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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 RESULT FOR THE YEAR ENDED 31 DECEMBER 2021

The Board hereby announces results of the Group for the year ended 31 December 2021.

FINANCIAL HIGHLIGHTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>	Change
Revenue	1,776,028	1,255,139	41.5%
Gross profit	329,325	267,486	23.1%
Gross profit margin	18.5%	21.3%	
Profit for the year	115,289	99,527	15.8%
Earnings per share			
— Basic (<i>RMB</i>)	0.267	0.229	16.6%
Dividend per share			
— Interim	Nil	Nil	
— Final	<u>HK10 cents</u>	<u>HK12 cents</u>	
— Full year	<u><u>HK10 cents</u></u>	<u><u>HK12 cents</u></u>	

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“AGM”	Annual General Meeting
“ASP”	Average selling price
“Board”	The board of Directors
“China” or “PRC”	The People’s Republic of China
“Company”	Maike Tube Industry Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability on 1 February 2019 and the Shares of which are listed on the Main Board of the Stock Exchange
“Delta Electric (Thailand)”	Delta Electric (Thailand) Company Limited, a company incorporated under the laws of Thailand on 13 January 2021 and is an indirectly non wholly owned subsidiary of our Company
“Director(s)”	Director(s) of the Company
“ERW” or “electric technology resistance welding”	The acronym for electric resistance welding, a welding used in the manufacture of pipes under which pipes are made from strips of hot rolled steel coil which are passed through forming rolls and welded by using heat generated by high frequency electric current passing over the surface of the strips
“ERW steel pipe(s)”	Steel pipes formed by utilising ERW technology
“Group”	The Company and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“HVAC”	Heating, ventilation and air conditioning
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Prospectus”	prospectus of the Company dated 29 November 2019
“Reporting period”	For the year ended 31 December 2021

“RMB”	Renminbi Yuan, the lawful currency of the PRC
“SSAW steel pipe(s)”	spiral submerged arc welded steel pipes which formed by utilising submerged arc welding technology with spiral weld seam, i.e., pipes made from strips of hot rolled steel plates formed helically into cylinders and then welded as they are formed
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“THB”	Thai Baht, the lawful currency of Thailand
“USD”	United States dollar, the lawful currency of United States
“Vietnam Piping”	Viet Nam Piping Industries Company Limited, a company incorporated under the laws of Vietnam on 7 January 2019 and is an indirectly wholly-owned subsidiary of our Company
“VND”	Vietnamese Dong, the lawful currency of Vietnam

In this announcement, “we”, “us” or “our” refers to the Company and where the context otherwise requires, the Group (as defined above).

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 and the increase in 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 adopted a comprehensive approach to address various challenges under the Board's leadership, and explored potential markets through multiple means. For the year ended 31 December 2021, the Group recorded an accumulated revenue of approximately RMB1,776 million, representing a year-on-year increase of 41.5%, and achieved an accumulated net profit of approximately RMB115.3 million, representing a year-on-year increase of 15.8%.

ADD NEW MANUFACTURING CAPABILITIES AND PROVIDE DIVERSIFIED PRODUCTS

In 2021, the Group invested and constructed the high-end fluid pipeline production line of 200,000 tons of steel pipes, which enabled the Group to supply heat, water-based large diameter steel pipe and high steel-grade oil and gas long-distance pipeline products. Not only has the project improved the delivery capacity of SSAW steel pipes, but also manufactured more types of SSAW steel pipes, laying a solid foundation for the continuous growth of the Group's revenue.

NEW ORDERS

For the year ended 31 December 2021, the Group received new orders for approximately 27,500 tons of standard prefabricated pipe products, of which approximately 92.0% were from overseas customers; we also received new orders for approximately 192,000 tons of steel pipe products, of which approximately 70.5% were from domestic customers. During the year ended 31 December 2021, the Group had delivered approximately 27,012 tons of standard prefabricated pipe products (including Vietnam Piping and Delta Electric (Thailand)) and approximately 166,808 tons of steel pipe products. Among others, the Vietnam Piping received new orders for approximately 2,400 tons, delivered approximately 1,899 tons for the year, representing an increase of 75.3%.

STANDARD PREFABRICATED PIPE PRODUCTS

The standard prefabricated pipe products are our key competitive products. For the year ended 31 December 2021, our revenue from standard prefabricated pipe products amounted to approximately RMB438.6 million, accounting for 24.7% of the total revenue of the Group; for the year ended 31 December 2020, our revenue from standard prefabricated pipe products amounted to approximately RMB296.6 million, accounting for 23.6% of the total revenue of the Group. In 2021, the Group actively developed new products and continuously expanded its customer base, it also increased new production lines and improved the production capacity of the Company. With the cancellation of export tax rebate and rising ocean freight expenditure, the revenue of standard fabricated pipe products increased 47.9% as compared to the corresponding period last year.

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 personal demand of 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 year ended 31 December 2021, our ERW steel pipes, SSAW steel pipes and customised steel pipes recorded revenues of approximately RMB401.4 million, RMB362.3 million and RMB238.0 million, respectively, representing a year-on-year increase of 32.9%, 16.5% and 38.1% 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 rise in price of raw materials. The total revenue generated from steel pipe products accounted for approximately 56.4% of the total revenue for the year ended 31 December 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 year ended 31 December 2021, our design and supply of assembled piping system recorded the revenue of approximately RMB17.4 million, representing a year-on-year increase of approximately 19.2% as compared to the same period in 2020, accounting for approximately 1.0% of the total revenue for the year ended 31 December 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 its suppliers.

For the year ended 31 December 2021, our total revenue was approximately RMB1,776 million, representing an increase of approximately RMB520.9 million or 41.5% as compared to the year ended 31 December 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; (iii) a year-on-year increase in the selling price of steel pipe products.

Our gross profit increased by approximately 23.1% or RMB61.8 million from approximately RMB267.5 million for the year ended 31 December 2020 to approximately RMB329.3 million for the year ended 31 December 2021. Such increase was mainly attributable to the increase in sales of standard prefabricated pipe products. The gross profit margin of the Company's products for 2021 was approximately 18.5% (2020: approximately 21.3%).

Sales by product categories

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

	2021				2020			
	Revenue		Sales	ASP	Revenue		Sales	ASP
	RMB'000	% of total	ton'000	RMB/ton	RMB'000	% of total	ton'000	RMB/ton
Standard prefabricated pipe nipples	438,587	24.7%	27.0	16,244	296,550	23.6%	20.5	14,466
Steel pipe products								
ERW steel pipes	401,412	22.6%	68.6	5,851	302,040	24.1%	65.6	4,604
SSAW steel pipes	362,254	20.4%	62.1	5,833	310,865	24.8%	70.6	4,403
Customised steel pipes	237,992	13.4%	36.5	6,520	172,362	13.7%	33.6	5,130
Design and supply of assembled piping system	17,353	1.0%	N/A	N/A	14,554	1.2%	N/A	N/A
Steel coils trade	318,430	17.9%	67.2	4,739	158,768	12.6%	47.7	3,328
Total	1,776,028	100.0%	261.4	6,794	1,255,139	100.0%	238.0	5,274

The revenue generated from sales of standard prefabricated pipe products increased significantly to approximately RMB438.6 million for the year ended 31 December 2021, representing an increase of approximately RMB142.0 million or 47.9% as compared to the year ended 31 December 2020, which was mainly due to the increase in sales volume as compared to the corresponding period last year.

The revenue generated from ERW steel pipes increased by approximately RMB99.4 million or 32.9% for the year ended 31 December 2020 to approximately RMB401.4 million for the year ended 31 December 2021; The revenue generated from SSAW steel pipes increased by approximately RMB51.4 million or 16.5% for the year ended 31 December 2020 to approximately RMB362.3 million for the year ended 31 December 2021; the revenue generated from customised steel pipes increased by approximately RMB65.6 million or 38.1% for the year ended 31 December 2020 to approximately RMB238.0 million for the year ended 31 December 2021; the increase in revenue of the above steel pipe products was mainly attributable to the rise in price and average price of raw materials during the year ended 31 December 2021.

The revenue generated from design and supply of assembled piping system increased by approximately RMB2.8 million or 19.2% for the year ended 31 December 2020 to approximately RMB17.4 million for the year ended 31 December 2021, the increase was mainly due to the increase in the delivery of orders to our customers during the current period.

The revenue generated from steel coils increased by approximately RMB159.7 million or 100.6% for the year ended 31 December 2020 to approximately RMB318.4 million for the year ended 31 December 2021, mainly due to the increase in sales volume.

Sales by geographical regions

The following table sets forth the breakdown of our revenue, sales volume and ASP by geographical regions of our products for the periods indicated:

	2021				2020			
	Revenue <i>RMB'000</i>	% of total	Sales volume <i>ton'000</i>	ASP <i>RMB/ton</i>	Revenue <i>RMB'000</i>	% of total	Sales volume <i>ton'000</i>	ASP <i>RMB/ton</i>
Domestic market	1,074,195	60.5%	189.6	5,666	778,225	62.0%	177.3	4,389
PRC								
Overseas markets								
The United States	324,011	18.2%	18.7	17,327	200,377	16.0%	13.7	14,626
Other countries in America (excluding the United States)	123,495	7.0%	15.5	7,967	91,046	7.2%	13.1	6,950
Other countries in Asia (excluding the PRC)	139,301	7.8%	24.6	5,663	114,418	9.1%	23.1	4,953
Europe	41,021	2.3%	3.1	13,233	20,181	1.6%	2.1	9,610
Others	74,005	4.2%	9.9	7,475	50,892	4.1%	8.7	5,850
Total	1,776,028	100.0%	261.4	6,794	1,255,139	100.0%	238	5,274

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

OTHER INCOME

For the year ended 31 December 2021, other income mainly represents government grant and interest income, which increased from approximately RMB4.8 million for the year ended 31 December 2020 by approximately 454.2% or RMB21.8 million to approximately RMB26.6 million for the year ended 31 December 2021. The increase in other income was mainly due to the increase in government grant by approximately RMB21.7 million.

OTHER GAINS AND LOSSES

For the year ended 31 December 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 losses. For the year ended 31 December 2021, other gains and losses amounted to approximately RMB8.6 million (2020: RMB0.6 million), representing an increase of approximately 1,333.3% as compared to the same period of 2020. Changes in other gains and losses were mainly attributable to gains on sales of scrap materials of approximately RMB11.4 million as compared to the gains on scrap materials of RMB7.8 million in the same period of last year; and losses from foreign exchange recorded approximately RMB3.5 million in 2021 as compared to the losses of approximately RMB9.9 million in the same period of 2020.

DISTRIBUTION AND SELLING EXPENSES

Distribution and selling expenses increased from approximately RMB70.1 million for the year ended 31 December 2020 by approximately 61.9% or RMB43.4 million to approximately RMB113.5 million for the year ended 31 December 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 RMB37.3 million for the year ended 31 December 2020 by approximately 23.1% or RMB8.6 million to approximately RMB45.9 million for the year ended 31 December 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 RMB53.4 million for the year ended 31 December 2020 by approximately 25.7% or RMB13.7 million to approximately RMB67.1 million for the year ended 31 December 2021. Our research and development costs accounted for approximately 3.8% of the total revenue (corresponding period in 2020: approximately 4.2%).

IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

As of the year ended 31 December 2021, impairment losses under expected credit loss model, net of reversal were approximately RMB2.6 million (the same period of 2020: approximately RMB2.8 million).

FINANCE COSTS

Finance costs increased from RMB5.1 million for the year ended 31 December 2020 by approximately 2.0% or RMB0.1 million to approximately RMB5.2 million for the year ended 31 December 2021. The increase was primarily due to the increase in lease liabilities interest expense. The effective interest rate for the year ended 31 December 2021 was approximately 4.0% (2020: approximately 4.2%).

TAXATION CHARGE

Taxation charge increased from RMB4.7 million for the year ended 31 December 2020 to RMB14.8 million for the year ended 31 December 2021, mainly due to the increase in profit before taxation and the increase in withholding tax on dividend reinvestment during the year.

PROFIT FOR THE PERIOD

Profit for the period increased by approximately 15.8% or RMB15.8 million from RMB99.5 million for the year ended 31 December 2020 to RMB115.3 million for the year ended 31 December 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 year ended	
	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	22,668	184,455
Net cash used in investing activities	(80,425)	(130,912)
Net cash generated from/(used in) financing activities	57,813	(179,332)
Net increase/(decrease) in cash and cash equivalents	56	(125,789)
Cash and cash equivalents at the beginning of the period	87,254	215,108
Effect of foreign exchange rate changes	(762)	(2,065)
Cash and cash equivalents at the end of the period	<u>86,548</u>	<u>87,254</u>

GEARING RATIO

During the year ended 31 December 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 20.1% (31 December 2020: approximately 8.48%). During the year ended 31 December 2021, our total interest-bearing debts amounted to RMB166.4 million of bank borrowings. The increase of gearing ratio was primarily attributable to the increase in bank loans.

NET CASH GENERATED FROM OPERATING ACTIVITIES

Our net cash generated from operating activities decreased from approximately RMB184.5 million for the year ended 31 December 2020 to approximately RMB22.7 million in for the year ended 31 December 2021. The decrease in net cash generated from operating activities was mainly due to (i) increase in trade receivables backed by bills; (ii) increase in inventories; and (iii) increase in trade and bill receivables.

NET CASH USED IN INVESTING ACTIVITIES

Our net cash used in investing activities decreased from approximately RMB130.9 million for the year ended 31 December 2020 to approximately RMB80.4 million for the year ended 31 December 2021. The decrease in net cash used in investing activities 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 RMB179.3 million for the year ended 31 December 2020 to a net inflow of approximately RMB57.8 million for the year ended 31 December 2021. The change of net cash generated from financing activities were primarily due to (i) the increase in bank borrowings; and (ii) decrease in repayment of borrowings.

NET CURRENT ASSETS AND LIABILITIES

Inventories

Our balance of inventories increased by approximately RMB77.1 million or 36.5% from approximately RMB211.1 million for the year ended 31 December 2020 to approximately RMB288.2 million for the year ended 31 December 2021, which was mainly driven by the increased costs of half finished products and finished products due to the higher raw material price.

TRADE RECEIVABLES AND TRADE RECEIVABLES BACKED BY BILLS

Our trade receivables increased by approximately RMB62.5 million or 30.7% from RMB203.7 million for the year ended 31 December 2020 to approximately RMB266.2 million for the year ended 31 December 2021, mainly due to the increase in sales during the current period and trade receivables being not yet due for payment.

Our trade receivables backed by bills increased by approximately RMB34.8 million or 124.7% from RMB27.9 million for the year ended 31 December 2020 to approximately RMB62.7 million for the year ended 31 December 2021, mainly due to increase in bank bills paid by customers.

CONTRACT ASSETS

Our contract assets increased from approximately RMB18.6 million for the year ended 31 December 2020 to approximately RMB25.9 million for the year ended 31 December 2021, mainly due to contract assets increase in sales.

DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Our deposits, prepayments and other receivables decreased from approximately RMB88.2 million for the year ended 31 December 2020 to approximately RMB74.1 million for the year ended 31 December 2021, mainly due to the decrease in prepayment for raw materials.

AMOUNTS DUE FROM/TO RELATED PARTIES

Amounts due from related parties decreased from approximately RMB5.8 million for the year ended 31 December 2020 to approximately RMB4.6 million for the year ended 31 December 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 for the year ended 31 December 2020 to approximately RMB0.7 million for the year ended 31 December 2021.

TRADE AND BILL PAYABLES

Our trade and bill payables increased from approximately RMB72.1 million for the year ended 31 December 2020 to approximately RMB93.0 million for the year ended 31 December 2021, mainly due to the unexpired bank acceptance notes issued to settle with and pay our suppliers.

CONTRACT LIABILITIES

Our contract liabilities decreased from approximately RMB46.6 million for the year ended 31 December 2020 to approximately RMB41.8 million for the year ended 31 December 2021, which was related to timing of delivery of products to our customers.

REFUND LIABILITIES

Our refund liabilities increased from approximately RMB10.1 million for the year ended 31 December 2020 to approximately RMB13.4 million for the year ended 31 December 2021, primarily due to increase in revenue of standard prefabricated products resulting in the increase of the corresponding rebates.

OTHER PAYABLES AND ACCRUED CHARGES

Our other payables and accrued charges increased from approximately RMB44.2 million for the year ended 31 December 2020 to approximately RMB61.0 million for the year ended 31 December 2021, which was mainly due to the increase of staff costs payable and deposits received from suppliers.

PROVISIONS

Our provisions of approximately RMB1.4 million as at 31 December 2021 was basically the same as that of the corresponding period of last year. Provisions represent warranty provided for our products sold.

BORROWINGS

Our borrowings increased from approximately RMB64.1 million for the year ended 31 December 2020 to approximately RMB166.4 million for the year ended 31 December 2021, mainly due to an increase of bank borrowings required by production and operation. The Group's borrowing of approximately RMB166.4 million for the year ended 31 December 2021 was repayable within one year.

LEASE LIABILITIES

For the year ended 31 December 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 RMB9.9 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 mainly denominated in USD.

The appreciation or devaluation of RMB against USD or HKD or 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 has recommended the payment of a final dividend of HK10 cents per ordinary share of the Company issued (approximately HKD43,380,000 in aggregate) for the year ended 31 December 2021 in cash (2020: HK12 cents).

The proposed dividend payment is subject to approval by the shareholders of the Company at the forthcoming AGM to be held on 31 May 2022 and will be payable around 6 July 2022 in HKD.

Upon shareholders' approval, the proposed final dividend will be paid to ordinary shareholders whose names shall appear on the register of members of the Company on 17 June 2022.

The Company did not declare interim dividend for the six months ended 30 June 2021 (2020: Nil).

PLEDGE OF ASSETS

For the year ended 31 December 2021, our Group pledged certain property, plant, equipment, right-of-use assets, trade receivables backed by bills and pledged bank deposits with the net book value of approximately RMB117.7 million (31 December 2020: approximately RMB135.2 million) to secure the general banking facilities granted to the Group.

CONTINGENT LIABILITIES

For the year ended 31 December 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 year ended 31 December 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, the Group did not have any other plans for material investments or capital assets during the year ended 31 December 2021 and up to the date of this announcement.

EMPLOYEES

For the year ended 31 December 2021, labour costs (including Directors' remunerations and emoluments in other forms) were approximately RMB107.4 million (For the year ended 31 December 2020: approximately RMB75.3 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.

For the year ended 31 December 2021, we had 1,073 employees (For the year ended 31 December 2020: 923 employees), 873 of whom were in the PRC (including Hong Kong), 126 of whom are located in Vietnam and 74 of whom are located in Thailand. A breakdown of our employees by functions is set forth below:

Function	For the year ended		
	31 December 2021		
	China		
	(including		
	Hong Kong)	Vietnam	Thailand
Managerial, administrative, accounts	56	9	6
Production	502	112	64
Quality control	55	2	1
Procurement and inventory	38	1	1
Research and development	128	2	2
Sales and marketing	94	—	—
	<u> </u>	<u> </u>	<u> </u>
Total number of employees	<u>873</u>	<u>126</u>	<u>74</u>

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Save as disclosed, there were no significant events subsequent to the year ended 31 December 2021 which would materially affect the Group's operating and financial performance as of the date of this announcement.

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.

For example, during the year, the management closely pays attention to the price fluctuations of raw materials, and through reasonable formulation of product sales prices and procurement scheme, ensures that inventory is controlled within a reasonable range and satisfies the customer needs. With the cancellation of export tax rebate, the Group actively negotiated with clients to share the costs incurred therefrom. In the second half of the year, the Group achieved a year-on-year increase of approximately 10% in the price of export products to ensure the increase in the Company's profit for the year.

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 ocean freight of the Company, ocean freight charges increased from RMB 177.5 million in 2020 to RMB 450.8 in 2021. The Company offset the adverse factors of the rise in ocean freight charges mainly through negotiating with clients on a price increase. According to the annual ocean freight revenue and charges, it was basically in a breakeven position; in addition, the overseas investment projects in Vietnam and Thailand were also delayed due to the impact of the pandemic, the projects originally planned to be completed at the end of 2021 were postponed to the end of 2022; as the Group organised and communicated properly, the COVID-19 pandemic did not cause a material adverse impact on the delivery of overseas products. Benefited from the Group's leading advantages in the sub-segments, the domestic and overseas epidemic did not cause a material adverse impact on the Company's market demand, sales volume, and receivables collection. At present and in the foreseeable future, the Board does not expect to have a material adverse impact on the Group's finance and operations. According to the current volatile epidemic situation in various regions of the country, 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.

ENVIRONMENT POLICIES AND PERFORMANCE

The major pollutants generated by the 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 exhaust gas and wastewater discharge cannot exceed the prescribed levels. The Company improved the green circular economy, reduced waste discharge and gradually improved the utilization rate of water through the continuous and effective operation of flue ash resource utilization and sludge drying equipment, which played a demonstration role as a national-level green factory.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2021, our Group had complied with applicable laws and regulations that have a material impact on the Group's business operations.

FUTURE PLANS AND PROSPECTS

The impact of the COVID-19 pandemic on the enterprises constitutes part of operating activities of the enterprises. In 2022, riding on current situations, the Group will build a high-performance organization, improve quality and cost competitiveness, consolidate prefabricated solutions, connect with government strategies, innovate positional and project wars, and realize the driving pattern of incremental business as the Company's operating guidelines. The mature overseas prefabricated product market will guarantee a high share of stable profits, and the steel pipe and power markets will push forward new customers and new products to increase profits. Driven by the dual drivers of positional and project wars in domestic markets, the Group will build a well-known brand base of welded pipes in the province, expand the scope of prefabricated products and provide high-quality solutions. The Group will continue to make good product development planning, improve the technical service level, demonstrate the value of innovative research and development and strive to make a breakthrough in more than five categories in the new product development series. The Group will continue to deepen, refine and standardize its production and operation, safety and environmental protection, quality management, cost control, logistics management, digital management, financial management and human resources management. Riding on the current situation, the Group will seize development opportunities, strengthen its own construction to cope with all kinds of challenges, further strengthen our leading position in the standard prefabricated pipe nipple industry, enhance the reputation of the steel pipe business in the province and create long-term value for its shareholders.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>NOTES</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue	3	1,776,028	1,255,139
Cost of sales		(1,446,703)	(987,653)
Gross profit		329,325	267,486
Other income	4	26,615	4,780
Other gains and losses	4	8,585	637
Distribution and selling expenses		(113,519)	(70,125)
Administrative expenses		(45,917)	(37,320)
Research and development costs		(67,145)	(53,356)
Impairment losses under expected credit loss model, net of reversal		(2,568)	(2,767)
Finance costs	6	(5,242)	(5,111)
Profit before taxation	5	130,134	104,224
Taxation charge	7	(14,845)	(4,697)
Profit for the year		115,289	99,527
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operation		(2,016)	(1,443)
Total comprehensive income for the year		113,273	98,084
Profit for the year attributable to:			
— Owners of the Company		116,021	99,527
— Non-controlling interests		(732)	—
		115,289	99,527
Total comprehensive income for the year attributable to:			
— Owners of the Company		114,521	98,084
— Non-controlling interests		(1,248)	—
		113,273	98,084
Earnings per share			
— Basic (RMB yuan)	8	0.267	0.229

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	<i>NOTES</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		408,304	237,418
Deferred tax assets		1,911	1,536
Deposits for plant and equipment		471	4,710
		<u>410,686</u>	<u>243,664</u>
Current assets			
Inventories		288,197	211,076
Trade receivables	9	266,208	203,724
Trade receivables backed by bills		62,715	27,860
Contract assets		25,859	18,644
Tax recoverable		2,783	4,240
Deposits, prepayments and other receivables		74,101	88,217
Amounts due from related parties		4,623	5,825
Financial assets at fair value through profit or loss (“FVTPL”)		876	88,415
Pledged bank deposits		5,740	19,726
Bank balances and cash		86,548	87,254
		<u>817,650</u>	<u>754,981</u>
Current liabilities			
Trade and bill payables	13	92,971	72,091
Contract liabilities		41,808	46,640
Derivative financial instruments		—	306
Refund liabilities		13,412	10,120
Other payables and accrued charges		60,970	44,229
Amounts due to related parties		690	764
Provisions		1,396	1,401
Tax liabilities		600	85
Borrowings	11	166,352	64,078
Lease liabilities		3,283	814
		<u>381,482</u>	<u>240,528</u>
Net current assets		<u>436,168</u>	<u>514,453</u>
Total assets less current liabilities		<u>846,854</u>	<u>758,117</u>

	<i>NOTE</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Non-current liabilities			
Lease liabilities		6,640	—
Deferred tax liabilities		7,866	2,691
		<u>14,506</u>	<u>2,691</u>
Net assets		<u>832,348</u>	<u>755,426</u>
Capital and reserves			
Share capital	<i>10</i>	304	304
Reserves		826,327	755,122
		<u>826,631</u>	<u>755,426</u>
Attributable to owners of the Company		826,631	755,426
Non-controlling interests		5,717	—
		<u>832,348</u>	<u>755,426</u>
Total equity		<u>832,348</u>	<u>755,426</u>

NOTES

1. GENERAL INFORMATION

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 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 Vistra (Cayman) Limited P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands and No. 4 Meide Street, Meigui Zone of Industrial Park, Pingyin County, Jinan, Shandong Province, China.

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.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**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 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>

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “**Committee**”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 — 2020 ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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 current year:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<i>Recognised at a point in time:</i>		
Sales of pipe products:		
— ERW steel pipes	401,412	302,040
— Standard prefabricated pipe nipples	438,587	296,550
— Spiral Submerged Arc Welded steel pipes	362,254	310,865
— Customised steel pipes	237,992	172,362
— Design and supply assembled piping system	17,353	14,554
Trading of steel coils	318,430	158,768
	<u>1,776,028</u>	<u>1,255,139</u>

Segmental information

The Group's operation is derived from the production and sales of pipe products in the PRC, Vietnam and Thailand. 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, which are prepared based on same accounting policies. Accordingly, no operating segment is presented.

Geographical information

Information about the Group's revenue from external customers is presented based on the destination of goods in the sales orders/contracts. Information about the Group's non-current assets (excluding deferred tax assets) is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets <i>(note)</i>	
	Year ended 31 December		As at 31 December	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
PRC	1,074,195	778,225	384,629	234,890
The United States of America (“US”)	324,011	200,377	—	—
Other countries in America (excluding US)	123,495	91,046	—	—
Other countries in Asia (excluding PRC)	139,301	114,418	24,146	7,238
Europe	41,021	20,181	—	—
Others	74,005	50,892	—	—
	<u>1,776,028</u>	<u>1,255,139</u>	<u>408,775</u>	<u>242,128</u>

Note: Non-current assets excluded deferred tax assets.

Information about major customer

During the years ended 31 December 2021 and 2020, there was no customer contributing over 10% of the total sales.

4. OTHER INCOME/OTHER GAINS AND LOSSES

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Other income		
Government grant <i>(note i)</i>	26,219	4,450
Bank interest income	396	330
	<u>26,615</u>	<u>4,780</u>

	2021 RMB'000	2020 RMB'000
Other gains and losses		
Gain on sales of scrap materials	11,395	7,814
Fair value gains on financial assets at FVTPL		
— structured bank deposits	639	1,602
— foreign currency forward contracts (<i>note ii</i>)	596	978
Fair value losses on derivative financial instruments (<i>note iii</i>)	(723)	(668)
(Losses) gains on disposals of property, plant and equipment	(28)	552
Net exchange losses	(3,525)	(9,858)
Others	231	217
	<u>8,585</u>	<u>637</u>

Notes:

- i. During the year ended 31 December 2021, the relevant government authorities granted one-off and unconditional subsidies to the Group amounting to RMB25,969,000 (2020: RMB4,245,000) and granted conditional subsidies to the Group amounting to RMB250,000 (2020: RMB205,000).
- ii. During the year ended 31 December 2021, gains on US\$ to RMB foreign currency forward contracts represented realised gains of RMB1,044,000 (2020: RMB63,000) and unrealised losses of RMB448,000 (2020: unrealised gains of RMB915,000) on changes in fair value of foreign currency forward contracts.
- iii. During the year ended 31 December 2021, amount represented realised losses of RMB1,438,000 (2020: realised losses of RMB362,000) and unrealised gains of RMB715,000 (2020: unrealised losses of RMB306,000) arising on changes in fair value of commodity derivative contracts.

5. PROFIT BEFORE TAXATION

	2021 RMB'000	2020 RMB'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	1,980	1,980
Directors' emoluments	3,324	2,923
Other staff costs:		
— Salaries and other benefits	91,742	67,643
— Contributions to retirement benefit schemes	12,333	4,716
Less: capitalised in inventories	(60,731)	(44,857)
Total staff costs	43,344	27,502
Depreciation of property, plant and equipment	28,248	23,758
Less: capitalised in inventories	(22,412)	(19,599)
Total depreciation	5,836	4,159
Cost of inventories sold	1,446,703	987,653
Write-down of inventories (included in cost of inventories sold)	594	659
	<u>1,497,050</u>	<u>1,003,704</u>

6. FINANCE COSTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Finance costs represent interests on:		
— bank borrowings	5,034	5,054
— lease liabilities	208	57
	<u>5,242</u>	<u>5,111</u>

7. TAXATION CHARGE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax:		
— Hong Kong	597	—
— PRC Enterprise Income Tax	7,680	7,553
— Vietnam	1,273	—
	<u>9,550</u>	<u>7,553</u>
Under (over) provision in prior years:		
— PRC Enterprise Income Tax	495	(5,244)
Deferred tax charge:		
— Current year	4,800	2,388
Taxation charge	<u>14,845</u>	<u>4,697</u>

Under the Law of the PRC on Enterprise Income Tax and Implementation Regulation of the EIT Law, the tax rate of the Group's PRC subsidiaries is 25%.

Jinan Mech was recognised as a High and New Technology Enterprises in 2020, and the applicable tax rate is 15% from 1 January 2020 to 31 December 2022.

Jinan Ma Steel was recognised as a High and New Technology Enterprises in the years 2018 and 2021, respectively, and the applicable tax rate is 15% from 1 January 2018 to 31 December 2023.

Under the tax law in Hong Kong, the tax rate of Tube Industry Investments Limited is 8.25% if the taxable income is under HK\$2,000,000 and the tax rate on the taxable income exceeding HK\$2,000,000 is 16.5%. No provision for income tax has been made for Tube Industry Investments Limited in Hong Kong as there was no estimated assessable profit for the year ended 31 December 2020.

The Company and the group entity incorporated in the BVI is not subject to income tax in the Cayman Islands or any other jurisdiction.

Under the tax law in Vietnam, the tax rate of Viet Nam Piping Industries Company Limited is 20%. Viet Nam Piping Industries Company Limited has been granted to enjoy 2-years exemption of income tax followed by 4-year 50% reduction of income tax from the first profit making year. Starting from 2019, Viet Nam Piping Industries Company Limited enjoyed the 2-years exemption of income tax. Starting from 2021, Viet Nam Piping Industries Company Limited enjoyed the 4-year 50% reduction of income tax.

Under the tax law in Thailand, the tax rate of Delta Electric (Thailand) Co., Ltd is 20%. No provision for income tax has been made for Delta Electric (Thailand) Co., Ltd in Thailand as there was no estimated assessable profit for the year ended 31 December 2021.

The taxation charge for the year can be reconciled to the profit before taxation as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit before taxation	<u>130,134</u>	<u>104,224</u>
Taxation at PRC EIT rate of 25%	32,534	26,056
Tax effect of expenses not deductible for tax purpose	774	733
Tax effect of deductible temporary differences not recognised	(67)	(152)
Tax deduction on research and development expenses (<i>note</i>)	(15,314)	(8,763)
Tax effect of tax losses not recognised	505	—
Under (over) provisions in prior years	495	(5,244)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(508)	(321)
Effect of withholding tax on dividend reinvestment	4,080	—
Income tax at concessionary rate	<u>(7,654)</u>	<u>(7,612)</u>
Taxation charge for the year	<u><u>14,845</u></u>	<u><u>4,697</u></u>

Note: Pursuant to Caishui [2021] circular No.13 (2020: Caishui [2018] circular No.99), Jinan Mech and Jinan Ma Steel enjoy super deduction of 200% (2020: 175%) on qualified research and development expenditure for the year ended 31 December 2021 and 2020.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the year — attributable to owners of the Company)	<u>116,021</u>	<u>99,527</u>
	2021 '000	2020 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>433,800</u>	<u>433,800</u>

No diluted earnings per share was presented as there were no potential ordinary shares in issue.

9. TRADE RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	276,075	211,667
Less: allowance of impairment loss	<u>(9,867)</u>	<u>(7,943)</u>
Total trade receivables	<u>266,208</u>	<u>203,724</u>

As at 1 January 2020, trade receivables from contracts with customers amounted to RMB185,905,000.

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.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
0 — 60 days	127,204	97,376
61 — 180 days	101,271	70,279
181 days — 1 year	28,167	27,694
Over 1 year	<u>9,566</u>	<u>8,375</u>
	<u>266,208</u>	<u>203,724</u>

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly.

The Group did not hold any collateral over these balances.

The Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items using a provision matrix grouped into the following categories with reference to past default experience for recurring customers and current past due exposure for new customers.

10. SHARE CAPITAL

The share capital as at 31 December 2021 represented the issued share capital of the Company.

Details of the Company's shares are disclosed as follows:

	Number of shares	Amount <i>US\$</i>	<i>US\$'000</i>	RMB equivalent amount <i>RMB'000</i>
Ordinary Shares of US\$0.0001 each				
Authorised: At 1 January 2020, 31 December 2020 and 31 December 2021	500,000,000	50,000	50	335
Issued and fully paid At 1 January 2020, 31 December 2020 and 31 December 2021	433,800,000	43,380	44	304

11. BORROWINGS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Secured bank borrowings (<i>note a</i>)	95,107	54,064
Unsecured bank borrowings (<i>note b</i>)	71,245	10,014
	<u>166,352</u>	<u>64,078</u>
Carrying amounts of borrowings: — repayable within one year	<u>166,352</u>	<u>64,078</u>

Notes:

- a As at 31 December 2021, the secured bank borrowings carried fixed interest rate at 4.35% or 4.00% per annum. As at 31 December 2020, the secured bank borrowings included a balance of RMB12,000,000 carried variable interest rate at benchmark lending rate of the PRC plus 0.3%, approximately 4.35% per annum, and the remaining balance of RMB42,064,000 carried fixed interest rate at 4.35% or 3.85% per annum.
- b As at 31 December 2021, the unsecured bank borrowings carried fixed interest rate at 4.35% or 3.90% (2020: 4.55%) per annum.

12. 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.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Property, plant and equipment	67,465	56,694
Right-of-use assets	42,462	43,474
Trade receivables backed by bills	2,000	15,290
Pledged bank deposits	5,740	19,726
	<u>117,667</u>	<u>135,184</u>

13. TRADE AND BILL PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	91,391	47,650
Bill payables	1,580	24,441
	<u>92,971</u>	<u>72,091</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
0 — 180 days	<u>1,580</u>	<u>24,441</u>

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:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
0 — 30 days	58,086	27,587
31 — 60 days	10,138	6,281
61 — 120 days	13,989	2,165
121 — 180 days	5,420	2,428
181 — 360 days	2,683	3,729
Over 360 days	1,075	5,460
	<u>91,391</u>	<u>47,650</u>

14. DIVIDENDS

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2020 final dividend of HK12 cents per share	<u>52,056</u>	—
	<u>52,056</u>	—

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of HK10 cents (2020: HK12 cents) per ordinary share, in an aggregate amount of HK\$43,380,000 (2020: HK\$52,056,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

USE OF PROCEEDS

The Company has raised gross proceeds of approximately HKD224.4 million (RMB201.8 million) through the global offering upon the Listing. After deducting the listing expenses, the net proceeds amounted to approximately HKD183.6 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 31 December 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>RMB\$'000</i>	Remaining net proceeds as at 31 December 2020 <i>RMB\$'000</i>	Actual use of proceeds for the year ended 31 December 2021 <i>RMB\$'000</i>	Remaining net proceeds as at 31 December 2021 <i>RMB\$'000</i>	Expected timeline of full utilisation of the remaining proceeds from the Global Offering as at 31 December 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	35,834	—	—
Setting up a new production facilities building	9.4%	15,646	15,646	15,646	—	—
Expanding to overseas to increase the production capacity	9.4%	15,646	11,425	1,944	9,481	By the end of 2022 <i>(Note 2)</i>
Expanding our business horizontally through acquisition/collaboration	10.0%	16,645	16,645	16,645	—	—
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>70,069</u>	<u>9,481</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 for expansion to overseas to increase the production capacity by the fourth 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 31 December 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 expansion to overseas to increase the production capacity will be fully utilised by the end of 2022.

During the year ended 31 December 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.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

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 governing securities transactions by the Directors. Having made specific enquiry of all the Directors, all Directors have confirmed that they have complied with the Model Code during the year ended 31 December 2021 and up to the date of this announcement.

CORPORATE GOVERNANCE

The Board has reviewed the Company's corporate governance practices and is of the view that during the year ended 31 December 2021, the Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

PUBLIC FLOAT

As at the date of this announcement, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules.

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

Neither the Company nor any of the subsidiaries of the Company purchased, redeemed or sold the listed securities of the Company during the year ended 31 December 2021.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

REVIEW BY THE AUDIT COMMITTEE

The annual results of the Company for the year ended 31 December 2021 has been reviewed by the audit committee of the Company.

ANNUAL GENERAL MEETING

The AGM of the Company will be held in Hong Kong on Tuesday, 31 May 2022. The notice of the AGM will be issued and despatched in due course.

CLOSURE OF REGISTER OF MEMBERS

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

- i) From Thursday, 26 May 2022 to Tuesday, 31 May 2022 (both days inclusive), during which period no transfer of Shares will be registered. In order to determine the identity of the Shareholders who are entitled to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificates have to be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 25 May 2022.

- ii) From Tuesday, 14 June 2022 to Friday, 17 June 2022, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all completed transfer documents accompanied by the relevant share certificates have to be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited of Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 13 June 2022.

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

Hong Kong, 25 March 2022

As at the date of this announcement, the executive directors of the Company 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 of the Company are Mr. LIU Fengyuan, Mr. DING Xiaodong and Mr. MA Changcheng.