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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Maike Tube Industry Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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)**

**CONTINUING CONNECTED TRANSACTION IN RELATION TO  
RENEWAL OF PRODUCTS SUPPLY FRAMEWORK AGREEMENT AND  
PRODUCTS PURCHASE FRAMEWORK AGREEMENT  
AND  
NOTICE OF EGM**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



**Vinco Capital Limited**

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A letter from the Board is set out on pages 5 to 17 of this circular. A letter from the Independent Board Committee is set out on pages 18 to 19 of this circular. A letter from Vinco Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 37 of this circular.

A notice convening the EGM to be held at Room 4208, 42th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong on 28 February 2022 at 3:00 p.m. is set out on pages 43 to 44 of this circular. A form of proxy for use at the EGM is also enclosed with this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the proxy form in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 24 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending the EGM and voting in person if you so wish.

10 February 2022

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

|                               |  |
|-------------------------------|--|
| “associate(s)”                | has the meaning ascribed to it under the Listing Rules   |
| “Board”                       | the board of Directors   |
| “Company”                     | Maike Tube Industry Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 01553)   |
| “connected person(s)”         | has the meaning ascribed to it under the Listing Rules   |
| “connected transactions”      | has the meaning ascribed to it under the Listing Rules   |
| “controlling shareholder(s)”  | has the meaning ascribed to it in the Listing Rules  |
| “Director(s)”                 | the director(s) of the Company   |
| “EGM”                         | an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the 2022 Products Supply Framework Agreement, the 2022 Products Purchase Framework Agreement and the transactions contemplated thereunder (including the annual caps in relation thereto)   |
| “Group”                       | the Company and its subsidiaries from time to time   |
| “Hong Kong”                   | the Hong Kong Special Administrative Region of the PRC   |
| “Independent Board Committee” | an independent committee of the Board (which comprises Mr. LIU Fengyuan, Mr. DING Xiaodong and Mr. MA Changchen, all being independent non-executive Directors) established to advise the Independent Shareholders with regard to the terms of the 2022 Products Supply Framework Agreement, the 2022 Products Purchase Framework Agreement and the transactions contemplated thereunder (including the annual caps in relation thereto) |

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## DEFINITIONS

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|  |   |
|--|---|
| “Independent Financial Adviser” or “Vinco Capital” | Vinco Capital Limited, a corporation licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders with regard to the terms of the 2022 Products Supply Framework Agreement, the 2022 Products Purchase Framework Agreement and the transactions contemplated thereunder (including the annual caps in relation thereto)  |
| “Independent Shareholders”                         | Shareholders who are not required to abstain from voting on the relevant resolutions at the EGM due to their material interests in the transactions contemplated under the 2022 Products Supply Framework Agreement and the 2022 Products Purchase Framework Agreement (including the annual caps in relation thereto)  |
| “Independent Third Party(ies)”                     | persons who are not the connected person(s) of the Company  |
| “Jinan Gong Chuang Meide”                          | Jinan Gong Chuang Meide Corporate Management Partnership (Limited Partnership)* (濟南共創玫德企業管理合伙企業(有限合伙)), a limited partnership established under the laws of the PRC on 18 August 2016. As at the Latest Practicable Date, Mr. Kong, an executive Director and one of the Controlling Shareholders of the Company, held 11.52% of the limited partnership interest and was appointed in January 2017 as the general partner of Jinan Gong Chuang Meide, which in turn owns 64.51% of Meide since August 2016 |
| “Latest Practicable Date”                          | 7 February 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication  |
| “Listing Rules”                                    | the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time   |
| “Meide”  | Meide Group Co., Ltd.* (玫德集團有限公司) (formerly known as Jinan Meide Foundry Co., Ltd* (濟南玫德鑄造有限公司)), a company established under the laws of the PRC as a limited liability company on 17 January 1992, and is held as to 64.51% by Jinan Gong Chuang Meide and 35.49% by Ningbo Ming De   |
| “Meide Group”                                      | Meide and its subsidiaries  |

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## DEFINITIONS

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|--|---|
| “Mr. Kong”                                   | Mr. Kong Linglei (孔令磊), an executive Director, the chairman of the Board and one of the Controlling Shareholders of the Company   |
| “Ningbo Ming De”                             | Ningbo Ming De Heng Sheng Investment Limited* (寧波明德恒生投資有限公司), a company established under the laws of the PRC as a limited liability company on 15 August 2016 and wholly-owned by Mr. Kong, which in turn owns 35.49% of Meide   |
| “PRC”  | the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan  |
| “Prospectus”                                 | prospectus of the Company dated 29 November 2019  |
| “2019 Products Purchase Framework Agreement” | the products purchase framework agreement dated 22 November 2019 entered into between the Company and Meide, pursuant to which the Company agreed to purchase from Meide Group for a term of three years from 1 January 2019 to 31 December 2021  |
| “2019 Products Supply Framework Agreement”   | the products supply framework agreement dated 22 November 2019 entered into between the Company and Meide, pursuant to which the Company agreed to sell products of the Group to Meide Group for a term of three years from 1 January 2019 to 31 December 2021  |
| “2022 Products Purchase Framework Agreement” | the products purchase framework agreement dated 29 December 2021 entered into between the Company and Meide in relation to the renewal and revision of the transactions contemplated under the 2019 Products Purchase Framework Agreement for a further term of 3 years from 1 January 2022 to 31 December 2024 |
| “2022 Products Supply Framework Agreement”   | the products supply framework agreement dated 29 December 2021 entered into between the Company and Meide in relation to the renewal and revision of the transactions contemplated under the 2019 Products Supply Framework Agreement for a further term of 3 years from 1 January 2022 to 31 December 2024     |
| “RMB”  | Renminbi, the lawful currency of the PRC  |
| “SFO”  | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time   |
| “Share(s)”                                   | ordinary share(s) of US\$0.0001 each in the issued share capital of the Company   |

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## DEFINITIONS

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|------------------------------|--|
| “Shareholder(s)”             | holder(s) of Shares from time to time                  |
| “Stock Exchange”             | The Stock Exchange of Hong Kong Limited                |
| “Substantial Shareholder(s)” | has the meaning ascribed to it under the Listing Rules |
| “%”                          | per cent   |

\* *For identification purpose only*

*Certain amounts and figures included in this circular have been subject to rounding adjustments.*

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Kong Linglei (*Chairman*)

Mr. Guo Lei

Mr. Xu Jianjun

Mr. Yang Shufeng

*Registered Office:*

Vistra (Cayman) Limited

P.O. BOX 31119 Grand Pavilion

Hibiscus Way, 802 West Bay Road

Grand Cayman KY1-1205

Cayman Islands

*Non-executive Director:*

Ms. Zhao Xuelian

*Principal place of business in Hong Kong:*

Unit 1102, 11/F

Brill Plaza

84 To Kwa Wan Road

To Kwa Wan

Kowloon

Hong Kong

*Independent non-executive Directors:*

Mr. Liu Fengyuan

Mr. Ding Xiaodong

Mr. Ma Changcheng

10 February 2022

*To the Shareholders,*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTION IN RELATION TO RENEWAL OF PRODUCTS SUPPLY FRAMEWORK AGREEMENT AND PRODUCTS PURCHASE FRAMEWORK AGREEMENT**

#### **1. INTRODUCTION**

References are made to:

- (1) the Prospectus, containing among other things, (i) the non-exempt continuing connected transaction in relation to the 2019 Products Supply Framework Agreement and (ii) the fully exempt continuing connected transaction in relation to the 2019 Products Purchase Framework Agreement, both with a term for three years from 1 January 2019 to 31 December 2021; and

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## LETTER FROM THE BOARD

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- (2) the announcement of the Company dated 29 December 2021 (the “**Announcement**”) in relation to, among other things, the entering into of (i) the 2022 Products Supply Framework Agreement to renew and revise the transactions contemplated under the 2019 Products Supply Framework Agreement for a further term of 3 years from 1 January 2022 to 31 December 2024 and (ii) the 2022 Products Purchase Framework Agreement to renew and revise the transactions contemplated under the 2019 Products Purchase Framework Agreement for a further term of 3 years from 1 January 2022 to 31 December 2024.

The primary purposes of this circular are to provide you with, among other things:

- (a) the particulars of the 2022 Products Supply Framework Agreement, the 2022 Products Purchase Framework Agreement and the transactions contemplated thereunder (including the annual caps in relation thereto);
- (b) the letter from the Independent Board Committee with their view and recommendation on the 2022 Products Supply Framework Agreement, the 2022 Products Purchase Framework Agreement and the transactions contemplated thereunder (including the annual caps in relation thereto); and
- (c) the letter from the Independent Financial Adviser with their advice on the 2022 Products Supply Framework Agreement, the 2022 Products Purchase Framework Agreement and the transactions contemplated thereunder (including the annual caps in relation thereto) to the Independent Board Committee and the Independent Shareholders.

### **2. 2022 PRODUCTS SUPPLY FRAMEWORK AGREEMENT**

On 22 November 2019, the Company on behalf of the Group and Meide on behalf of Meide Group entered into the 2019 Products Supply Framework Agreement, pursuant to which the Company agreed to sell products including steel pipes, standard prefabricated pipe nipples, and other products as specified in the 2019 Products Supply Framework Agreement to Meide Group for a term of three years from 1 January 2019 to 31 December 2021. As disclosed in the Prospectus, the transactions contemplated under the 2019 Products Supply Framework Agreement constituted a non-exempt continuing connected transaction and was subject to the reporting, annual review, announcement, circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. A waiver under Rule 14A.105 of the Listing Rules was applied for by the Company and granted by the Stock Exchange in respect of strict compliance of the announcement and independent Shareholders’ approval requirement.

As the 2019 Products Supply Framework Agreement will have expired after 31 December 2021 and in view of the reasons as set out under the section “Reasons for and the Benefits of the Transactions” below, the Board anticipates that the Group will continue to supply products including steel pipes, standard prefabricated pipe nipples, and other products as specified in the 2019 Products Supply Framework Agreement to Meide Group. Accordingly, on 29 December 2021 (after trading hours), the Company on behalf of the Group and Meide on behalf of Meide Group



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## LETTER FROM THE BOARD

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entered into the 2022 Products Supply Framework Agreement to renew and revise the transactions contemplated under the 2019 Products Supply Framework Agreement for a further term of three years from 1 January 2022 to 31 December 2024.

### Principal terms

Date: 29 December 2021

Parties: (1) the Company, on behalf of the Group as the vendor  
(2) Meide, on behalf of Meide Group as the purchaser

Term: From 1 January 2022 to 31 December 2024

Pricing: The products will be priced on normal commercial terms and in the ordinary course of the business of the Group with reference to the market price of the same or comparable kind of steel pipes and standard prefabricated pipe nipples provided to Independent Third Parties in the vicinity areas.

In addition, before entering into any transactions with Meide Group, the Group will take reference from at least two separate transactions of similar nature with Independent Third Parties in the vicinity areas.

Payment: The relevant parties will enter into separate agreements which specify and record the specific terms, including payment, delivery terms and other operative provisions of those transactions determined in accordance with the 2022 Products Supply Framework Agreement. The payables pursuant to the 2022 Products Supply Framework Agreement are settled on a monthly basis.

### Historical sales amounts

The following table sets out the total sales incurred by the Group pursuant to the 2019 Products Supply Framework Agreement for the two years ended 31 December 2020 and the 11 months ended 30 November 2021:

|   | <b>For the<br/>year ended<br/>31 December<br/>2019<br/>(RMB'000)<br/>(audited)</b> | <b>For the<br/>year ended<br/>31 December<br/>2020<br/>(RMB'000)<br/>(audited)</b> | <b>For the<br/>11 months<br/>ended<br/>30 November<br/>2021<br/>(RMB'000)<br/>(unaudited)</b> |
|---|--|--|---|
| (i) for distribution                        | 26,790   | 26,630   | 34,700  |
| (ii) for internal use within<br>Meide Group | 16,950   | 20,890   | 21,460  |

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## LETTER FROM THE BOARD

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### Proposed annual caps

|  | For the<br>year ended<br>31 December<br>2022<br>(RMB'000) | For the<br>year ended<br>31 December<br>2023<br>(RMB'000) | For the<br>year ending<br>31 December<br>2024<br>(RMB'000) |
|--|---|---|--|
| (i) for distribution                     | 48,000  | 52,800  | 58,000   |
| (ii) for internal use within Meide Group | 28,800  | 31,600  | 34,700   |

### Bases and assumptions in estimating the annual caps

In arriving at the above annual caps, we have taken into account:

- (i) *the historical transaction amounts between Meide Group and the Group for the two years ended 31 December 2020 and the 11 months ended 30 November 2021*

The Board observed that (i) the historical transaction amounts for sales for distribution by Meide Group increased steadily during the two years ended 31 December 2020 and the 11 months ended 30 November 2021 and represented 89.3%, 66.6% and 86.8% of its respective annual caps under the 2019 Products Supply Framework Agreement, and (ii) the historical transaction amounts for sales for internal use within Meide Group also increased steadily during the two years ended 31 December 2020 and the 11 months ended 30 November 2021 and represented 70.6%, 87.0% and 89.4% of its respective annual caps under the 2019 Products Supply Framework Agreement.

- (ii) *the increase in selling price of the products supplied by the Group to Meide Group*

Due to price fluctuations of raw materials, the Group had in response reformulated the selling prices of the products of the Group. The average selling price of the products of the Group had various rate of increase, ranging from 3.5% to 59.4%, from the six months ended 30 June 2020 to the six months ended 30 June 2021. Observing this increasing trend, the Board expects the average selling price of the products supplied by the Group to Meide Group will reasonably increase for the three years ending 31 December 2024.

- (iii) *the projected increase in demand for the products of the Group from third-party customers of Meide Group*

The proposed annual caps for sales for distribution by Meide Group represent an expected growth of 20.0%, for the year ending 31 December 2022, and a further growth of 10.0% and 9.8% thereafter for the two years ending 31 December 2024, respectively as compared to the annual caps for sales for distribution by Meide Group under the 2019 Products Supply Framework Agreement.

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## LETTER FROM THE BOARD

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The proposed annual caps for sales for internal use within Meide Group represent an expected growth of 20.0%, for the year ending 31 December 2022, and a further growth of 9.7% and 9.8% thereafter for the two years ending 31 December 2024, respectively as compared to the annual caps for internal use within Meide Group under the 2019 Products Supply Framework Agreement.

Such estimations had been arrived at taking into account (i) the largest annual growth rate for the historical transaction amounts for sales for distribution by Meide Group of 30.3%, (ii) the largest annual growth rate of the historical annual growth rate for sales for internal use within Meide Group of 23.2% during the three years ended 31 December 2021 and (iii) the projected increase in selling price of the products supplied by the Group to Meide Group.

### **3. 2022 PRODUCTS PURCHASE FRAMEWORK AGREEMENT**

On 22 November 2019, the Company on behalf of the Group and Meide on behalf of Meide Group entered into the 2019 Products Purchase Framework Agreement, pursuant to which the Company agreed to purchase products including pipe fittings, repair parts, valves and crafts as specified in the 2019 Products Purchase Framework Agreement for a term of three years from 1 January 2019 to 31 December 2021. As disclosed in the Prospectus, the transactions contemplated under the 2019 Products Purchase Framework Agreement fell within de minimis threshold as stipulated under Rules 14A.76(1)(c) of the Listing Rules and were exempt from the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the 2019 Products Purchase Framework Agreement will have expired after 31 December 2021 and in view of the reasons as set out under the section "Reasons for and the Benefits of the Transactions" below, the Board anticipates that the Group will continue to purchase products including pipe fittings, repair parts, valves and crafts as specified in the 2019 Products Purchase Framework Agreement from Meide Group. Accordingly, 29 December 2021 (after trading hours), the Company on behalf of the Group and Meide on behalf of Meide Group entered into the 2022 Products Purchase Framework Agreement to renew and revise the transactions contemplated under the 2019 Products Purchase Framework Agreement for a further term of three years from 1 January 2022 to 31 December 2024.

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## LETTER FROM THE BOARD

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### Principal terms

|          |  |
|----------|--|
| Date:    | 29 December 2021   |
| Parties: | (1) the Company, on behalf of the Group as the purchaser<br>(2) Meide, on behalf of Meide Group as the vendor  |
| Term:    | From 1 January 2022 to 31 December 2024  |
| Pricing: | <p>The products will be priced on normal commercial terms and in the ordinary course of the business of the Company with reference to the market price of the same or comparable kind of pipe fittings, repair parts, valves, and other crafts provided by Independent Third Parties in the vicinity areas.</p> <p>In addition, before entering into any transactions with Meide Group, the Group will obtain quotes from at least two Independent Third Parties which provide the same or similar products in the vicinity areas. The Group will place order with the supplier with the lowest selling price of the products.</p> |
| Payment: | <p>The relevant parties will enter into separate agreements which specify and record the specific terms, including payment, delivery terms and other operative provisions of those transactions determined in accordance with the 2022 Products Purchase Framework Agreement. The payables pursuant to the 2022 Products Purchase Framework Agreement are settled on a monthly basis.</p>  |

### Historical purchase amounts

The following table sets out the total purchase incurred by the Group pursuant to the 2019 Products Purchase Framework Agreement for the two years ended 31 December 2020 and the 11 months ended 30 November 2021:

|                | <b>For the<br/>year ended<br/>31 December<br/>2019</b> | <b>For the<br/>year ended<br/>31 December<br/>2020</b> | <b>For the<br/>11 months<br/>ended<br/>30 November<br/>2021</b> |
|----------------|--|--|---|
|                | <i>(RMB'000)</i>                                       | <i>(RMB'000)</i>                                       | <i>(RMB'000)</i>  |
|                | <i>(audited)</i>                                       | <i>(audited)</i>                                       | <i>(unaudited)</i>  |
| Total Purchase | 367  | 2,193  | 1,090   |

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## LETTER FROM THE BOARD

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### Proposed annual caps

| For the<br>year ended<br>31 December<br>2022<br><i>(RMB'000)</i> | For the<br>year ended<br>31 December<br>2023<br><i>(RMB'000)</i> | For the<br>year ending<br>31 December<br>2024<br><i>(RMB'000)</i> |
|--|--|---|
| 37,260   | 43,040   | 48,140  |

### Bases and assumptions in estimating the annual caps

In arriving at the above annual caps, we have taken into account:

- (i) *the expected increase in demand for malleable iron from Meide Group arising from orders from customer of the Group for the three years ending 31 December 2024*

#### *Existing products*

Based on the largest historical orders for malleable iron during the two years ended 31 December 2020 and the 11 months ended 30 November 2021 of RMB2.2 million and the expected growth in demand from Meide Group for the three years ending 31 December 2024 with reference to the compound annual growth rate of 72.3% for the historical transaction amounts during the two years ended 31 December 2020 and the 11 months ended 30 November 2021, the demand for malleable iron for existing products is expected to increase and amount to RMB2.6 million for each of the three years ending 31 December 2024.

#### *New products*

The demand for malleable iron for new products is expected to amount to RMB4.6 million, RMB8.4 million and RMB10.5 million for each of the three years ending 31 December 2024 and are based the low end of the indicative demand received from customers amounted to RMB5.3 million, RMB10.9 million and RMB12.2 million for each of the three years ending 31 December 2024 by the Group taking into account, among others, the obtaining of certain processing orders for rustproofing from customers.

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## LETTER FROM THE BOARD

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- (ii) *the expected increase in demand for products from Meide Group arising from the expansion of service provided by the Group including the provision of fire protection construction work (as contractor)*

*The year ending 31 December 2022*

Based on the orders the Group had received for fire protection construction work of RMB63.4 million and the estimated purchase cost for the raw materials and products needed, the expected purchase amount of raw materials and products needed from Meide Group for the year ending 31 December 2022 is expected to amount to RMB30.0 million.

*The two years ending 31 December 2024*

With reference to the Group's long term strategy to continuously improve its production capacity and the construction of new production plant in Jinan, Shandong Province, the PRC, the estimated annual growth rate on the expected purchase amount of raw materials and products needed from Meide Group for the provision of fire protection construction contractor work for each of the two years ending 31 December 2024 are estimated at approximately 16.7% and 14.3%.

#### 4. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The reasons for entering into the 2022 Products Supply Framework Agreement are as follows:

- (i) Meide Group has been distributing the products of the Group to its customers as one of the distributors of the Company; and
- (ii) Meide Group has been purchasing the products of the Group for use internally, including but not limited to factory constructions, pipeline maintenance and use as raw materials.

The transactions contemplated under the 2022 Products Supply Framework Agreement is beneficial for the growth of the Group's business, as distribution through the sales channels of Meide will allow the Group to utilize the sizeable base of third-party customers and help increase the coverage and demand of the Group's products in the market.

Given the established relationship and good track record between the Group and Meide, the Directors consider that it is beneficial for the Group to sell stable and sizable amount of standard prefabricated pipe nipple products and steel pipe products to Meide Group. Moreover, the Group had been supplying products to Meide under the 2019 Products Supply Framework Agreement in a stable and mutually beneficial manner. In order to ensure continuous supply of the products to Meide in the future, the Group entered into the 2022 Products Purchase Framework Agreement.

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## LETTER FROM THE BOARD

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The reasons for entering into the 2022 Products Purchase Framework Agreement are as follows:

- (i) given the established relationship between the Group and Meide and quality products provided by Meide, the Directors consider it is beneficial for the Group to purchase raw materials and products from Meide; and
- (ii) due to the difference in product specifications and order requirements from customers, the Group does not keep raw materials and products used for assembled piping system as inventory and only purchase required raw materials and products from its suppliers after the Group receives the customers' orders. Given the large scale of operation and range of products offered by Meide Group as well as the proximity of the operations of the Group and Meide Group, the Group is able to purchase products with different product specifications from Meide Group in satisfaction of the Group's customers' requirements efficiently.

Moreover, the Group had been purchasing products from Meide under the 2019 Products Purchase Framework Agreement in a stable and mutually beneficial manner. Taking into consideration of the anticipated increase in demand for malleable iron from Meide Group arising from orders from customer of the Group for the three years ending 31 December 2024, it is desirable to enter into the 2022 Products Purchase Framework Agreement to ensure stable and continuous supply of the products from Meide in the future.

### 5. INTERNAL CONTROL AND PRICING POLICIES

In order to ensure that the transactions contemplated under the 2022 Products Supply Framework Agreement and the 2022 Products Purchase Framework Agreement will be conducted on normal commercial terms, the Group has adopted the following measures:

- (a) the Group will adhere to its internal guidelines for connected transactions in accordance with the Listing Rules;
- (b) before entering into any transactions with Meide Group, the Group will take reference from at least two separate transactions of similar nature with Independent Third Parties in the vicinity areas;
- (c) in respect of the 2022 Products Supply Framework Agreement, the finance department of the Group will review and compare the relevant transactions with Independent Third Parties when determining the sale price so as to ensure that the price of the products provided by the Group to Meide Group is fair and reasonable, and is determined on normal commercial terms or on terms no more favourable to Meide Group than the terms available to Independent Third Parties;

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## LETTER FROM THE BOARD

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- (d) in respect of the 2022 Products Purchase Framework Agreement, the finance department of the Group will review and compare the quotes from Independent Third Parties with the quotes from Meide Group when determining which supplier to engage with so as to ensure that the price of the products provided by Meide Group to the Group is fair and reasonable, and is determined on normal commercial terms or on terms no less favourable to the Group than the terms available from Independent Third Parties;
- (e) the Group will comply with the annual review requirements in respect of the transactions contemplated under the agreements in accordance with Chapter 14A of the Listing Rules, such as engaging the Company's auditor to conduct annual review and having the independent non-executive Directors to review the transactions contemplated under the 2022 Products Supply Framework Agreement and the 2022 Products Purchase Framework Agreement and give opinions/confirmations in the Company's annual reports;
- (f) the Board will arrange internal trainings for the senior management of the Group and responsible staff on the compliance requirements for continuing connected transactions; and
- (g) the finance department of the Group will monitor the transaction amounts under both the 2022 Products Supply Framework Agreement and the 2022 Products Purchase Framework Agreement by preparing designated management accounts for the continuing connected transactions therein on a monthly basis to make sure that the actual contract amounts do not exceed the relevant annual caps. The Company will re-comply with the necessary approval procedures in accordance with the Listing Rules in respect thereof if the relevant annual caps are expected to be exceeded.

### 6. GENERAL INFORMATION

#### (a) Information of the Group

The Group is principally engaged in (i) the manufacturing and sales of standard prefabricated pipe nipple products; (ii) manufacturing and sales of steel pipe products; (iii) the design and supply of assembled piping systems; and (iv) the sale of unused raw materials, including steel coils procured from the suppliers.

#### (b) Information of Meide

Meide Group engages in business operations across different sectors, including, (i) manufacture and sale of malleable iron, ductile iron and bronze pipe fittings, malleable iron valves and malleable iron electric power fittings in the PRC, (ii) production and sale of iron raw materials typically used in foundry industry, and (iii) financial investment.

### 7. LISTING RULES IMPLICATIONS

Mr. Kong is an executive Director and one of the Controlling Shareholders of the Company and is indirectly interested in 39.788% of the total issued share capital of the Company. Mr. Kong wholly-owns Ningbo Ming De, which in turn owns 35.49% of Meide. As at the Latest Practicable Date, Mr. Kong held 11.52% limited partnership interest in and was appointed in January 2017 as the general partner of Jinan Gong Chuang Meide, which in turn owns 64.51% of Meide since August 2016. As such, he obtained control of Meide in January 2017. Accordingly, Meide is an associate of Mr. Kong and therefore a connected person of the Company under Chapter 14A of the Listing Rules.



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## LETTER FROM THE BOARD

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As one or more of the applicable percentage ratios as defined under the Listing Rules in respect of the largest annual caps under the 2022 Products Supply Framework Agreement exceed 5%, the transactions contemplated under the 2022 Products Supply Framework Agreement (including the annual caps in relation thereto) are subject to the annual review, reporting, announcement, circular (including independent financial advice) and the approval requirements by the Independent Shareholders at the EGM under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as defined under the Listing Rules in respect of the largest annual caps under the 2022 Products Purchase Framework Agreement exceed 5%, the transactions contemplated under the 2022 Products Purchase Framework Agreement (including the annual caps in relation thereto) are subject to the annual review, reporting, announcement, circular (including independent financial advice) and the approval requirements by the Independent Shareholders at the EGM under Chapter 14A of the Listing Rules.

Reference is made to the Announcement. The Board wishes to clarify that the transactions contemplated under the 2022 Products Supply Framework Agreement and the 2022 Products Purchase Framework Agreement shall not be aggregated nor constitute a major transaction under Chapter 14 of the Listing Rules and shall each remain subject to the reporting, announcement, circular and approval requirements by the Independent Shareholders at the EGM under Chapter 14A of the Listing Rules. Save for the above clarification, all other information and contents of the Announcement remain unchanged.

### **8. EGM**

The EGM will be convened to consider and, if thought fit, to approve, among other things, the 2022 Products Supply Framework Agreement, the 2022 Products Purchase Framework Agreement and the transactions contemplated thereunder (including the annual caps in relation thereto) on 28 February 2022. Mr. Kong and his associates will abstain from voting at the EGM.

A notice convening the EGM to be held at Room 4208, 42th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong on 28 February 2022 at 3:00 p.m. is set out on pages 43 to 44 of this circular. A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://www.mechpipingtech.com>).

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## LETTER FROM THE BOARD

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In order to determine the list of Shareholders who are entitled to attend and vote at the EGM, the register of Shareholders will be closed from Wednesday, 23 February 2022 to Monday, 28 February 2022 (both days inclusive), during which period no transfer of shares will be registered. Shareholders whose names appear on the register of Shareholders of the Company at close of business on Wednesday, 23 February 2022 are entitled to attend and vote at the EGM. In order to attend and vote at the EGM, any Shareholder whose transfer has not been registered shall lodge the transfer documents together with the relevant share certificates with the Company's share registrar in Hong Kong (see below) by no later than 4:30 p.m. on Tuesday, 22 February 2022.

Whether or not you are able to attend the EGM, you are requested to complete and return the proxy form in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 24 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending the EGM and voting in person if you so wish.

### 9. RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 18 to 19 in this circular which contains its recommendation to the Independent Shareholders in relation to the 2022 Products Supply Framework Agreement, the 2022 Products Purchase Framework Agreement and the transactions contemplated thereunder (including the annual caps in relation thereto); and (ii) the letter from Independent Financial Adviser set on pages 20 to 37 in this circular which contains in advice to the Independent Board Committee and the Independent Shareholders in relation to the 2022 Products Supply Framework Agreement, the 2022 Products Purchase Framework Agreement and the transactions contemplated thereunder (including the annual caps in relation thereto).

The Directors (including the independent non-executive Directors whose views have been set out in this circular together with the advice of the Independent Financial Adviser) consider that the 2022 Products Supply Framework Agreement, the 2022 Products Purchase Framework Agreement and the transactions contemplated thereunder (including the annual caps in relation thereto) have been entered into on normal commercial terms and in ordinary and usual course of business of the Group, and the terms and conditions thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors recommend the Shareholders to vote in favour of all the ordinary resolutions to be proposed at the EGM.

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## LETTER FROM THE BOARD

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### 10. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

### 11. MISCELLANEOUS

The translation into Chinese language of this circular is for reference only. In case of any inconsistency, the English version shall prevail.

By Order of the Board of  
**Maike Tube Industry Holdings Limited**  
**KONG Linglei**  
*Chairman and Executive Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)**

10 February 2022

*To the Independent Shareholders*

Dear Sir or Madam,

#### **CONTINUING CONNECTED TRANSACTION IN RELATION TO RENEWAL OF PRODUCTS SUPPLY FRAMEWORK AGREEMENT AND PRODUCTS PURCHASE FRAMEWORK AGREEMENT**

We refer to the circular dated 10 February 2022 (the “**Circular**”) issued to the Shareholders of the Maike Tube Industry Holdings Limited of which this letter forms part. Unless the context otherwise requires, terms and expressions defined in the Circular shall have the same meanings in this letter.

We have been appointed as the Independent Board Committee to advise the Independent Shareholders on the fairness and reasonableness with respect to the entering into of the 2022 Products Supply Framework Agreement, the 2022 Products Purchase Framework Agreement and the transactions contemplated thereunder (including the annual caps in relation thereto). Vinco Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this connection.

We wish to draw your attention to the letter from the Board set out on pages 5 to 17 of the Circular and the letter from the Independent Financial Adviser containing its advice to us set out on pages 20 to 37 of the Circular.

Having considered the advice given by the Independent Financial Adviser, we are of the opinion that the 2022 Products Supply Framework Agreement, the 2022 Products Purchase Framework Agreement and the transactions contemplated thereunder (including the annual caps in relation thereto) are entered into in the ordinary and usual course of business of the Group and on normal commercial terms, are fair and reasonable and are in the interests of the Group and the

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the entering into of the 2022 Products Supply Framework Agreement, the 2022 Products Purchase Framework Agreement and the transactions contemplated thereunder (including the annual caps in relation thereto).

Yours faithfully,

For and on behalf of the Independent Board Committee

**LIU Fengyuan**

*Independent*

*Non-executive Director*

**DING Xiaodong**

*Independent*

*Non-executive Director*

**MA Changchen**

*Independent*

*Non-executive Director*

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## LETTER FROM VINCO CAPITAL

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*Set out below is the text of a letter received from Vinco Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Purchase Transactions and Sales Transactions contemplated under the 2022 Products Purchase Framework Agreement and the 2022 Products Supply Framework Agreement for the purpose of inclusion in this circular.*



### Vinco Capital Limited

Unit 2610, 26/F., The Center  
99 Queen's Road Central, Hong Kong

10 February 2022

To: The independent board committee and the independent shareholders of  
**Maike Tube Industry Holdings Limited**

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION IN RELATION  
TO RENEWAL OF PRODUCTS SUPPLY FRAMEWORK AGREEMENT  
AND  
PRODUCTS PURCHASE FRAMEWORK AGREEMENT**

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the purchase of products including pipe fittings, repair parts, valves and crafts as specified in the agreement by the Group from Meide Group under the 2022 Products Purchase Framework Agreement (the “**Purchase Transactions**”) and (ii) the sell of products including steel pipes, standard prefabricated pipe nipples, and other products as specified in the agreement by the Group to Meide Group under the 2022 Products Supply Framework Agreement (the “**Sales Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 10 February 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the Prospectus, containing among other things, (i) the non-exempted connected transaction in relation to the 2019 Products Supply Framework Agreement and (ii) the fully exempted continuing connected transaction in relation to the 2019 Products Purchase Framework Agreement, both with a term for three years from 1 January 2019 to 31 December 2021. With reference to the Board Letter, the Company intends to renew and revise both agreements on or before their respective expiry dates for a term of three years commencing from 1 January 2022 and expiring on 31 December 2024. On 29 December 2021 (after trading hours), the Company entered into the 2022 Products Purchase Framework Agreement and 2022 Products

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## LETTER FROM VINCO CAPITAL

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Supply Agreement (the “**Agreements**”) to renew and revise the transactions contemplated under the 2019 Products Purchase Framework Agreement and 2019 Products Supply Framework Agreement respectively.

As one or more of the applicable percentage ratios as defined under the Listing Rules in respect of the largest annual caps under the 2022 Products Purchase Framework Agreement exceed 5%, the transactions contemplated under the 2022 Products Purchase Framework Agreement (including the annual caps in relation thereto) are subject to the annual review, reporting, announcement, circular (including independent financial advice) and the approval by the Independent Shareholders at the EGM under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as defined under the Listing Rules in respect of the largest annual caps under the 2022 Products Supply Framework Agreement exceed 5%, the transactions contemplated under the 2022 Products Supply Framework Agreement (including the annual caps in relation thereto) are subject to the annual review, reporting, announcement, circular (including independent financial advice) and the approval by the Independent Shareholders at the EGM under Chapter 14A of the Listing Rules.

### **INDEPENDENCE**

As at the Latest Practicable Date, we are independent from and not connected with the Company and any other parties that could be reasonably regarded as hindrance to Vinco’s independence to act as the Independent Financial Adviser. Accordingly, we are qualified to give an independent advice to the Independent Board Committee and the Independent Shareholders regarding the 2022 Products Purchase Framework Agreement and 2022 Products Supply Framework Agreement. Save for our appointment as the Independent Financial Adviser, Vinco did not act as a financial adviser for the Company under the Listing Rules in the past two years. Apart from the normal advisory fee paid or payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors’ representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone

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## LETTER FROM VINCO CAPITAL

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concerning the Purchase Transactions and the Sales Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Purchase Transactions and the Sales Transactions, we have taken into consideration the following principal factors and reasons:

#### 1. Background of the parties of the Purchase Transactions and the Sales Transactions

##### (i) Information on the Group

With reference to the Board Letter, the Company is an investment holding company. Through its subsidiaries and associated companies, it is principally engaged in the manufacturing and selling of standard prefabricated pipe nipple products and steel pipe products.

Set out below are the Group's consolidated financial information for (i) the six months ended 30 June 2020 and the six months ended 30 June 2021 as extracted from the Company's interim report for the six months ended 30 June 2021 (the "2021 Interim Report") and (ii) the two years ended 31 December 2020 as extracted from the annual report for the year ended 31 December 2020 (the "2020 Annual Report"):

The Group's consolidated financial information for the six months ended 30 June 2021 and the six months ended 30 June 2020:

|   | <b>For the six<br/>months ended<br/>30 June 2020<br/>("1H2020")<br/>(audited)<br/>RMB'000</b> | <b>For the six<br/>months ended<br/>30 June 2021<br/>("1H2021")<br/>(audited)<br/>RMB'000</b> | <b>Period-<br/>on-period<br/>change<br/>%</b> |
|---|---|---|---|
| Standard prefabricated pipe nipples                   | 124,873   | 190,030   | 52.2  |
| Steel pipe products                                   |   |   |   |
| – ERW steel pipes                                     | 159,371   | 175,103   | 9.9   |
| – Spiral Submerged Arc Welded<br>("SSAW") steel pipes | 107,999   | 141,153   | 30.7  |
| – Customised steel pipes                              | 85,372  | 102,706   | 20.3  |
| – Design and supply assembled<br>piping system        | 9,562   | 6,257   | 34.6  |
| Steel coils trade                                     | 51,183  | 136,522   | 166.7   |
| Total revenue   | 538,360   | 751,771   | 39.6  |



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## LETTER FROM VINCO CAPITAL

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For 1H2021, total revenue increased by 39.6% from RMB538.4 million for 1H2020 to RMB751.8 million for 1H2021 mainly due to (i) the increase in the sales of steel coils; (ii) a year-on-year increase in delivery of standard prefabricated pipe products; and (iii) a year-on-year increase in the selling price of steel pipe products.

Revenue from sales of standard prefabricated pipe products increased by 52.2% from RMB124.9 million for 1H2020 to RMB190.0 million for 1H2021, mainly due to the increase in sales volume and the increase in average selling price (the “ASP”) for 1H2021.

Revenue from ERW steel pipes increased by 9.9% from RMB159.4 million for 1H2020 to RMB175.1 million for 1H2021, mainly due to the increase in sales volume and the ASP for 1H2021. Revenue from SSAW steel pipes increased by 30.7% from RMB108.0 million for 1H2020 to RMB141.2 million for 1H2021, mainly due to the increase in sales volume and the ASP for 1H2021. Revenue from customised steel pipes increased by 20.3% from RMB85.4 million for 1H2020 to RMB102.7 million for 1H2021.

Revenue from design and supply of assembled piping system decreased by 34.6% from RMB9.6 million for 1H2020 to RMB6.3 million for 1H2021, which was mainly due to the decrease in the delivery of orders to our customers during the current period.

Revenue from steel coils increased by 166.7% from RMB51.2 million for 1H2020 to RMB136.5 million for 1H2021, mainly due to the increase in sales volume for 1H2021.

The Group’s consolidated financial information for the two years ended 31 December 2020:

|   | <b>For the year ended<br/>31 December 2019<br/> (“FY2019”)<br/>(audited)<br/>RMB’000</b> | <b>For the year ended<br/>31 December 2020<br/> (“FY2020”)<br/>(audited)<br/>RMB’000</b> | <b>Year-on-year<br/>change<br/>%</b> |
|---|--|--|--------------------------------------|
| Standard prefabricated pipe nipples         | 286,557  | 296,550  | 3.5                                  |
| Sales of pipe products:                     |  |  |                                      |
| – ERW steel pipes                           | 367,038  | 302,040  | (17.7)                               |
| – SSAW steel pipe                           | 214,776  | 310,865  | 44.7                                 |
| – Customised steel pipes                    | 201,821  | 172,362  | (14.6)                               |
| – Design and supply assembled piping system | 11,867   | 14,554   | 22.6                                 |
| Steel coils trade                           | 43,222   | 158,768  | 267.3                                |
| Total revenue                               | <u>1,125,281</u>   | <u>1,255,139</u>   | 11.5                                 |

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## LETTER FROM VINCO CAPITAL

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For FY2021, total revenue increased by 11.5% from RMB1.1 billion for FY2020 to RMB1.3 billion for FY2021 mainly due to (i) a year-on-year increase in sales of steel coils; (ii) the increase in the ASP of the SSAW steel pipes, steel coils and customised steel pipes, which was caused by an increase in the cost of raw materials; (iii) a year-on-year increase in SSAW steel pipes delivered.

Revenue from sales of pipe products increased by 0.5% from RMB795.5 million for FY2020 to RMB800.0 million for FY2021, mainly due to increase in revenue from purchases steel coils trade which were offset by decrease in revenue from sale of ERW steel pipes and SSAW steel pipes.

Revenue from sales of standard prefabricated pipe products increased by 3.5% from RMB286.6 million for FY2020 to RMB296.6 million for FY2021, mainly due to increase in purchases from original American customers and new customers from North America and European Union.

Revenue from design and supply of assembled piping system increased by 22.6% from RMB11.9 million for FY2020 to RMB14.6 million for FY2021, which was mainly due to the fact that the Group are able to design and supply assembled piping systems to customers to satisfy various physical and functional characteristics of customers' designated sites.

### *(ii) Information on Meide Group*

With references to the Board Letter, Meide Group engage in diversified business activities, including manufacture and sale of malleable iron, ductile iron and bronze pipe fittings, malleable iron valves and malleable iron electric power fittings in the PRC; production and sale of iron raw materials typically used in foundry industry; and financial investment.

## **2. The 2022 Products Purchase Framework Agreement**

### *(i) Reasons for and benefits of the 2022 Products Purchase Framework Agreement*

With reference to the Board Letter, the products to be purchased by the Group from Meide Group pursuant to the 2022 Products Purchase Framework Agreement will be primarily used for the production of the Group. As advised by the management of the Company (the “**Management**”), the Purchase Transactions primarily cater for the Group's purchase of raw materials and products used for assembling piping system. Given the Group does not hold any inventory of raw materials and products used for assembling piping system and will only purchase such after receiving customers' orders, the proximity of the operations of the Group and Meide Group allows sourcing of such raw materials and products with different product specifications in satisfaction of customers' requirements efficiently.

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## LETTER FROM VINCO CAPITAL

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As mentioned in the Board Letter, the Company expects that the Purchase Transactions contemplated under the 2022 Products Purchase Framework Agreement will contribute to the business of the Group through providing a stable supply of quality raw materials required in the Group's production.

In light of the above, we concur with the Directors that the Purchase Transactions are in the interests of the Company and the Shareholders as a whole and in the ordinary and usual course of business of the Group.

*(ii) Principal terms of the 2022 Products Purchase Framework Agreement*

Set out below are the principal terms of the 2022 Products Purchase Framework Agreement as extracted from the Board Letter:

|          |  |
|----------|--|
| Date:    | 29 December 2021   |
| Parties: | The Company and Meide  |
| Term:    | From 1 January 2022 to 31 December 2024  |
| Pricing: | The products will be priced on normal commercial terms and in the ordinary course of the business of the Company with reference to the market price of the same or comparable kind of pipe fittings, repair parts, valves, and other crafts provided by independent third parties in the vicinity areas. The Group will place order with the supplier with the lowest selling price of the products. |

In addition, before entering into any transactions with Meide Group, the Group will obtain quotes from at least two independent third parties which provide the same or similar products in the vicinity areas.

|          |  |
|----------|--|
| Payment: | The relevant parties will enter into separate agreements which specify and record the specific terms, including payment, delivery terms and other operative provisions of those transactions determined in accordance with the 2022 Products Purchase Framework Agreement. The payables pursuant to the 2022 Products Purchase Framework Agreement are settled on a monthly basis. |
|----------|--|

In respect of the Purchase Transactions, we have obtained a breakdown of the Purchase Transactions for each of FY2019, FY2020 and the eleven months ended 30 November 2021 (“**11M2021**”) from the Company as sample base. From the said breakdown, we randomly selected a total of eleven individual invoices regarding the purchase of raw materials and products (a) by the Group from Meide Group and (b) by the Group from

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## LETTER FROM VINCO CAPITAL

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independent third parties, during 2019 to 2021. For each quarter in FY2019, FY2020 and for each of the first three quarters in FY2021 where the Purchase Transactions occurred, at least one invoice with Meide Group and at least two of its respective comparable quote with independent third parties were obtained. As the invoices cover historical transactions of the Group throughout the term of the 2019 Products Purchase Framework Agreement, we consider such documents to be fair and representative. We noted from the above documents that for the same types of raw materials and products, the prices offered by Meide Group to the Group were not less favorable than those offered by independent third parties.

With reference to the Company's 2019 Annual Report and 2020 Annual Report, the aggregate amounts of raw materials and products purchased from Meide Group under the 2019 Products Purchase Framework Agreement for FY2019 and FY2020 are approximately RMB0.4 million and RMB2.2 million respectively, which will fall within the minimum threshold as stipulated under Rule 14A.76(1)(a) of the Listing Rules, and were exempted from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **3. The 2022 Products Supply Framework Agreement**

#### ***(i) Reasons for and benefits of the 2022 Products Supply Framework Agreement***

With reference to the Board Letter, the products to be sold by the Group to Meide Group pursuant to the 2022 Products Supply Framework Agreement will be primarily used by Meide Group for operations and distribution. As advised by the Management, the Sales Transactions primarily cater for internal use within Meide Group, including but not limited to factory constructions, pipeline maintenance and use as raw materials. Meide Group has also been distributing the products of the Group to its customers as one of the distributors of the Company. Given the established relationship and good track record between the Group and Meide Group, distribution through the sales channels of Meide Group will allow the Group to utilize the sizeable base of third-party customers and help increase the coverage and demand of the Group's products in the market.

As mentioned in the Board Letter, the Company expects that the transactions contemplated under the 2022 Products Supply Framework Agreement will contribute to the business of the Group by leveraging on the sales channels of Meide Group to generate stable revenue stream.

In light of the above, we concur with the Directors that the Sales Transactions are in the interests of the Company and the Shareholders as a whole and in the ordinary and usual course of business of the Group.

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## LETTER FROM VINCO CAPITAL

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*(ii) Principal terms of the 2022 Products Supply Framework Agreement*

Set out below are the principal terms of the 2022 Products Supply Framework Agreement as extracted from the Board Letter:

|          |   |
|----------|---|
| Date:    | 29 December 2021  |
| Parties: | The Company and Meide   |
| Term:    | From 1 January 2022 to 31 December 2024   |
| Pricing: | The products will be priced on normal commercial terms and in the ordinary course of the business of the Group with reference to the market price of the same or comparable kind of steel pipes, standard prefabricated pipe nipples provided to independent third parties in the vicinity areas. |

In addition, before entering into any transactions with Meide Group, the Group will take reference from at least two separate transactions of similar nature with independent third parties in the vicinity areas.

|          |  |
|----------|--|
| Payment: | The relevant parties will enter into separate agreements which specify and record the specific terms, including payment, delivery terms and other operative provisions of those transactions determined in accordance with the 2022 Products Supply Framework Agreement. The payables pursuant to the 2022 Products Supply Framework Agreement are settled on a monthly basis. |
|----------|--|

In respect of the Sales Transactions, we have obtained a breakdown of the Sales Transactions for each of FY2019, FY2020 and 11M2021 from the Company as sample base. From the said breakdown, we randomly selected a total of forty four individual invoices regarding the sales of products by the Group (a) to Meide Group and (b) to independent third parties, during 2019 to 2021. For each quarter in FY2019, FY2020 and for each of the first three quarters in FY2021 where the Sales Transactions occurred, at least one invoice with Meide and at least two of its respective comparable quote with independent third parties were obtained. As the invoices cover historical transactions of the Group throughout the term of the 2019 Products Supply Framework Agreement, we consider such documents to be fair and representative. We noted from the above documents that for the same types of raw materials and products, the prices offered by the Group to Meide Group were not less favorable than those offered to independent third parties.

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## LETTER FROM VINCO CAPITAL

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### 4. Internal control measures

The Company has (i) reporting, approval and, checking procedures to ensure that the agreed prices and terms of the of continuing connected transactions are no less favorable to Meide Group than those available to or from other independent third parties and also compliance with the pricing policy; and (ii) procedures and policies for identifying connected persons and monitoring the annual caps of the continuing connected transactions. The Group's Audit Committee, which is comprised entirely of our independent non-executive Directors, will continuously monitor the Group's continuing connected transactions on an ongoing basis. An annual review report on continuing connected transactions will also be compiled by the Group's Audit Committee. This report will be reproduced in the annual reports for each financial year after the Listing.

With reference to the Board Letter, we noted that in order to ensure that the transactions contemplated under the 2022 Products Supply Framework Agreement and the 2022 Products Purchase Framework Agreement will be conducted on normal commercial terms, the Group has adopted the following measures:

- (a) the Group will adhere to its internal guidelines for connected transactions in accordance with the Listing Rules;
- (b) before entering into any transactions with Meide Group, the Group will take reference from at least two separate transactions of similar nature with independent third parties in the vicinity areas;
- (c) in respect of the 2022 Products Supply Framework Agreement, the finance department of the Group will review and compare the relevant transactions with independent third parties when determining the sale price so as to ensure that the price of the products provided by the Group to Meide Group is fair and reasonable, and is determined on normal commercial terms or on terms no more favourable to Meide Group than the terms available to independent third parties;
- (d) In respect of the 2022 Products Purchase Framework Agreement, the finance department of the Group will review and compare the quotes from independent third parties with the quotes from Meide Group when determining which supplier to engage with so as to ensure that the price of the products provided by Meide Group to the Group is fair and reasonable, and is determined on normal commercial terms or on terms no less favourable to the Group than the terms available from independent third parties; and
- (e) the Group will comply with the annual review requirements in respect of the transactions contemplated under the agreements in accordance with Chapter 14A of the Listing Rules, such as engaging the Company's auditor to conduct annual review and having the independent non-executive Directors to review the transactions contemplated under the 2022 Products Supply Framework Agreement and the 2022 Products Purchase Framework Agreement and give opinions/confirmations in the Company's annual reports.

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## LETTER FROM VINCO CAPITAL

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- (f) the Board will arrange internal trainings for the senior management of the Group and responsible staff on the compliance requirements for continuing connected transactions; and
- (g) the finance department of the Group will monitor the transaction amounts under both the 2022 Products Supply Framework Agreement and the 2022 Products Purchase Framework Agreement by preparing designated management accounts for the continuing connected transactions therein on a monthly basis to make sure that the actual contract amounts do not exceed the relevant annual caps. The Company will re-comply with the necessary approval procedures in accordance with the Listing Rules in respect thereof if the relevant annual caps are expected to be exceeded.

With reference to the Company's 2019 Annual Report and 2020 Annual Report, the aggregate amounts of raw materials and products purchased from Meide Group under the 2019 Products Purchase Framework Agreement for FY2019 and FY2020 are approximately RMB0.4 million and RMB2.2 million respectively, which will fall within de minimis threshold as stipulated under Rule 14A.76(1)(a) of the Listing Rules, and were exempted from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Accordingly, the Company has engaged its auditor to report on the continuing connected transactions contemplated under the 2019 Products Supply Framework Agreement for each financial years of the Company in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditor has also provided a letter to the Board regarding the continuing connected transactions contemplated under the 2019 Products Supply Framework Agreement during FY2019 and FY2020 respectively for the purpose of Rule 14A.56 of the Listing Rules, (the "**Auditor's Letters**") confirming that: (i) nothing had come to their attention that caused them to believe that the continuing connected transactions had not been approved by the Board; (ii) for transactions involving the provisions of goods or services by the Group, nothing had come to their attention that caused them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group; (iii) nothing had come to their attention that caused them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iv) nothing had come to their attention that caused them to believe that such continuing connected transactions had exceeded the annual caps as set by the Company.

With reference to the Company's 2019 Annual Report and 2020 Annual Report, the independent non-executive Directors had reviewed the continuing connected transactions contemplated under the 2019 Products Supply Framework Agreement of the Company during FY2019 and FY2020 and the Auditor's Letters, and confirmed that such continuing connected transactions were (i) entered into in the ordinary and usual course of business of the Company; (ii) on normal commercial terms or better; and (iii) in accordance with the terms of respective agreements governing the transactions and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

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## LETTER FROM VINCO CAPITAL

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In view of the transactions contemplated under the 2022 Products Purchase Framework Agreement and the 2022 Products Supply Framework Agreement will be subject to annual review of the independent non-executive Directors and the auditors of the Company as well as the regular checks by finance department, we are of the view that appropriate measures will be in place to govern the conduct of the transactions contemplated under the 2022 Products Purchase Framework Agreement and the 2022 Products Supply Framework Agreement and safeguard the interests of the shareholders.

### 5. Proposed Purchase Annual Caps

Raw materials used for assembling piping system purchased by the Group from Meide Group for each of FY2019, FY2020 and 11M2021 under the 2019 Products Purchase Framework Agreement (the “**Historical Purchase Transactions**”), its corresponding aggregate value, the compound annual growth rate (the “**CAGR**”) and annual caps for the respective periods:

|                                  | <b>FY2019</b><br>(audited)<br><i>RMB'000</i> | <b>FY2020</b><br>(audited)<br><i>RMB'000</i> | <b>11M2021</b><br>(unaudited)<br><i>RMB'000</i> | <b>CAGR</b><br>% |
|----------------------------------|--|--|---|------------------|
| Historical Purchase Transactions | 367  | 2,193  | 1,090   | 72.3             |
| Annual caps                      | 1,600  | 1,600  | 1,600   | N/A              |

With reference to the Board Letter, the Proposed Purchase Annual Caps for each of the three years ending 31 December 2022, 2023 and 2024 (“**FY2022**”, “**FY2023**” and “**FY2024**”) and the CAGR:

|                      | <b>FY2022</b><br><i>RMB'000</i> | <b>FY2023</b><br><i>RMB'000</i> | <b>FY2024</b><br><i>RMB'000</i> | <b>CAGR</b><br>% |
|----------------------|---------------------------------|---------------------------------|---------------------------------|------------------|
| Proposed annual caps | 37,260                          | 43,040                          | 48,140                          | 13.7             |



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## LETTER FROM VINCO CAPITAL

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In arriving at the above Proposed Purchase Annual Caps for the purchase of raw materials and products used for assembling piping system by the Group, the Company has taken into consideration:

- (a) the expected increase in demand for malleable iron from Meide Group arising from orders from customers of the Group for the three years ending 31 December 2024; and
- (b) the expected increase in demand for products from Meide Group arising from the expansion of service provided by the Group including the provision of fire protection construction work (as contractor).

To assess the fairness and reasonableness of the Proposed Purchase Annual Caps, we enquired into the basis of the Proposed Purchase Annual Caps and obtained relevant calculations regarding the same.

- (a) ***the expected increase in demand for malleable iron from Meide Group arising from orders from customers of the Group for the three years ending 31 December 2024***

According to the calculation provided by the Group, we noted that malleable iron purchased from Meide Group will be used for the Group's existing products and new products.

- (i) *Existing products*

Per discussion with the Management, demand for malleable iron for existing products amounted to RMB2.6 million for each of the three years ending 31 December 2024 and are based on (i) the largest historical orders for FY2019-11M2021 of RMB2.2 million and (ii) the expected growth in demand from Meide Group for the three years ending 31 December 2024. As advised by the Management, expected growth in demand is referenced to the 2019-2021 CAGR of 72.3% for Historical Purchase Transactions.

- (ii) *New products (Note)*

As advised by the Management, demand for malleable iron for new products amounted to RMB4.6 million, RMB8.4 million and RMB10.5 million for FY2022, FY2023 and FY2024, respectively and are based the low end of the indicative demand received from customers amounted to RMB5.3 million, RMB10.9 million and RMB12.2 million for FY2022, FY2023 and FY2024, respectively. We enquired and obtained from the Management correspondences between the Group and the said customers and noted from the correspondences due to customer satisfaction, those customers are planning to strengthening the business cooperation with the Group and propose to increase orders with the Group for the three years ending 31 December 2024.

*Note:* The Group had accepted certain processing orders for rustproofing from customers

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## LETTER FROM VINCO CAPITAL

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- (b) *the expected increase in demand for products from Meide Group arising from the expansion of service provided by the Group including the provision of fire protection construction work (as contractor)*

As advised by the Management, such amount was estimated with reference to factors including, among others, (i) the expected purchase amount of raw materials and products needed from Meide Group for FY2022 of RMB30.0 million in order to meet the current order on hand for the provision of fire protection construction contractor work according to the Management's understanding on the Group's purchase plan; and (ii) estimated annual growth rate of approximately 16.7% and 14.3% on the expected purchase amount of raw materials and products needed from Meide Group for the provision of fire protection construction contractor work for the two years ending 31 December 2024.

- (i) *The expected purchase amount of raw materials and products needed from Meide Group for FY2022 of RMB30.0 million in order to meet the current order on hand for the provision of fire protection construction contractor work according to the Management's understanding on the Group's purchase plan.*

We enquired and obtained from the Management, the purchase plan and the relevant contracts and noted the current orders on hand for fire protection construction contractor work of RMB63.4 million and the estimated purchase cost for the raw materials and products needed.

- (ii) *Estimated annual growth rate of approximately 16.7% and 14.3% on the expected purchase amount of raw materials and products needed from Meide Group for the provision of fire protection construction contractor work for the two years ending 31 December 2024*

With references to the announcement of the Group on 7 September 2021, the Group has entered into the Confirmation Letter with Natural Resources Bureau of Pingyin County in relation to the Land Acquisition. The Land will be used for a new factory in Jinan, Shandong Province, the PRC. It is expected that the Land Acquisition will provide the Group with opportunities of improving product quality, reducing production costs and increasing the production capacity of certain of the Group's products.

As advised by the Management, it is the Group's long term strategy to improve continuously its production capacity and it is expected that the new factory will bring synergies between the Group's two existing production plants in Jinan. Taking into account the above, we do not doubt the Group's estimated annual growth rate of approximately 16.7% and 14.3% on the expected purchase amount of raw materials and products needed from Meide Group for the provision of fire protection construction contractor work for the two years ending 31 December 2024.

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**LETTER FROM VINCO CAPITAL**

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**6. Proposed Sales Annual Caps**

Total sales incurred by the Group for distribution by Meide Group (the “**Historical Distribution Sales Transactions**”) and internal use within Meide Group (the “**Historical Internal Sales Transactions**”) for each of FY2019, FY2020 and 11M2021 under the 2019 Products Supply Framework Agreement, its corresponding aggregate value, the CAGR and annual caps for the respective periods:

|  | <b>FY2019</b><br>(audited)<br><i>RMB'000</i> | <b>FY2020</b><br>(audited)<br><i>RMB'000</i> | <b>11M2021</b><br>(unaudited)<br><i>RMB'000</i> | <b>CAGR</b><br><br>% |
|--|--|--|---|----------------------|
| Historical Distribution Sales Transactions | 26,790                                       | 26,630                                       | 34,700  | 13.8                 |
| Annual caps                                | 30,000                                       | 40,000                                       | 40,000  | N/A                  |
| Historical Internal Sales Transactions     | 16,950                                       | 20,890                                       | 21,460  | 12.5                 |
| Annual caps                                | 24,000                                       | 24,000                                       | 24,000  | N/A                  |

With reference to the Board Letter, the Proposed Sales Annual Caps for each of the three years ending 31 December 2022, 2023 and 2024:

|                                       | <b>FY2022</b><br><i>RMB'000</i> | <b>FY2023</b><br><i>RMB'000</i> | <b>FY2024</b><br><i>RMB'000</i> | <b>CAGR</b><br><br>% |
|---------------------------------------|---------------------------------|---------------------------------|---------------------------------|----------------------|
| Proposed annual caps                  |                                 |                                 |                                 |                      |
| – for distribution                    | 48,000                          | 52,800                          | 58,000                          | 9.9                  |
| – for internal use within Meide Group | 28,800                          | 31,600                          | 34,700                          | 9.8                  |

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## LETTER FROM VINCO CAPITAL

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### *Distribution by Meide Group*

According to the Board Letter, for each of FY2019, FY2020 and 11M2021, the Historical Distribution Sales Transactions amounts were approximately RMB26.8 million, RMB26.6 million and RMB34.7 million, respectively. The annual caps in respect of such sales by the Group to Meide Group for distribution by Meide Group under the 2019 Products Purchase Framework Agreement for FY2019, FY2020 and FY2021 are RMB30.0 million, RMB40.0 million and RMB40.0 million, respectively.

### *Internal use within Meide Group*

For each of FY2019, FY2020 and 11M2021, the Historical Internal Sales Transactions amounts were approximately RMB16.9 million, RMB20.9 million and RMB21.5 million, respectively. The annual caps in respect of such sales by the Group to Meide Group for internal use within Meide Group under the 2019 Products Purchase Framework Agreement for FY2019, FY2020 and 11M2021 are RMB24.0 million.

In arriving at the Proposed Sales Annual Caps, the Company has taken into consideration:

- (a) the historical transaction amounts between Meide Group and the Group for the two years ended 31 December 2020 and 11M2021;
- (b) the projected increase in selling price of the products supplied by the Group to Meide Group; and
- (c) the projected increase in demand for the products of the Group from third-party customers of Meide Group.

To assess the fairness and reasonableness of the Proposed Sales Annual Caps, we enquired into the basis of the Proposed Sales Annual Caps and obtained relevant calculations regarding the same.

- (a) *the historical transaction amounts between Meide Group and the Group for the two years ended 31 December 2020 and 11M2021*

We noted from the calculation of the Proposed Sales Annual Caps for the three years ending 31 December 2024, the annual caps under the 2019 Products Supply Framework Agreement for FY2019, FY2020 and FY2021 were adopted as base figures (the “**Base Figures**”).

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## LETTER FROM VINCO CAPITAL

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As advised by the Management, such Base Figures were adopted in formulating the estimation taking into consideration factors including, among others, (i) the Historical Distribution Sales Transactions amounts increased steadily from FY2019 to 11M2021 and represented 89.3%; 66.6% and 86.8% of its respective annual caps under the 2019 Products Supply Framework Agreement; and (ii) the Historical Internal Sales Transactions Amounts also increased steadily from FY2019 to 11M2021 represented 70.6%; 87.0% and 89.4% of its respective annual caps under the 2019 Products Supply Framework Agreement;

Taking into account the above, we do not doubt and consider justifiable for the Group in adopting the annual caps under the 2019 Products Supply Framework Agreement as bases figures for estimating the Proposed Sales Annual Caps as both the Historical Distribution Sales Transactions amounts and Historical Internal Sales Transactions amounts are generally on an upward trend from FY2019 to 11M2021 and represented over 86.8% and 89.4% of its respective annual caps for 11M2021.

**(b) *the projected increase in selling price of the products supplied by the Group to Meide Group***

With references to the 2020 Annual Report, due to price fluctuations of raw materials, the Management closely pays attention to the price fluctuations of raw materials and reasonable formulation product sales prices in response. Set out below are the average selling price of the Group as extracted from the 2021 Interim Report and the 2020 Annual Report:

|   | 1H2020<br>(unaudited)<br>RMB/ton | 1H2021<br>(unaudited)<br>RMB/ton | Period-<br>on-period<br>change<br>% | FY2019<br>(unaudited)<br>RMB/ton | FY2020<br>(unaudited)<br>RMB/ton | Year-<br>on-year<br>change<br>% |
|---|----------------------------------|----------------------------------|-------------------------------------|----------------------------------|----------------------------------|---------------------------------|
| Standard prefabricated pipe nipples         | 13,881                           | 14,963                           | 7.8                                 | 15,603                           | 14,466                           |                                 |
| Steel pipe products                         |                                  |                                  |                                     |                                  |                                  |                                 |
| – ERW steel pipes                           | 4,537                            | 5,541                            | 22.1                                | 4,634                            | 4,604                            | (7.3)                           |
| – SSAW steel pipes                          | 3,952                            | 6,301                            | 59.4                                | 4,195                            | 4,403                            | (0.6)                           |
| – Customised steel pipes                    | 5,701                            | 5,903                            | 3.5                                 | 5,086                            | 5,130                            | 5.0                             |
| – Design and supply assembled piping system | N/A                              | N/A                              | N/A                                 | N/A                              | N/A                              | N/A                             |
| Steel coils trade                           | 3,029                            | 4,520                            | 49.2                                | 3,246                            | 3,328                            | 0.9                             |

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## LETTER FROM VINCO CAPITAL

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*(c) the projected increase in demand for the products of the Group from third-party customers of Meide Group.*

We noted from the calculation of the Proposed Sales Annual Caps for the three years ending 31 December 2024, an estimated growth of 20.0% from the Base figures was adopted for the expected sales for distribution by Meide Group for FY2022 and a further growth of 10.0% and 9.8% thereafter for FY2023 and FY2024 respectively. An estimated growth of 20.0% from the Base figures was adopted for the expected sales for internal use within Meide Group and a further growth of 9.7% and 9.8% thereafter for FY2023 and FY2024 respectively.

As advised by the Management, such estimations taking into consideration factors including, among others, (i) the largest annual growth rate for the Historical Distribution Sales Transactions Amounts of 30.3% and (ii) the largest annual growth rate of the Historical Internal Sales Transactions Amounts of 23.2% and (iii) the projected increase in selling price of the products supplied by the Group to Meide Group.

Taking into account (b) and (c) above, we consider justifiable for the Group to adopt an estimated growth of 20.0% from the Base figures for the expected sales for distribution by Meide Group for FY2022 and a further growth of 10.0% and 9.8% thereafter for FY2023 and FY2024 respectively and an estimated growth of 20.0% from the Base Figures for the expected sales for internal use within Meide Group for FY2022 and a further growth of 9.7% and 9.8% thereafter for FY2023 and FY2024 respectively.

### **Listing Rules implication**

The Directors have confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the value of the Purchase Transactions and the Sales Transactions must be restricted by the Proposed Purchase Annual Caps and the Proposed Supply Annual Caps; (ii) the terms of the Purchase Transactions and the Sales Transactions must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Purchase Transactions and the Sales Transactions must be included in the Company's subsequent published annual reports. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Purchase Transactions and the Sales Transactions (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the Purchase Transactions and the Sales Transactions; and (iii) have exceeded the Proposed Purchase Annual Caps and the Proposed Supply Annual Caps. In the event that the total amounts of the Purchase Transactions and Sales Transactions are anticipated to exceed the respective Proposed Purchase Annual Caps and Proposed Supply Annual Caps, or that there is any proposed material amendment to the terms of the Purchase Transactions and the Sales Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

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## LETTER FROM VINCO CAPITAL

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Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Purchase Transactions and the Sales Transactions.

### RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the opinion that (i) the terms of the Purchase Transactions and the Sales Transactions are on normal commercial terms and fair and reasonable; and (ii) the the Purchase Transactions and the Sales Transactions are in the interests of the Company and the Shareholders as a whole and in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favor of the ordinary resolutions to be proposed at the EGM in this regard.

Yours faithfully,  
For and on behalf of  
**Vinco Capital Limited**  
**Steven Wu**                      **Michael Kwong**  
*Director*                              *Senior Manager*  
*Corporate Finance*              *Corporate Finance*

*Note:* Mr. Steven Wu (i) is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Vinco Capital Limited to carry on Type 6 (advising on corporate finance) regulated activities under the SFO and (ii) has over 10 years of experience in corporate finance industry.

Mr. Michael Kwong (i) is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Vinco Capital Limited to carry on Type 6 (advising on corporate finance) regulated activities under the SFO and (ii) has over 5 years of experience in corporate finance industry.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' and chief executive's interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company has any interest or short position in the Shares, convertible securities, warrants, options or derivatives, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFOs) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the model code for securities transactions by directors of listed issuers as set out in Appendix 10 to the Listing Rules.

| Name of Director<br>or chief executive | Nature of interest                      | Number of Shares/<br>interested in<br><i>(Notes (1) and (2))</i> | Approximate<br>percentage of<br>shareholding in<br>the Company<br><i>(Notes (1) and (2))</i> |
|--|---|--|--|
| Mr. Kong <i>(Note 3)</i>               | Interest of a controlled<br>corporation | 172,600,000 Shares<br>(L)  | 39.788%  |

*Notes:*

- (1) All interests stated are long positions.
- (2) Based on the total number of 433,800,000 Shares in issue as at the Latest Practicable Date.
- (3) Mr. Kong held 100% of the issued share capital of Ying Stone Holdings Limited, which in turn holds 172,600,000 Shares, representing 39.788% of the issued share capital of the Company.



**(b) Substantial Shareholders who have an interest and/or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO**

So far as is known to the Directors and chief executive of the Company, as at the Latest Practicable Date, the following persons (other than Directors and chief executives of the Company) had, or were deemed or taken to have an interest or short position in the Shares and underlying Shares of the Company, which are required to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

| Name of substantial Shareholders   | Nature of interest                   | Number of Shares/<br>interested in<br><i>(Notes (1) and (2))</i> | Approximate<br>percentage of<br>shareholding in<br>the Company<br><i>(Notes (1) and (2))</i> |
|--|--------------------------------------|--|--|
| Ying Stone Holdings Limited  | Beneficial owner                     | 172,600,000 Shares<br>(L)  | 39.788%  |
| Tong Chuang Sheng De Limited   | Beneficial owner                     | 70,160,000 Shares<br>(L)   | 16.173%  |
| Tong Chuang Xing De Limited  | Beneficial owners                    | 51,040,000 Shares<br>(L)   | 11.766%  |
| Shanghai Heng Yuan International Investment Limited*<br>(上海恆源國際投資有限公司) <i>(Note 3)</i> | Beneficial owner                     | 22,000,000 Shares<br>(L)   | 5.071%   |
| Zhao Pu (趙璞) <i>(Note 3)</i>   | Interest of a controlled corporation | 22,000,000 Shares<br>(L)   | 5.071%   |
| Zhang Jingru<br>(張晶茹) <i>(Note 4)</i>  | Interest of spouse                   | 22,000,000 Shares<br>(L)   | 5.071%   |

*Notes:*

- (1) All interests stated are long positions.
- (2) Based on the total number of 433,800,000 Shares in issue as at the Latest Practicable Date.
- (3) Zhao Pu holds 70% of the issued share capital of Shanghai Heng Yuan International Investment Limited\* (上海恆源國際投資有限公司), which in turn holds 22,000,000 Shares, representing 5.071% of the issued share capital of the Company.
- (4) Zhang Jingru is the spouse of Zhao Pu. Under the SFO, Zhang Jingru is deemed to be interested in the same number of Shares in which Zhao Pu is interested.

\* For identification purpose only

**3. DIRECTORS' INTERESTS****(a) Interests in contract or arrangement**

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors was materially interested in any contract or arrangement subsisting which is significant in relation to the business of the Group.

**(b) Interests in assets**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been, since 31 December 2020, the date of which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

**(c) Interests in competing business**

As at the Latest Practicable Date, none of the Directors or their respective close associates (as defined in the Listing Rules) had an interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling Shareholder).

**4. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation, other than statutory compensation).

**5. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, the date to which the latest published audited consolidated financial statements of the Group were made up.

**6. EXPERT AND CONSENT**

This circular includes statement(s), opinion(s) or advice(s) made by the following expert:

| <b>Name</b>           | <b>Qualification</b>  |
|-----------------------|---|
| Vinco Capital Limited | a corporation licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activities |

The above expert has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its statements and/or references to its name in the form and context in which it appears. The above expert has further confirmed that as at the Latest Practicable Date, it was not interested in the share capital of any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. As at the Latest Practicable Date, the abovementioned expert was not interested in any assets which have been, since 31 December 2020 (being the date to which the Company's latest audited financial statements were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

**7. LITIGATION**

As at the Latest Practicable Date, the Company was not engaged in any litigation or claims of material importance, and there was no litigation or claims of material importance known to the Directors to be pending or threatened by or against the Company.

**8. GENERAL**

- (a) The registered office of the Company is situated at Vistra (Cayman) Limited, P.O. BOX 31119 Grand Pavilion Hibiscus Way, 802 West Bay Road Grand Cayman, KY1-1205 Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is at Unit 1102, 11/F, Brill Plaza, 84 To Kwa Wan Road, To Kwa Wan, Kowloon, Hong Kong.
- (c) The Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The company secretary of the Company is Mr. Leung Wing Lun, Hong Kong Certified Public Accountant.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

**9. MATERIAL CONTRACTS**

No contracts (not being contracts in the ordinary course of business of the Company) which are or may be material have been entered into by any members of the Group within two years immediately preceding the Latest Practicable Date.

**10. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://www.mechpipingtech.com>) for a period of 14 days from the date of this circular:

- (i) the letter from the Independent Board Committee dated 10 February 2022, the text of which is set out on pages 18 to 19 of this circular;
- (ii) the letter from the Independent Financial Adviser dated 10 February 2022, the text of which is set out on pages 20 to 37 of this circular;
- (iii) the consent letter dated 10 February 2022 signed by the Independent Financial Adviser in relation to the issue of this circular;
- (iv) the 2022 Products Supply Framework Agreement dated 29 December 2021 entered into between the Company and Meide in relation to the renewal and revision of the transactions contemplated under the 2019 Products Supply Framework Agreement for a further term of 3 years from 1 January 2022 to 31 December 2024; and
- (v) the 2022 Products Purchase Framework Agreement dated 29 December 2021 entered into between the Company and Meide in relation to the renewal and revision of the transactions contemplated under the 2019 Products Purchase Framework Agreement for a further term of 3 years from 1 January 2022 to 31 December 2024.

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## NOTICE OF EGM

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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)**

## NOTICE OF EGM

**NOTICE IS HEREBY GIVEN THAT** the extraordinary general meeting (the “**EGM**”) of the shareholders of Maikete Tube Industry Holdings Limited (迈科管业控股有限公司) (the “**Company**”) will be held at Room 4208, 42th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong on 28 February 2022 at 3:00 p.m. for considering and, if thought fit, passing, the following resolutions. Unless otherwise defined, the capitalised terms used herein shall have the same meanings as ascribed to them in the announcement of the Company dated 29 December 2021 and the circular of the Company dated 10 February 2022:

### ORDINARY RESOLUTIONS

1. “**THAT** the 2022 Products Supply Framework Agreement and the transactions contemplated thereunder (including the annual caps in relation thereto) be and are hereby approved, confirmed and ratified.”
2. “**THAT** the 2022 Products Purchase Framework Agreement and the transactions contemplated thereunder (including the annual caps in relation thereto) be and are hereby approved, confirmed and ratified.”

By Order of the Board of  
**Maikete Tube Industry Holdings Limited**  
**KONG Linglei**  
*Chairman and Executive Director*

Hong Kong, 10 February 2022

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## NOTICE OF EGM

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*Principal place of business in Hong Kong*  
Unit 1102, 11/F  
Brill Plaza  
84 To Kwa Wan Road,  
To Kwa Wan  
Kowloon  
Hong Kong

*REGISTERED OFFICE*  
Vistra (Cayman) Limited  
P.O. Box 31119  
Grand Pavilion Hibiscus Way  
802 West Bay Road  
Grand Cayman  
KY1-1205  
Cayman Islands

*Notes:*

1. All resolutions at the EGM will be taken by poll (except where the chairman, in good faith, decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands). The results of the poll will be published on the websites of the Stock Exchange and of the Company in accordance with the Listing Rules. Any shareholder entitled to attend and vote at the EGM is entitled to appoint one or, if he is holder of more than one share, more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
2. In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed must be deposited at the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the EGM (or any adjournment thereof).
3. The register of members of the Company will be closed from Wednesday, 23 February 2022 to Monday, 28 February 2022 (both days inclusive), during which period no transfer of shares in the Company will be registered, for the purpose of determining the identity of the shareholders entitled to attend and vote at the EGM. In order to qualify for attending and voting at the EGM to be held on Monday, 28 February 2022, all transfers of shares accompanied by the relevant share certificates and transfer forms, must 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, not later than 4:30 p.m on Tuesday, 22 February 2022.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney or other person duly authorised.
5. In the case of joint holders of any shares, any one of such joint holders may vote at the above EGM, either personally or by proxy, in respect of such shares as if he were solely entitled thereto. However, if more than one of such joint holders is present at the above EGM, either personally or by proxy, the joint holder whose name stands first in the register of members of the Company, will alone be entitled to vote in respect of such shares.
6. Delivery of the form of proxy will not preclude a member from attending and voting in person at the EGM convened and in such event, the form of proxy shall be deemed to be revoked.
7. On a poll, every shareholder present at the EGM shall be entitled to one vote for every fully paid-up share of which he/she is the holder. The result of such poll shall be deemed to be the resolution of the EGM at which the poll was so required or demanded.

An explanatory statement containing further details regarding resolution no. (A) above is set out in a circular to the shareholders of the Company, which is being dispatched together with this notice. The circular also contains particulars of the Directors proposed to be re-elected at the EGM.

8. The Chinese translation of this notice is for reference only, and in case of any inconsistency, the English version shall prevail.
9. References to time and dates in this notice are to Hong Kong time and dates.

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