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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 2023

The Board hereby announces results of the Group for the year ended 31 December 2023.

FINANCIAL HIGHLIGHTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>	Change
Revenue	2,190,942	2,107,290	4.0%
Gross profit	383,539	390,918	-1.9%
Gross profit margin	17.5%	18.6%	
Profit for the year	152,861	138,790	10.1%
Earnings per share			
— Basic (<i>RMB</i>)	0.35	0.32	9.4%
Dividend per share			
— Interim	Nil	Nil	
— Final	<u>HKD12 cents</u>	<u>HKD10 cents</u>	
— Full year	<u><u>HKD12 cents</u></u>	<u><u>HKD10 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 the 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” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HVAC”	Heating, ventilation and air conditioning
“Jinan Ma Steel”	Jinan Magang Steel Pipes Manufacturing Company* (濟南瑪鋼鋼管製造有限公司), a company established under the laws of the PRC as a limited liability company on 7 November 2001 and is an indirect wholly-owned subsidiary of the Company

“Jinan Mech”	Jinan Mech Piping Technology Co., Ltd* (濟南邁科管道科技有限公司), a company established under the laws of the PRC with limited liability company on 21 May 2013 and is an indirect wholly-owned subsidiary of the Company
“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”	the year ended 31 December 2023
“RMB”	Renminbi Yuan, the lawful currency of the PRC
“Shareholder(s)”	holders of the ordinary shares of the Company with a nominal value of USD0.0001 each
“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” or “US\$”	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 the 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. We also conducted sales of raw materials that were procured from the suppliers and left unused, including steel coils.

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, who 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 minimize wastage of material and improve efficiency, thus reducing production costs.

During the reporting period, the domestic economy has been recovering, while the overseas market was confronted with the economic decoupling from the West and the geopolitical wars in the first half of the year. In spite of the unsettling landscape, the Group, led by the Board, capitalized on its advantages in the sharing of market resources and technological research and development, and conducted deployment of improving our management strategies for the year, and thus our employees were able to navigate challenging circumstances and devote their efforts to innovation. For the year ended 31 December 2023, the Group recorded revenue of approximately RMB2,190.9 million, representing a year-on-year increase of 4.0%, and achieved an accumulated net profit of approximately RMB152.9 million, representing a year-on-year increase of 10.1%.

NEW ORDERS

For the year ended 31 December 2023, the Group received new orders for approximately 18,000 tons of standard prefabricated pipe products, of which approximately 99.3% were from overseas customers; we also received new orders for approximately 250,000 tons of steel pipe products, of which approximately 66.8% were from domestic customers. During the year ended 31 December 2023, the Group had delivered approximately 16,100 tons of standard prefabricated pipe products and approximately 243,500 tons of steel pipe products.

STANDARD PREFABRICATED PIPE PRODUCTS

The standard prefabricated pipe products are our key competitive products. For the year ended 31 December 2023, our revenue from standard prefabricated pipe products amounted to approximately RMB308.8 million, accounting for 14.1% of the total revenue of the Group; for the year ended 31 December 2022, our revenue from standard prefabricated pipe products amounted to approximately RMB412.8 million, accounting for 19.6% of the total revenue of the Group. The revenue of standard fabricated pipe products decreased by 25.2% as compared to the corresponding period last year, due to a decline in sales volume.

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 extinguishment. 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 2023, our ERW steel pipes, SSAW steel pipes and customised steel pipes recorded revenues of approximately RMB372.7 million, RMB605.0 million and RMB270.2 million, respectively, representing a year-on-year decrease of 0.3% for ERW steel pipes, and a year-on-year increase of 26.7% and 2.6% for SSAW steel pipes and customised steel pipes as compared to the same period in 2022, respectively. The decrease in ERW steel pipes was mainly due to a decrease in raw material and product prices, while the increase in SSAW steel pipes and customised steel pipes was mainly due to the increase in sales volume. The total revenue generated from steel pipe products accounted for approximately 57.0% of the total revenue for the year ended 31 December 2023.

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 2023, our design and supply of assembled piping system recorded the revenue of approximately RMB33.2 million, representing a year-on-year increase of approximately 21.5% as compared to the same period in 2022. The increase was mainly due to an increase in the delivery of orders to our customers, accounting for approximately 1.5% of the total revenue for the year ended 31 December 2023.

FINANCIAL REVIEW

The Group's 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 left unused and procured from its suppliers.

For the year ended 31 December 2023, our total revenue was approximately RMB2,190.9 million, representing an increase of approximately RMB83.7 million or 4.0% as compared to the year ended 31 December 2022. The increase in revenue was mainly due to an increase in the sales volume of SSAW steel pipes.

Sales by product categories

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

	2023			
	Revenue RMB'000	% of total	Sales volume ton'000	ASP RMB/ton
Standard prefabricated pipe nipples	308,794	14.1%	16.1	19,180
Steel pipe products				
ERW steel pipes	372,668	17.0%	74.2	5,022
SSAW steel pipes	604,972	27.6%	119.6	5,058
Customised steel pipes	270,164	12.4%	49.7	5,436
Design and supply of assembled piping system	33,163	1.5%	N/A	N/A
Trading of steel coils	600,523	27.4%	169.1	3,551
Others	658	0.0%	N/A	N/A
Total	2,190,942	100.0%	428.7	5,111
	2022			
	Revenue RMB'000	% of total	Sales volume ton'000	ASP RMB/ton
Standard prefabricated pipe nipples	412,845	19.6%	21.1	19,566
Steel pipe products				
ERW steel pipes	373,970	17.7%	67.0	5,582
SSAW steel pipes	477,645	22.7%	90.7	5,266
Customised steel pipes	263,410	12.5%	41.9	6,287
Design and supply of assembled piping system	27,290	1.3%	N/A	N/A
Steel coils trade	551,690	26.2%	141.9	3,888
Others	440	0.0%	N/A	N/A
Total	2,107,290	100.0%	362.6	5,811

The revenue generated from sales of standard prefabricated pipe products amounted to approximately RMB308.8 million for the year ended 31 December 2023, representing a decrease of approximately RMB104.1 million or 25.2% as compared to the year ended 31 December 2022, which was mainly due to the decrease in sales volume.

The revenue generated from ERW steel pipes decreased by approximately RMB1.3 million or 0.3% from the year ended 31 December 2022 to approximately RMB372.7 million for the year ended 31 December 2023, which was mainly due to the decrease in average selling price of products; the revenue generated from SSAW steel pipes increased by approximately RMB127.3 million or 26.7% from the year ended 31 December 2022 to approximately RMB605.0 million for the year ended 31 December 2023, which was mainly due to the growth in sales volume; the revenue generated from customised steel pipes increased by approximately RMB6.8 million or 2.6% from the year ended 31 December 2022 to approximately RMB270.2 million for the year ended 31 December 2023.

The revenue generated from design and supply of assembled piping system increased by approximately RMB5.9 million or 21.5% from approximately RMB27.3 million for the year ended 31 December 2022 to approximately RMB33.2 million for the year ended 31 December 2023. The increase was mainly due to the increase in the delivery of orders to our customers.

The revenue generated from steel coils increased by approximately RMB48.8 million or 8.9% for the year ended 31 December 2022 to approximately RMB600.5 million for the year ended 31 December 2023, mainly due to the increase in sales volume.

Sales by geographical regions

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

	2023		2022	
	Revenue	% of total	Revenue	% of total
	RMB'000	revenue	RMB'000	revenue
Domestic market				
PRC	1,451,736	66.3%	1,303,618	61.9%
Overseas markets				
The United States	227,723	10.4%	315,227	15.0%
Other countries in Americas (excluding the United States)	136,928	6.3%	111,564	5.2%
Other countries in Asia (excluding the PRC)	311,753	14.2%	282,141	13.4%
Europe	29,249	1.3%	43,043	2.0%
Others	33,553	1.5%	51,697	2.5%
Total	<u>2,190,942</u>	<u>100.0%</u>	<u>2,107,290</u>	<u>100.0%</u>

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 decreased by approximately 1.9% or RMB7.4 million from approximately RMB390.9 million for the year ended 31 December 2022 to approximately RMB383.5 million for the year ended 31 December 2023. Such a decrease was mainly attributable to the decline in sales volume of standard prefabricated pipe products. Gross profit margin decreased by 1.1% compared to the same period last year.

OTHER INCOME

For the year ended 31 December 2023, other income mainly represents government grant and interest income, which increased from approximately RMB4.4 million for the year ended 31 December 2022 by approximately 120.5% or RMB5.3 million to approximately RMB9.7 million for the year ended 31 December 2023. The increase in other income was mainly due to the increase in government grant by approximately RMB3.9 million, and the increase in bank interests by RMB1.4 million.

OTHER GAINS AND LOSSES

For the year ended 31 December 2023, other gains and losses mainly represent gains on sales of scrap materials, fair value gains on structured bank deposits, fair value losses on foreign currency forward contracts, fair value gains on derivative financial instruments and net exchange gains. Other gains and losses for the year ended 31 December 2023 decreased by approximately 58% to approximately RMB6.3 million (2022: RMB15.2 million) as compared with the corresponding period in 2022. Changes in other gains and losses were mainly attributable to gains on sales of scrap materials of approximately RMB8.6 million as compared to the gains on scrap of RMB10.3 million in the same period of last year; fair value gains of approximately RMB0.4 million on derivative financial instrument in 2023 as compared to the gains of approximately RMB1.3 million in the same period of 2022; and gains from foreign exchange of approximately RMB1.2 million in 2023 as compared to the gains of approximately RMB10.7 million in the same period of 2022.

DISTRIBUTION AND SELLING EXPENSES

Distribution and selling expenses decreased from approximately RMB116.6 million for the year ended 31 December 2022 by approximately 25.3% or RMB29.5 million to approximately RMB87.1 million for the year ended 31 December 2023, which was primarily due to (i) the decrease in transportation costs; and (ii) the increase in business expenses.

ADMINISTRATIVE EXPENSES

Administrative expenses increased from approximately RMB53.8 million for the year ended 31 December 2022 by approximately 10.0% or RMB5.4 million to approximately RMB59.2 million for the year ended 31 December 2023, which was primarily due to the increase in compensation of management staff.

RESEARCH AND DEVELOPMENT COSTS

The cost of research and development decreased from approximately RMB76.4 million for the year ended 31 December 2022 by approximately 11.0% or RMB8.4 million to approximately RMB68.0 million for the year ended 31 December 2023. Our research and development costs accounted for approximately 3.1% of the total revenue for the year ended 31 December 2023 (corresponding period in 2022: approximately 3.6%).

IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

The impairment losses under expected credit loss model, net of reversal amounted to approximately RMB5.1 million for the year ended 31 December 2023 (corresponding period in 2022: approximately RMB5.1 million), which was mainly due to the increase in the Company's receivables.

FINANCE COSTS

Finance costs increased from approximately RMB5.3 million for the year ended 31 December 2022 by approximately 26.4% or RMB1.4 million to approximately RMB6.7 million for the year ended 31 December 2023, which was primarily due to an increase in discounted notes.

TAXATION CHARGE

Taxation charge increased from RMB14.5 million for the year ended 31 December 2022 to RMB20.5 million for the year ended 31 December 2023.

PROFIT FOR THE YEAR

Profit for the year increased by approximately 10.1% or RMB14.1 million from RMB138.8 million for the year ended 31 December 2022 to RMB152.9 million for the year ended 31 December 2023, which was mainly due to the increase in sales volume of SSAW steel pipes.

Capital structure, liquidity and financial resources

	For the year ended 31	
	December	
	2023	2022
	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	(20,389)	177,848
Net cash used in investing activities	(180,755)	(74,604)
Net cash generated from/(used in) financing activities	214,545	(136,089)
Net increase/(decrease) in cash and cash equivalents	13,401	(32,845)
Cash and cash equivalents at the beginning of the year	57,760	86,548
Effect of foreign exchange rate changes	782	4,057
Cash and cash equivalents at the end of the year	<u>71,943</u>	<u>57,760</u>

Gearing ratio

As at 31 December 2023, 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 3.7% (31 December 2022: approximately 8%). As at 31 December 2023, our total interest-bearing debts amounted to RMB38.4 million. The decrease in gearing ratio was primarily attributable to the decrease in bank loans.

NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES

Our net cash (used in) generated from operating activities decreased from a net inflow of approximately RMB177.8 million for the year ended 31 December 2022 to a net outflow of approximately RMB20.4 million in for the year ended 31 December 2023. The decrease in net cash (used in) generated from operating activities was mainly due to an increase in trade receivables.

NET CASH USED IN INVESTING ACTIVITIES

Our net cash from investing activities changed from a net outflow of approximately RMB74.6 million for the year ended 31 December 2022 to a net outflow of approximately RMB180.8 million for the year ended 31 December 2023. The change in net cash was primarily due to the increase in guarantee deposits for the issuance of bank acceptances.

NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES

Our net cash from financing activities changed from a net outflow of approximately RMB136.1 million for the year ended 31 December 2022 to a net inflow of approximately RMB214.5 million for the year ended 31 December 2023. The change in net cash generated from financing activities was primarily due to the proceeds from discounted bills.

NET CURRENT ASSETS AND LIABILITIES

Inventories

Our balance of inventories increased by approximately RMB30.5 million or 12.2% from approximately RMB249.5 million as at 31 December 2022 to approximately RMB280.0 million as at 31 December 2023, which was mainly driven by the sufficient orders for steel pipe products, completed orders without shipping and the increase in steel coils, raw materials and inventories.

TRADE RECEIVABLES AND TRADE RECEIVABLES BACKED BY BILLS

Our trade receivables increased by approximately RMB198.8 million or 58.5% from approximately RMB340.1 million as at 31 December 2022 to approximately RMB538.9 million as at 31 December 2023, mainly due to the increase in sales of SSAW steel pipes during the period and trade receivables being not yet due for payment.

Our trade receivables backed by bills decreased by approximately RMB0.8 million or 6.7% from approximately RMB12.0 million as at 31 December 2022 to approximately RMB11.2 million as at 31 December 2023, mainly due to outstanding of bank bills received.

CONTRACT ASSETS

Our contract assets decreased from approximately RMB26.9 million as of 31 December 2022 to approximately RMB20.8 million as of 31 December 2023, mainly due to the decrease in retention receivables on sales of pipe products.

DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Our deposits, prepayments and other receivables increased from approximately RMB121.4 million as at 31 December 2022 to approximately RMB146.6 million as at 31 December 2023, mainly due to the increase in prepayment for raw materials.

AMOUNTS DUE FROM/TO RELATED PARTIES

Amounts due from related parties increased from approximately RMB7.3 million as at 31 December 2022 to approximately RMB17.8 million as at 31 December 2023, mainly due to the trade receivables at the end of the reporting period.

Amounts due to related parties decreased from approximately RMB4.8 million as at 31 December 2022 to approximately RMB2.5 million as at 31 December 2023.

TRADE AND BILL PAYABLES

Our trade and bill payables increased from approximately RMB90.7 million as of 31 December 2022 to approximately RMB415.2 million as of 31 December 2023, mainly due to an increase in bill payables.

CONTRACT LIABILITIES

Our contract liabilities increased from approximately RMB41.8 million as of 31 December 2022 to RMB60.8 million as of 31 December 2023, which was related to the timing of delivery of products to our customers

REFUND LIABILITIES

Our refund liabilities decreased from approximately RMB10.6 million as of 31 December 2022 to approximately RMB5.3 million as of 31 December 2023, primarily due to the settlement of liabilities.

OTHER PAYABLES AND ACCRUED CHARGES

Our other payables and accrued charges increased from approximately RMB81.3 million as of 31 December 2022 to approximately RMB84.6 million as of 31 December 2023, which was mainly due to the increase in other payables and accrued charges.

PROVISIONS

Our provisions increased from approximately RMB2.2 million as of 31 December 2022 to approximately RMB3.1 million as of 31 December 2023. Provisions represent warranty provided for our sold products.

BORROWINGS

Our borrowings decreased from approximately RMB75.9 million as of 31 December 2022 to approximately RMB38.4 million as of 31 December 2023, mainly due to an decrease in bank loans. The Group's borrowing of approximately RMB38.4 million as at 31 December 2023 was repayable within one year.

LEASE LIABILITIES

As of 31 December 2023, the Group rented two properties in PRC as its warehouses 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 RMB4.6 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;
- (ii) sales of goods to overseas customers and related trade receivables are denominated in USD.

The appreciation or devaluation of RMB against USD or HKD or VND or THB may have an impact on the financial performance of the Group. The Group mainly manages potential fluctuations 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 HKD12 cents per ordinary share of the Company issued (approximately HKD52,056,000 in aggregate) for the year ended 31 December 2023 in cash (2022: HKD10 cents).

PLEDGE OF ASSETS

As at 31 December 2023, our Group pledged certain property, plant, equipment, right-of-use assets, trade receivables backed by bills and pledged bank deposits with the total net carrying amount of approximately RMB263.1 million (31 December 2022: approximately RMB130.5 million) to secure banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2023, 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 2023, there were 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 2023 and up to the date of this announcement.

EMPLOYEES

For the year ended 31 December 2023, labour costs (including Directors' remunerations and emoluments in other forms) were approximately RMB118.9 million (for the year ended 31 December 2022: RMB106.1 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. The 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. As the Group believes that nurturing outstanding employees is particularly important for the development of enterprises, it provides 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 programmes related to their necessary skills and knowledge.

As of 31 December 2023, we had 1,070 employees (31 December 2022: 1,067 employees), 911 of whom are in the PRC (including Hong Kong), 89 of whom work in Vietnam, and 70 of whom work in Thailand. A breakdown of our employees by functions is set forth below:

Function	As of 31 December 2023		
	China (including Hong Kong)	Vietnam	Thailand
Managerial, administrative and accounts	85	7	10
Production	506	75	59
Quality control	37	5	1
Procurement and inventory	32	2	–
Research and development	127	–	–
Sales and marketing	124	–	–
	<hr/>	<hr/>	<hr/>
Total number of employees	911	89	70
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EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Save as disclosed, there were no significant events subsequent to 31 December 2023 which would materially affect the Group's operating and financial performance as of the date of this announcement.

PROSPECTS

In 2023, China has embarked on the path to post-epidemic recovery, witnessing a domestic economy that demonstrated resilience and robust growth, and yet certain challenges have persisted. The lack of consumption momentum, along with a substantial downturn in real estate investment and industry demand, hampered the full potential of the domestic market. Meanwhile, the external landscape remained complex and volatile, marked by geopolitical conflicts and regional hot wars, while the U.S. Federal Reserve's decision to raise and maintain interest rates at elevated levels escalated the risk of a global economic downturn. In 2024, the implementation of counter-cyclical and cross-cyclical fiscal policies will persist, with a strong emphasis on leveraging infrastructure as a catalyst for economic support. Despite an expected rise in the deficit rate to approximately 3.5%, as outlined in the Report on the Work of the Government, the government is adopting an assertive spending approach. In 2024, the issuance of new local government special bonds will adopt to reach approximately RMB4 trillion, enabling over RMB1 trillion of additional capital to be invested in sectors including economic construction, steel structures, and infrastructure projects such as pipeline networks, guardrails, and long-distance pipelines for water conservancy, electricity, and oil and gas. These investments will serve to stimulate demand within these industries. Supported by counter-cyclical fiscal policies, the industry's demand is expected to remain resilient.

Based on current situation, the Group will strengthen its own capacity building. It will adopt the following strategies to realize sustainable growth, further enhance its position in the pipe prefabrication industry, and create long-term value for the Shareholders: (1) to perfect the overseas sales management while targeting new products and customers; (2) to strengthen the domestic sales system with a focus on making stable growth; (3) to fully apply the Pipeline Exchange to improve the sales management; (4) to conduct product research and development to meet the demand, and enhance our brand image through building a platform; (5) to address the operation difficulties in terms of management and execution; (6) to refine the procurement business management and implement multi-measures to create more benefits; (7) to set a benchmark for continuous innovation and development, aiming to increase overall efficiency and quality while reducing cost; (8) to accelerate turnover while tapping potential and increasing efficiency by focusing on the inventory management; and (9) to enhance employees' capabilities by strengthening team building initiatives.

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.

ENVIRONMENTAL 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 comply with Chinese, Vietnamese and Thai environmental laws and regulations promulgated by national and local governments. During the reporting period, we made significant strides in enhancing our environmental protection management through the utilization of digital tools. By implementing the online operation of the environmental risk cloud inspection system, we achieved 100% coverage and timely rectification of environmental issues by conducting online control of all environmental risks. This proactive approach greatly improved our ability to promptly detect environmental risks and carry out necessary rectifications. Meanwhile, through the implementation of the DCS environmental protection system, we achieved real-time monitoring of pollutant concentrations in exhaust emissions, ensuring compliance with acceptable limits, while also capturing data on operation time and total power consumption and other information, mitigating the risk of exceeding emission limits. Furthermore, our adoption of digital means enabled us to exercise control over reclaimed water pressure and monitor its consumption at each reclaimed point. This allowed us to track reclaimed water usage, preventing water resource wastage.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTES	2023 RMB'000	2022 RMB'000
Revenue	4	2,190,942	2,107,290
Cost of sales		<u>(1,807,403)</u>	<u>(1,716,372)</u>
Gross profit		383,539	390,918
Other income	5	9,672	4,363
Other gains and losses	5	6,309	15,213
Distribution and selling expenses		(87,119)	(116,586)
Administrative expenses		(59,211)	(53,823)
Research and development costs		(68,037)	(76,406)
Impairment losses under expected credit loss model, net of reversal		(5,137)	(5,097)
Finance costs	7	<u>(6,690)</u>	<u>(5,331)</u>
Profit before taxation	6	173,326	153,251
Income tax expense	8	<u>(20,465)</u>	<u>(14,461)</u>
Profit for the year		<u>152,861</u>	<u>138,790</u>
Other comprehensive (expense) income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operation		<u>(2,473)</u>	<u>5,844</u>
Total comprehensive income for the year		<u>150,388</u>	<u>144,634</u>
Profit for the year attributable to:			
– Owners of the Company		153,731	139,695
– Non-controlling interests		<u>(870)</u>	<u>(905)</u>
		<u>152,861</u>	<u>138,790</u>
Total comprehensive income for the year attributable to:			
– Owners of the Company		151,264	145,045
– Non-controlling interests		<u>(876)</u>	<u>(411)</u>
		<u>150,388</u>	<u>144,634</u>
Earnings per share			
– Basic (RMB yuan)	9	<u>0.35</u>	<u>0.32</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

	NOTES	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment		409,803	421,879
Deferred tax assets		4,648	5,727
Prepayments for plant and equipment		1,409	656
		<u>415,860</u>	<u>428,262</u>
Current assets			
Inventories		279,969	249,478
Trade receivables	10	538,907	340,064
Trade receivables backed by bills		11,150	12,028
Contract assets		20,810	26,907
Tax recoverable		1,036	4,225
Deposits, prepayments and other receivables		146,614	121,385
Amounts due from related parties		17,754	7,318
Financial assets at fair value through profit or loss (“FVTPL”)		–	1,516
Pledged bank deposits		172,775	33,510
Time deposits		18,483	–
Cash and cash equivalents		71,943	57,760
		<u>1,279,441</u>	<u>854,191</u>
Current liabilities			
Trade and bill payables	14	415,233	90,704
Contract liabilities		60,822	41,809
Derivative financial instruments		22	–
Refund liabilities		5,281	10,600
Other payables and accrued charges		84,626	81,343
Amounts due to related parties		2,486	4,816
Provisions		3,132	2,238
Tax liabilities		2,947	655
Borrowings	12	38,362	75,946
Lease liabilities		1,528	3,541
Deferred income		1,440	1,388
		<u>615,879</u>	<u>313,040</u>

	NOTES	2023 RMB'000	2022 RMB'000
Net current assets		<u>663,562</u>	<u>541,151</u>
Total assets less current liabilities		<u>1,079,422</u>	<u>969,413</u>
Non-current liabilities			
Lease liabilities		3,068	3,908
Deferred tax liabilities		14,858	14,143
Deferred income		<u>10,536</u>	<u>11,479</u>
		<u>28,462</u>	<u>29,530</u>
Net assets		<u><u>1,050,960</u></u>	<u><u>939,883</u></u>
Capital and reserves			
Share capital	11	304	304
Reserves		<u>1,046,226</u>	<u>934,273</u>
Attributable to owners of the Company		<u>1,046,530</u>	<u>934,577</u>
Non-controlling interests		<u>4,430</u>	<u>5,306</u>
Total equity		<u><u>1,050,960</u></u>	<u><u>939,883</u></u>

NOTES

1. GENERAL INFORMATION

Maike Tube Industry Holdings Limited (the “Company”) is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. 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 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, PRC , respectively.

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 consolidated financial statements are presented in Renminbi (“RMB”), which is the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendment to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the new and 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.

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

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

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

	2023	2022
	RMB'000	RMB'000
<i>Types of goods or service:</i>		
Sales of pipe products:		
– ERW steel pipes	372,668	373,970
– Standard prefabricated pipe nipples	308,794	412,845
– Spiral submerged arc welded steel pipes	604,972	477,645
– Customised steel pipes	270,164	263,410
– Design and supply assembled piping system	33,163	27,290
Trading of steel coils	600,523	551,690
Others	658	440
	<u>2,190,942</u>	<u>2,107,290</u>
<i>Geographical markets</i>		
PRC	1,451,736	1,303,618
Others	739,206	803,672
	<u>2,190,942</u>	<u>2,107,290</u>
<i>Timing of revenue recognition:</i>		
A point in time	2,190,284	2,106,850
Over time	658	440
	<u>2,190,942</u>	<u>2,107,290</u>

(ii) Performance obligations for contracts with customers and revenue recognition policies

The Group sells ERW steel pipes products, standard prefabricated pipe nipples products, spiral submerged arc welded steel pipes products, customised steel pipes products, design and supply assembled piping system to customers and trade steel coils with customers. For sales of goods, 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.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which ranges from 6 to 24 months from the date of the acceptance of the pipe products. The relevant amount of contract assets is reclassified to trade receivables when the defect liability period expires.

Sales-related warranties associated with pipe products cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* consistent with its previous accounting treatment.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

During the year ended 31 December 2023 and 2022, all performance obligations for sales of goods are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4. SEGMENT 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. 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	
	Year ended 31 December		As at 31 December	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
PRC	1,451,736	1,303,618	387,705	396,491
The United States of America ("US")	227,723	315,227	—	—
Other countries in America (excluding US)	136,928	111,564	—	—
Other countries in Asia (excluding PRC)	311,753	282,141	23,507	26,044
Europe	29,249	43,043	—	—
Others	33,553	51,697	—	—
	<u>2,190,942</u>	<u>2,107,290</u>	<u>411,212</u>	<u>422,535</u>

Information about major customer

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	31/12/2023 RMB'000	31/12/2022 RMB'000
Customer A	239,660	N/A

N/A: Not disclosed as amount less than 10% of total revenue.

5. OTHER INCOME/OTHER GAINS AND LOSSES

	2023 RMB'000	2022 RMB'000
Other income		
Government grant (<i>note i</i>)	7,988	4,107
Bank interest income	1,684	256
	<u>9,672</u>	<u>4,363</u>

	2023 RMB'000	2022 RMB'000
Other gains and losses		
Gain on sales of scrap materials	8,638	10,311
Fair value gains (losses) on financial assets at FVTPL		
– structured bank deposits	141	26
– foreign currency forward contracts (<i>note ii</i>)	(2,272)	(7,697)
Fair value gains on derivative financial instruments (<i>note iii</i>)	442	1,276
(Losses) gains on disposals of property, plant and equipment	(1,561)	23
Net exchange gains	1,153	10,738
Others	(232)	536
	<u>6,309</u>	<u>15,213</u>

Notes:

- i. During the year ended 31 December 2023, the relevant government authorities granted one-off and unconditional subsidies to the Group amounting to RMB6,553,000 (2022: RMB4,107,000).
- ii. During the year ended 31 December 2023, gains on US\$ to RMB foreign currency forward contracts represented realised losses of RMB849,000 (2022: realised losses of RMB8,244,000) and unrealised losses of RMB1,423,000 (2022: unrealised gains of RMB547,000) on changes in fair value of foreign currency forward contracts.
- iii. During the year ended 31 December 2023, amount represented realised gains of RMB557,000 (2022: realised gains of RMB1,183,000) and unrealised losses of RMB115,000 (2022: unrealised gains of RMB93,000) arising on changes in fair value of commodity derivative contracts.

6. PROFIT BEFORE TAXATION

	2023 RMB'000	2022 RMB'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	1,680	1,880
Directors' emoluments	4,322	4,248
Other staff costs:		
– Salaries and other benefits	87,375	78,190
– Contributions to retirement benefit schemes	27,242	23,642
Less: capitalised in inventories	(58,454)	(58,349)
Total staff costs	56,163	43,483
Depreciation of property, plant and equipment	40,815	38,335
Less: capitalised in inventories	(30,644)	(26,796)
Total depreciation	10,171	11,539
Cost of inventories sold	1,807,403	1,716,372
Write-down of inventories (included in cost of inventories sold)	1,621	2,169
	<u>1,807,403</u>	<u>1,716,372</u>

7. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Finance costs represent interests on:		
– bank borrowings	3,422	4,954
– discounted bills	3,128	–
– lease liabilities	140	377
	<u>6,690</u>	<u>5,331</u>

8. INCOME TAX EXPENSE

	2023 RMB'000	2022 RMB'000
Current tax:		
– Hong Kong	1,235	–
– PRC Enterprise Income Tax	12,327	7,711
– Vietnam	1,843	1,978
	<u>15,405</u>	<u>9,689</u>
Under provision in prior years:		
– PRC Enterprise Income Tax	1,563	2,311
Deferred tax		
– Current year	3,497	2,461
Taxation charge	<u>20,465</u>	<u>14,461</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 Piping Technology Co., Ltd (“Jinan Mech”) was recognised as a High and New Technology Enterprises in 2023, and the applicable tax rate is 15% from 1 January 2023 to 31 December 2025.

Jinan Magang Steel Pipes Manufacturing Company (“Jinan Ma Steel”) was recognised as a High and New Technology Enterprises in 2021, and the applicable tax rate is 15% from 1 January 2021 to 31 December 2023. In the opinion of the Directors, Jinan Ma Steel will apply for renewal of the High and New Technology Enterprises status in the year of 2024 and it is highly likely such renewal will be granted.

Under the tax law in Hong Kong, the tax rate of Tube Industry Investments Limited (“Tube Industry”) 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%.

The Company and the group entity incorporated in the BVI are 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 (“Viet Nam Piping”) is 20%. Viet Nam Piping 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 enjoyed the 2-years exemption of income tax. Starting from 2021, Viet Nam Piping enjoyed the 4-year 50% reduction of income tax.

Under the tax law in Thailand, the tax rate of Delta Electric is 20%. No provision for income tax has been made for Delta Electric in Thailand as there was no estimated assessable profit for the year ended 31 December 2022 and 31 December 2023.

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

	2023	2022
	RMB'000	RMB'000
Profit before taxation	<u>173,326</u>	<u>153,251</u>
Taxation at PRC EIT rate of 25%	43,332	38,313
Tax effect of expenses not deductible for tax purpose	620	840
Tax effect of deductible temporary differences not recognised	797	(159)
Tax deduction on research and development expenses (<i>note a</i>)	(15,996)	(18,753)
Additional deduction of machinery and equipment Procurement (<i>note b</i>)	–	(3,151)
Tax effect of tax losses not recognised	1,134	624
Under provisions in prior years	1,563	2,311
Effect of different tax rates of subsidiaries operating in other jurisdictions	(656)	(827)
Withholding tax on distributed profits of PRC subsidiaries	1,662	2,400
Income tax at concessionary rate	<u>(11,991)</u>	<u>(7,137)</u>
Taxation charge for the year	<u>20,465</u>	<u>14,461</u>

Notes:

- a Pursuant to Caishui [2021] circular No.13, Jinan Mech and Jinan Ma Steel enjoy super deduction of 200% on qualified research and development expenditure for the year ended 31 December 2023 and 2022.
- b According to the PRC EIT Law and its relevant regulation issued in 2022, entities that qualified as High and New Technology Enterprise are entitled to an additional 100% of the amount of qualified machinery and equipment newly purchased from 1 October 2022 to 31 December 2022, which is allowed to be deducted from taxable income.

9. EARNINGS PER SHARE

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

	2023	2022
	RMB'000	RMB'000
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the year – attributable to owners of the Company)	<u>153,731</u>	<u>139,695</u>
	2023	2022
	'000	'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.

10. TRADE RECEIVABLES

	2023	2022
	RMB'000	RMB'000
Trade receivables	559,848	356,098
Less: allowance of impairment loss	<u>(20,941)</u>	<u>(16,034)</u>
Total trade receivables	<u>538,907</u>	<u>340,064</u>

As at 1 January 2022, trade receivables from contracts with customers amounted to RMB266,208,000.

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

	2023	2022
	RMB'000	RMB'000
0 – 60 days	174,888	196,402
61 – 180 days	162,462	85,771
181 days – 1 year	164,298	50,128
Over 1 year	37,259	7,763
	<u>538,907</u>	<u>340,064</u>

The Group did not hold any collateral over these balances.

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 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.

11. SHARE CAPITAL

The share capital as at 31 December 2023 represented the issued share capital of the Company.

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

	Number of shares	Amount US\$	US\$'000	RMB equivalent amount RMB'000
Ordinary Shares of US\$0.0001 each				
Authorised:				
At 1 January 2022, 31 December 2022 and 31 December 2023	<u>500,000,000</u>	<u>50,000</u>	<u>50</u>	<u>335</u>
Issued and fully paid:				
At 1 January 2022, 31 December 2022 and 31 December 2023	<u>433,800,000</u>	<u>43,380</u>	<u>43</u>	<u>304</u>

12. BORROWINGS

	2023 RMB'000	2022 RMB'000
Secured bank borrowings (<i>note a</i>)	38,362	17,946
Unsecured bank borrowings (<i>note b</i>)	<u>—</u>	<u>58,000</u>
	38,362	<u>75,946</u>
Carrying amounts of borrowings:		
– repayable within one year	38,362	<u>75,946</u>

Notes:

- a As at 31 December 2023, the secured bank borrowings amounting RMB38,362,000 (2022: RMB17,946,000), carried fixed interest rate ranging from 2.5% to 3.45% (2022: 3.8%) per annum.
- b As at 31 December 2022, the unsecured bank borrowings carried fixed interest rate ranging from 3.60 % to 3.90% per annum.

13. 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.

	2023 RMB'000	2022 RMB'000
Property, plant and equipment	50,470	54,087
Right-of-use assets	39,841	40,826
Trade receivables backed by bills	—	2,112
Pledged bank deposits	<u>172,775</u>	<u>33,510</u>
	<u>263,086</u>	<u>130,535</u>

14. TRADE AND BILL PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables	67,094	73,414
Bill payables	<u>348,139</u>	<u>17,290</u>
	<u>415,233</u>	<u>90,704</u>

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

	2023	2022
	RMB'000	RMB'000
0 – 180 days	<u>348,139</u>	<u>17,290</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:

	2023	2022
	RMB'000	RMB'000
0 – 30 days	25,698	35,569
31 – 60 days	6,528	7,843
61 – 120 days	13,069	5,141
121 – 180 days	2,765	4,588
181 – 360 days	6,576	8,847
Over 360 days	<u>12,458</u>	<u>11,426</u>
	<u>67,094</u>	<u>73,414</u>

15. DIVIDEND

	2023		2022	
	HK\$'000	RMB'000	HK\$'000	RMB'000
Dividends recognised as distribution during the year:				
2022 final dividend of HKD10 cents (2022:				
2021 final dividend HKD10 cents) per share	<u>43,380</u>	<u>39,311</u>	<u>43,380</u>	<u>37,099</u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2023 of HKD12 cents (equivalent to RMB10.9 cents) (2022: HKD10 cents (equivalent to RMB9.1 cents)) per ordinary share, in an aggregate amount of HK\$52,056,000 (equivalent to RMB47,284,200) (2022: HK\$43,380,000 (equivalent to RMB39,311,000)) has been proposed by the Directors of the Company and is subject to approval by the Shareholders in the forthcoming AGM.

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 2023, 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 RMB\$'000	Remaining net proceeds as at 31 December 2022 RMB\$'000	Actual use of proceeds for the year ended 31 December 2023 RMB\$'000	Remaining net proceeds as at 31 December 2023 RMB\$'000	Expected timeline of full utilisation of the remaining proceeds from the Global Offering as at 31 December 2023
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	—	—	—	—
Setting up a new production facilities building	9.4%	15,646	—	—	—	—
Expanding to overseas to increase the production capacity	9.4%	15,646	4,787	4,787	—	—
Expanding our business horizontally through acquisition/collaboration	10.0%	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>4,787</u>	<u>4,787</u>	<u>—</u>	

For the year ended 31 December 2023, the net proceeds from the Listing has been fully utilised and there was no material change or delay in the use of proceeds 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 as set out in Appendix C3 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 2023 and up to the date of this announcement.

CORPORATE GOVERNANCE

Pursuant to code provision C.2.1 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. Upon the resignation of Mr. Guo Lei as the chief executive officer of the Company (the “CEO”) and the appointment of Mr. Zhou Zhi Wei as the CEO on 1 August 2023, the Company has separate individuals performing as the chairman of the Board and the CEO. As such, the Board considers the appointment would help to ensure a balance of power and authority for the management of the Company.

The Board has reviewed the Company’s corporate governance practices and is of the view that saved as disclosed, during the year ended 31 December 2023, the Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix C1 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 2023.

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 2023 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 audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 22 March 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion 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 2023 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 Friday, 31 May 2024. 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 Friday, 24 May 2024 to Friday, 31 May 2024 (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 Thursday, 23 May 2024.

- ii) From Friday, 14 June 2024 to Monday, 17 June 2024, 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 Thursday, 13 June 2024.

By order of the Board
Maikē Tube Industry Holdings Limited
GUO Lei
Chairman and executive Director

Hong Kong, 22 March 2024

As at the date of this announcement, the executive Directors of the Company are Mr. GUO Lei, Mr. WANG Ning 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. SUN Yongxi.