH AND DEVELOPMENT COSTS**

The cost of research and development increased from approximately RMB23.0 million for the six months ended 30 June 2020 by approximately 17.8% or RMB4.1 million to approximately RMB27.1 million for the six months ended 30 June 2021. Our research and development costs accounted for approximately 3.6% of the total revenue (corresponding period in 2020: approximately 4.3%).

## IMPAIRMENT LOSSES ON TRADE RECEIVABLES AND CONTRACT ASSETS

As of 30 June 2021, impairment losses on trade receivables and contract assets were approximately RMB-1.47 million (the same period of 2020: approximately RMB0.05 million), mainly due to the long outstanding receivables repaid by a customer.

## FINANCE COSTS

Finance costs decreased from RMB3.2 million for the six months ended 30 June 2020 by approximately 18.8% or RMB0.6 million to approximately RMB2.6 million for the six months ended 30 June 2021. The decrease was primarily due to the decrease in bank loan interest expense.

## TAXATION CHARGE

Taxation charge increased from RMB3.6 million for the period ended 30 June 2020 to RMB7.5 million for the period ended 30 June 2021.

## PROFIT FOR THE PERIOD

Profit for the period increased by approximately 21.0% or RMB10.9 million from RMB51.9 million for the period ended 30 June 2020 to RMB62.8 million for the period ended 30 June 2021, which was mainly due to the increase in sales volume of standard prefabricated pipe products and the increase in government grant as compared to the corresponding period last year.

## CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

	For the six months ended	
	30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (used in)/generated from operating activities	<b>(122,273)</b>	88,075
Net cash generated from/(used in) investing activities	<b>30,982</b>	(11,163)
Net cash generated from/(used in) financing activities	<b>113,384</b>	(139,956)
Net increase/(decrease) in cash and cash equivalents	<b>22,093</b>	(63,044)
Cash and cash equivalents at the beginning of the period	<b>87,254</b>	215,108
Effect of foreign exchange rate changes	<b>(2,696)</b>	—
Cash and cash equivalents at the end of the period	<b>106,651</b>	152,064

## **GEARING RATIO**

As at 30 June 2021, the gearing ratio of the Group, calculated based on the total interest-bearing debts divided by the total equity of the Company as at the respective period and multiplied by 100%, was approximately 22.4% (31 December 2020: approximately 8.48%). As at 30 June 2021, our total interest-bearing debts amounted to RMB174.2 million of bank borrowings. The increase of gearing ratio was primarily attributable to the increase in bank loans.

## **NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES**

Our net cash (used in)/generated from operating activities decreased from approximately RMB88.1 million for the period ended 30 June 2020 to approximately RMB-122.3 million for the period ended 30 June 2021.

The decrease in net cash generated from operating activities was mainly due to (i) the increase in deposits, prepayments and other receivables; (ii) the increase in inventories; and (iii) the decrease in trade and bills payables.

## **NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES**

Our net cash from investing activities changed from a net outflow of approximately RMB11.2 million for the period ended 30 June 2020 to a net inflow of approximately RMB31.0 million for the period ended 30 June 2021. The change in net cash was primarily due to (i) an increase in expenses incurred for the purchase and construction of fixed assets; and (ii) a year-on-year decrease in structured bank deposits.

## **NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES**

Our net cash from financing activities changed from net outflow of approximately RMB140.0 million for the period ended 30 June 2020 to a net inflow of approximately RMB113.4 million for the period ended 30 June 2021. The changes in net cash used in financing activities was primarily due to the increase in bank borrowings.

## **NET CURRENT ASSETS AND LIABILITIES**

### **Inventories**

Our balance of inventories increased by approximately RMB97.1 million or 46.0% from approximately RMB211.1 million as at 31 December 2020 to approximately RMB308.2 million as at 30 June 2021, which was mainly driven by the increased costs of half finished products and finished products due to the higher of raw material price in the current period.

## **TRADE RECEIVABLES AND TRADE RECEIVABLES BACKED BY BILLS**

Our trade receivables increased by approximately RMB51.5 million or 25.3% from approximately RMB203.7 million as at 31 December 2020 to approximately RMB255.2 million as at 30 June 2021, mainly due to the increase in sales during the period and trade receivables being not yet due for payment.

Our trade receivables backed by bills decreased by approximately RMB18.9 million or 67.7% from approximately RMB27.9 million as at 31 December 2020 to approximately RMB9.0 million as at 30 June 2021, mainly due to maturity of bank bills previously received.

## **CONTRACT ASSETS**

Our contract assets increased from approximately RMB18.6 million as of 31 December 2020 to approximately RMB21.1 million as of 30 June 2021, mainly due to an increase in sales.

## **DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

Our deposits, prepayments and other receivables increased from approximately RMB88.2 million as at 31 December 2020 to approximately RMB139.7 million as at 30 June 2021, mainly due to the increase in prepayment for raw materials.

## **AMOUNTS DUE FROM/TO RELATED PARTIES**

Amounts due from related parties decreased from approximately RMB5.8 million as at 31 December 2020 to approximately RMB5.5 million as at 30 June 2021, mainly due to the settlement of trade amounts at the end of the period.

Amounts due to related parties decreased from approximately RMB0.8 million as at 31 December 2020 to approximately RMB0.7 million as at 30 June 2021, mainly due to the settlement of trade amounts at the end of the period.

## **TRADE AND BILL PAYABLES**

Our trade and bill payables decreased from approximately RMB72.1 million as of 31 December 2020 to approximately RMB56.3 million as of 30 June 2021, mainly due to the outstanding trade payables to our suppliers at the end of the period.

## **CONTRACT LIABILITIES**

Our contract liabilities decreased from approximately RMB46.6 million as at 31 December 2020 to approximately RMB34.5 million as at 30 June 2021, which was related to the timing of delivery of products to our customers.

## **REFUND LIABILITIES**

Our refund liabilities decreased from approximately RMB10.1 million as of 31 December 2020 to approximately RMB5.3 million as of 30 June 2021, primarily due to the settlement of liabilities.

## **OTHER PAYABLES AND ACCRUED CHARGES**

Our other payables and accrued charges increased from approximately RMB44.2 million as of 31 December 2020 to approximately RMB59.5 million as of 30 June 2021, which was mainly due to the increase of payable staff costs and deposits received from suppliers.

## **PROVISIONS**

Our provisions decreased from approximately RMB1.4 million as of 31 December 2020 to approximately RMB0.5 million as of 30 June 2021. Provisions represent warranty provided for our sold products.

## **BORROWINGS**

Our borrowings increased from approximately RMB64.1 million as of 31 December 2020 to approximately RMB174.2 million as of 30 June 2021, mainly due to an increase of bank borrowings required by production and operation. The Group's borrowing of approximately RMB165.0 million as at 30 June 2021 was repayable within one year.

## **LEASE LIABILITIES**

As of 30 June 2021, the Group rented two properties in Vietnam and Thailand respectively to operate our factories and the lease liabilities were measured at the present value of the lease payments that are not yet paid. We recorded lease liabilities of approximately RMB2.9 million.

## **FOREIGN CURRENCY RISK**

A substantial majority of our assets and liabilities are denominated in RMB, except for the following items:

- (i) certain bank balances are denominated in USD, HKD, VND and THB; and
- (ii) sales of goods to overseas customers and related trade receivables are denominated in USD.

The appreciation or devaluation of RMB against USD, HKD, VND or THB may have impact on the financial performance of the Group. The Group mainly manages potential fluctuation in foreign exchange through foreign currency forward contracts, and it has not entered into any hedging transactions.

## **DIVIDEND**

The Board does not recommend the payment for any dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: nil).

## **PLEDGE OF ASSETS**

As at 30 June 2021, our Group pledged certain property, plant and equipment, right-of-use assets, trade receivables backed by bills and pledged bank deposits with the total net carrying amount of approximately RMB124.4 million (31 December 2020: approximately RMB135.2 million) to secure banking facilities granted to the Group.

## **CONTINGENT LIABILITIES**

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

## **SIGNIFICANT INVESTMENTS HELD BY THE GROUP, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

For the six months ended 30 June 2021, there was no significant investments held by the Group, and the Company had no material acquisition and disposal of subsidiaries, associates and joint ventures.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed in the prospectus and in this announcement, the Group did not have any other plans for material investments or capital assets during the six months ended 30 June 2021 and up to the date of this announcement.

## **EMPLOYEES**

For the six months ended 30 June 2021, labor costs (including Directors' remunerations and emoluments in other forms) were approximately RMB50.5 million (for the six months ended 30 June 2020: RMB36.8 million). Our Group's employees are generally remunerated by way of fixed salary and commission will be awarded to our marketing staff if they have achieved certain sales targets. Our Group utilises an appraisal system for our employees and considers the appraisal results of individual employees when conducting their salary reviews, making promotion decisions and determining the amount of bonuses. Our Group's employees are also entitled to a performance-based bonus, paid leave and various subsidies. The Group believes that nurturing quality staff is particularly important for the development of the enterprise, so it has a policy to provide employees with sufficient training to ensure that they can carry out their work safely and with due diligence. Employees in different positions are provided with various training and development programs related to their necessary skills and knowledge.

As of 30 June 2021, we had 1,012 employees (30 June 2020: 931 employees), 846 of whom were in the PRC (including Hong Kong), 108 of whom are located in Vietnam, and 58 of whom are located in Thailand. A breakdown of our employees by functions is set forth below:

<b>Function</b>	<b>As at 30 June 2021</b>		
	<b>China (including Hong Kong)</b>	<b>Vietnam</b>	<b>Thailand</b>
Managerial, administrative and accounts	40	8	3
Production	505	80	53
Quality control	53	9	2
Procurement and inventory	33	5	—
Research and development	126	6	—
Sales and marketing	89	—	—
	<u>          </u>	<u>          </u>	<u>          </u>
Total number of employees	<u>          846</u>	<u>          108</u>	<u>          58</u>

#### **USE OF PROCEEDS**

The Company has raised gross proceeds of approximately HK\$224.4 million (RMB201.8 million) through the global offering upon the listing of the shares on the Main Board of the Stock Exchange (“**Listing**”). After deducting the listing expenses, the net proceeds amounted to approximately HK\$183.6 million (RMB166.4 million). Such net proceeds are intended to be applied in the same manner and the same proportion as disclosed in the section headed “**Future Plans and Use of Proceeds**” of the prospectus.

As at 30 June 2021, the net proceeds from the global offering had been applied as follows:

	Percentage of total net proceeds from the Global Offering	Planned use of net proceeds from the Global Offering <i>RMBS'000</i>	Remaining net proceeds as at 31 December 2020 <i>RMBS'000</i>	Actual use of proceeds as at 30 June 2021 <i>RMBS'000</i>	Remaining net proceeds as at 30 June 2021 <i>RMBS'000</i>	Expected timeline of full utilisation of the remaining proceeds from the Global Offering as at 30 June 2021 <i>(Note 1)</i>
Increasing our production capacity of our production of ERW steel pipes	19.0%	31,625	—	—	—	
Upgrading one of the SSAW steel pipes production line	22.3%	37,118	35,834	21,834	14,000	By the end of 2021 <i>(Note 2)</i>
Setting up a new production facilities building	9.4%	15,646	15,646	11,679	3,967	By the end of 2021 <i>(Note 2)</i>
Expanding to overseas to increase the production capacity	9.4%	15,646	11,425	1,113	10,312	By the end of 2021 <i>(Note 2)</i>
Expanding our business horizontally through acquisition/ collaboration	10.0%	16,645	16,645	11,312	5,333	By the end of 2021 <i>(Note 2)</i>
Strengthen research and development capabilities	10.0%	16,645	—	—	—	
Repayment of borrowings	10.0%	16,645	—	—	—	
General working capital	9.9%	16,478	—	—	—	
	<u>100%</u>	<u>166,448</u>	<u>79,550</u>	<u>45,938</u>	<u>33,612</u>	

*Notes:*

1. The expected timeline of full utilisation is based on the Directors' best estimation barring unforeseen circumstances.
2. The Company originally planned to apply the funds raised in the (i) upgrading the spiral submerged arc welded steel pipes; (ii) setting up a new production facilities building; (iii) expanding to overseas to increase the production capacity by the fourth quarter of 2020; and (iv) expanding our business horizontally through acquisition/collaboration by the first quarter of 2021. However, due to the outbreak of the COVID-19 pandemic and the impact on the PRC and global economy, the development plans slowed down. As at 30 June 2021, based on the best estimation of Directors barring any unforeseen circumstances beyond the Group's control, it is expected that the unused net proceeds for (i) upgrading one of the SSAW steel pipes production line; (ii) setting up a new production facilities building; (iii) expanding to overseas to increase the production capacity; and (iv) expanding our business horizontally through acquisition/collaboration, to be fully utilised by end of 2021.

During the six months ended 30 June 2021, the actual application of the net proceeds from the Listing were used and expected to be used according to the intentions previously disclosed in the prospectus and saved for the disclosure above, there was no material change or delay in the use of proceeds. The unutilised amount is expected to be used in accordance with the Company's plan as disclosed in the prospectus.

## SHARE OPTION SCHEME

The Company conditionally adopted the share option scheme pursuant to a written resolution passed by its shareholder on 19 November 2019 (“**Share Option Scheme**”). The Share Option Scheme took effect on 18 December 2019 upon Listing. Summary of the principal terms of the Share Option Scheme is as follows:

### (i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable our Group to grant options as defined in the Share Option Scheme to selected participants as incentives or rewards for their contributions to our Group. The Board has not specified any performance target that must be achieved before options can be exercised.

Given that the Board are entitled to determine any performance targets to be achieved and that the exercise price of an option cannot in any event fall below the price stipulated in The Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”) or such higher price as may be fixed by the Board, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increase of market price of the shares of the Company (the “**Shares**”) in order to capitalise on the benefits of the options granted.

### (ii) Participants

The Board may, at their absolute discretion, invite any person belonging to any of the following classes of participants (the “**Eligible Persons**”), to take up options to subscribe for Shares.

Any individual, being an employee (whether full time or part time), director (including independent non-executive Director), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of our Company, its subsidiaries or any entity (the “**Invested Entity**”) who the Board considers, in their sole discretion, to have contributed or will contribute to our Company, is entitled to be offered and granted options.

**(iii) Maximum number of Shares**

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not in aggregate exceed 43,380,000 Shares, being 10.0% (“**Scheme Mandate Limit**”) of the Shares in issue immediately after completion of the global offering (without taking into account of the Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme) unless our Company obtains a fresh approval from its shareholders. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

**(iv) Maximum entitlement of each participant**

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme (including both exercised or outstanding options) to each Eligible Person in any 12-month period must not exceed 1.0% of the issued share capital of our Company from time to time (the “**Individual Limit**”). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be subject to the issue of a circular to the shareholders and the shareholders’ approval in general meeting of our Company with such Eligible Person and its associates abstaining from voting.

**(v) Time of exercise of option**

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the offer date subject to the provisions of termination thereof.

Subject to the discretion of the Board who may impose restrictions on the exercise of the option, an option may be exercised one year after the date on which the option is granted and shall expire on the earlier of the last day of (i) a six years period from the date of such grant and (ii) the expiration of the Share Option Scheme.

**(vi) Minimum period**

The Board at its discretion may impose such terms and conditions of the offer of grant on a case-by-case basis including but not limited to the minimum period for which an option must be held.

**(vii) Payment on acceptance of option**

A consideration of HKD1.00 (or such other nominal sum in any currency as the Board may determine) in favour of the Company is payable by the participant who accepts the grant of an option in accordance with the terms of the Share Option Scheme on acceptance of the grant of an option.

**(viii) Basis of determining the exercise price**

The subscription price (“**Subscription Price**”) for Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the daily quotations in The Stock Exchange on the date of grant of that option, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange’s daily quotations for the five business days immediately preceding the date of grant of that option, provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the global offering shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange; and (iii) the nominal value of the Shares.

**(ix) The remaining life of the Share Option Scheme**

The Share Option Scheme will remain in force for a period of 10 years commencing from the adoption date. As at the date of this announcement, it has a remaining life of around 8.5 years.

No share options were granted, exercised, cancelled or lapsed under the Share Option Scheme since the adoption of the scheme and up to the date of this announcement, and no outstanding share options under the Share Option Scheme as at 30 June 2021.

**EVENTS SUBSEQUENT TO THE REPORTING PERIOD**

Save as disclosed, there were no significant events subsequent to 30 June 2021 which would materially affect the Group’s operating and financial performance as of the date of this announcement.

**PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2021.

Save as disclosed in this announcement, there is no material change in the business of the Group since the publication of the last annual report of the Company.

## **PROSPECTS**

For the first half of 2021, China's economy has been recovered gradually. The average gross domestic product ("GDP") growth rate for the past two years gradually approached the potential growth level, but the recovery is still uneven. The external market performs better than the domestic market. For the past two years, the average GDP growth rate of domestic consumption, infrastructure, and manufacturing investment has still yet to recover to the pre-pandemic level. It is expected that China's economy will continue to grow in the second half of 2021. While there may be economic uncertainty due to the policy of the United States government and the employment rate, the demand for steel products in the overseas markets is expected to grow steadily. The business of exported steel products might be affected by the exported and imported tariff policy, yet the impact on the GDP should be low.

Based on current situation, the Group would seize the foregoing opportunities, and strengthen the construction of its capability to realize sustainable growth through following strategies, further promote our position in prefabricated pipe production industry, and create long-term values for our shareholders: (i) continuously improve the production capacity and delivery capability of our subsidiaries in Vietnam and Thailand; (ii) strengthen the production capacity and competitiveness of spiral welded pipes by upgrading our spiral welded pipes production lines and adding new production facilities; and (iii) put more effort in the research and development of new products, to continuously improve the quality of our products, and increase the Company's reputation in the industry.

For the six months ended 30 June 2021, the Group has been carrying on the business of manufacturing and selling of standard prefabricated pipe nipple products and steel pipe products in the PRC. In order to meet the Group's need for its business operation and expansion, the Group may from time to time consider to explore opportunities for acquisition of land use right(s) within close proximity to its existing production plants in Jinan, Shandong Province, the PRC.

## **THE RISK OF MARKET SALES AFFECTED BY THE COVID-19 PANDEMIC**

Currently overseas control against the pandemic has not yet improved, which led to large impact on the shipping route, partly leading to higher costs of delivery and sea freight of the Company, which will bring uncertainties to the Company's overseas market sales in the second half of the year. The Company will make every effort in the epidemic prevention work, and focus on our product logistics supply chain services at both ends of supply and demand through proactive communications with customers and suppliers, with an aim to secure the Company's stable and healthy development.

## **RISK MANAGEMENT**

Our management has designed and implemented a risk management policy to address various potential risks identified in relation to the operation of our businesses, including strategic, operational, financial and legal risks. Our risk management policy sets forth procedures to identify, analyse, categorise, mitigate and monitor various risks. Our Board is responsible for overseeing the overall risk management system and assessing and updating our risk management policy on a quarterly basis. Our risk management policy also sets forth the reporting hierarchy of risks identified in our operations.

## **ENVIRONMENT POLICIES AND PERFORMANCE**

The major pollutants generated by our Group in the manufacturing process include various kinds of exhaust gas and wastewater which could be harmful to human body. We are subject to the relevant PRC, Vietnam and Thailand environmental laws and regulations promulgated by both the state and local governments. During the reporting period, we complied with the pollutant discharge standards, under which the amount of different kinds of heavy exhaust gas and wastewater discharge cannot exceed the prescribed levels. Our production plant in Pingyin County, Jinan was renowned as national green factory by the state, demonstrating our excellent performance of environment protection.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company has applied the principles and complied with the applicable code provisions in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2021.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the “**Model Code**”) as its own Code of Conduct for securities transactions conducted by relevant Directors. Upon specific enquiry of all Directors, all Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2021. No incidents of non-compliance of the Model Code by the relevant employees was noted by the Company.

## **AUDIT COMMITTEE**

The Audit Committee of the Company comprises the Company’s independent non-executive directors, namely Mr. DING Xiaodong (Chairman), Mr. LIU Fengyuan and Mr. MA Changcheng.

The Audit Committee has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2021.

The Audit Committee together with the Company's management has reviewed and agreed on the accounting principles and practices adopted by the Group for the six months ended 30 June 2021, discussed and reviewed the adequacy and effectiveness of the Group's internal control systems, risk management functions and financial reporting systems, and that adequate disclosure has been made with no disagreement by the Audit Committee.

**PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

The announcement of interim results will be published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.mechpipingtech.com](http://www.mechpipingtech.com)). The interim report of the Company for the six months ended 30 June 2021 will be despatched to the shareholders of the Company in due course and will be made available on the websites of the Stock Exchange and the Company.

By order of the Board  
**Maike Tube Industry Holdings Limited**  
**KONG Linglei**  
*Chairman and executive Director*

Hong Kong, 27 August 2021

*As at the date of this announcement, the executive Directors are Mr. KONG Linglei, Mr. GUO Lei, Mr. XU Jianjun and Mr. YANG Shufeng; the non-executive Director is Ms. ZHAO Xuelian and the independent non-executive Directors are Mr. LIU Fengyuan, Mr. DING Xiaodong and Mr. MA Changcheng.*