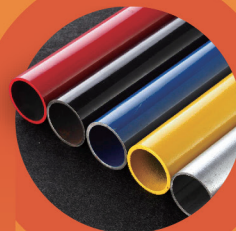




# 迈科管业控股有限公司

## MAIKE TUBE INDUSTRY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)  
Stock code: 1553



# 2023

## INTERIM REPORT



## CONTENT PAGE

Definitions	2
Corporate Information	4
Management Discussion and Analysis	5
Corporate Governance	19
Other Information	21
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	22
Condensed Consolidated Statement of Financial Position	23
Condensed Consolidated Statement of Changes in Equity	25
Condensed Consolidated Statement of Cash Flows	26
Notes to the Condensed Consolidated Financial Statements	27

In case of any inconsistency between the English version and the Chinese version of this interim report, the English version shall prevail.



## DEFINITIONS

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

“ASP”	Average selling price
“Audit Committee”	The audit committee of the Board
“Board”	The board of Directors
“BVI”	British Virgin Islands
“China” or “PRC”	The People’s Republic of China
“Company”	Maikē Tube Industry Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability on 1 February 2019, the Shares of which are listed on the Main Board of the Stock Exchange
“Corporate Governance Code”	Corporate Governance Code and Corporate Governance Report, as set out in Appendix 14 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
“Director(s)”	Director(s) of the Company
“ERW” or “electric resistance welding”	The acronym for electric resistance welding, a welding used in the manufacture of pipes under which pipes are made from strips of hot rolled steel coil which are passed through forming rolls and welded by using heat generated by high frequency electric current passing over the surface of the strips
“ERW steel pipe(s)”	Steel pipes formed by utilising ERW technology
“Group”	The Company and its subsidiaries
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HVAC”	Heating, ventilation and air conditioning systems
“Jinan Magang”	Jinan Magang Steel Pipes Manufacturing Company* (濟南瑪鋼鋼管製造有限公司), a company established under the laws of the PRC as a limited liability company on 7 November 2001 and is an indirect wholly-owned subsidiary of our Company
“Jinan Mech”	Jinan Mech Piping Technology Co., Ltd* (濟南邁科管道科技有限公司), a company established under the laws of the PRC as a company with limited liability on 21 May 2013 and is an indirect wholly-owned subsidiary of our Company
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“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 held as to 64.51% by Jinan Gong Chuang Meide Corporate Management Partnership (Limited Partnership)* (濟南共創玫德企業管理合夥企業(有限合夥)) and 35.49% by Ningbo Ming De Heng Sheng Investment Limited* (寧波明德恒生投資有限公司)



“Model Code”	The Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“Mr. Kong”	Mr. Kong Linglei (孔令磊), one of our controlling Shareholders
“Nomination Committee”	The nomination committee of the Board
“Prospectus”	Prospectus of the Company dated 29 November 2019
“Remuneration Committee”	The remuneration committee of the Board
“Reporting Period”, “interim period” or “current interim period”	The six months ended 30 June 2023
“RMB”	Renminbi Yuan, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shares”	Ordinary shares of our Company with a nominal value of US\$0.0001 each
“Shareholders”	Holder(s) of the Share(s)
“Share Option Scheme”	A share option scheme passed pursuant to a written resolution by our Shareholders on 19 November 2019
“SSAW steel pipe(s)”	spiral submerged arc welded steel pipes which formed by utilising submerged arc welding technology with spiral weld seam, i.e., pipes made from strips of hot rolled steel plates formed helically into cylinders and then welded as they are formed
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“THB”	Thai Baht, the lawful currency of Thailand
“Tong Chuang Xing De BVI”	Tong Chuang Xing De Limited, a company incorporated under the laws of the BVI with limited liability on 4 January 2019, one of our substantial Shareholders
“Tube Industry Investments”	Tube Industry Investments Limited, a company incorporated under the laws of Hong Kong on 23 January 2019 and an indirectly wholly-owned subsidiary of our Company
“USD” or “US\$”	United States dollar, the lawful currency of the United States of America
“VND”	Vietnamese Dong, the lawful currency of Vietnam
“Ying Stone”	Ying Stone Holdings Limited, one of our controlling Shareholders, a company incorporated under the laws of the BVI with limited liability on 8 January 2019, which is wholly-owned by Mr. Kong as his investment holding company

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

### BOARD OF DIRECTORS

#### *Executive Directors*

Mr. GUO Lei (Chairman)  
Mr. WANG Ning  
Mr. YANG Shufeng

#### *Non-executive Director*

Ms. ZHAO Xuelian

#### *Independent non-executive Directors*

Mr. LIU Fengyuan  
Mr. DING Xiaodong  
Mr. SUN Yongxi (Appointed on 29 June 2023)  
Mr. MA Changcheng (Resigned on 1 April 2023)

### AUDIT COMMITTEE

Mr. DING Xiaodong (Chairman)  
Mr. LIU Fengyuan  
Mr. SUN Yongxi (Appointed on 29 June 2023)  
Mr. MA Changcheng (Resigned on 1 April 2023)

### REMUNERATION COMMITTEE

Mr. LIU Fengyuan (Chairman)  
Mr. GUO Lei  
Mr. SUN Yongxi (Appointed on 29 June 2023)  
Mr. MA Changcheng (Resigned on 1 April 2023)

### NOMINATION COMMITTEE

Mr. GUO Lei (Chairman)  
Mr. LIU Fengyuan  
Mr. SUN Yongxi (Appointed on 29 June 2023)  
Mr. MA Changcheng (Resigned on 1 April 2023)

### COMPANY SECRETARY

Mr. LEUNG Wing Lun (HKICPA)

### AUTHORISED REPRESENTATIVES (FOR THE PURPOSE OF THE LISTING RULES)

Mr. GUO Lei  
Mr. LEUNG Wing Lun (HKICPA)

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 4 Meide Street  
Meigui Zone of Industrial Park  
Pingyin County  
Jinan, Shandong Province  
China

### HEADQUARTERS AND 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

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shop 1712-1716, 17th Floor, Hopewell Centre  
183 Queen's Road East, Wan Chai  
Hong Kong

### AUDITOR

Deloitte Touche Tohmatsu  
Certified Public Accountants  
Registered Public Interest Entity Auditors  
35th Floor, One Pacific Place  
88 Queensway, Hong Kong

### LEGAL ADVISOR AS TO HONG KONG LAW

Stevenson, Wong & Co.  
39/F, Gloucester Tower, The Landmark,  
15 Queen's Road Central, Hong Kong

### PRINCIPAL BANKERS

Industrial and Commercial Bank of China Pingyin Branch  
Bank of China Pingyin Branch  
Bank of China (Hong Kong) Limited

### STOCK CODE

1553

### COMPANY WEBSITE

<http://www.mechpipingtech.com>

### BUSINESS REVIEW

The Group primarily engages in (i) the manufacturing and sales of standard prefabricated pipe nipple products; (ii) the manufacturing and sales of steel pipe products; and (iii) the design and supply of assembled piping systems. We also conduct sales of raw materials that were procured from our suppliers and left unused, including steel coils.

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

During the Reporting Period, the domestic economy rebound has been growing slowly, while the overseas market was confronted with the economic decoupling from the West and the geopolitical wars in the first half of the year. In spite of the unsettling landscape, the Group, led by the Board, capitalized on its advantages in the sharing of market resources and technological research and development, and conducted deployment of improving our management strategies for the year, and thus our employees were able to navigate challenging circumstances and devote their efforts to innovation. During the six months ended 30 June 2023, the Group recorded a cumulative revenue of approximately RMB1,069.4 million and a cumulative net profit of approximately RMB71.8 million, representing an increase of 5.6% and 2.7%, respectively, as compared with the same period last year.

### NEW ORDERS

For the six months ended 30 June 2023, the Group received new orders for approximately 8,400 tons of standard prefabricated pipe products, of which approximately 99.2% were from overseas customers; we also received new orders for approximately 148,000 tons of steel pipe products, of which approximately 71.5% were from domestic customers. During the six months ended 30 June 2023, the Group had delivered approximately 6,900 tons of standard prefabricated pipe products (including Vietnam Piping and Delta Electric (Thailand)) and approximately 125,000 tons of steel pipe products.

### STANDARD PREFABRICATED PIPE PRODUCTS

The standard prefabricated pipe products are our key competitive products. For the six months ended 30 June 2023, our revenue from standard prefabricated pipe products amounted to approximately RMB131.2 million, accounting for 12.3% of the total revenue of the Group; for the six months ended 30 June 2022, our revenue from standard prefabricated pipe products amounted to approximately RMB242.2 million, accounting for 23.9% of the total revenue of the Group. The revenue of standard fabricated pipe products decreased by 45.9% as compared to the corresponding period last year, due to a decline in sales volume.

### STEEL PIPE PRODUCTS

Our steel pipe products are made through rolling steel plate and welding the seam, and are mainly used for gas, water supply, HVAC and fire extinguishment. In order to meet the personal demand of customers, the Group produced standard steel pipes with value-added processes under customised requirements of customers, including but not limited to pipe body processing, non-standardised surface treatment, pipe end processing, thickened galvanisation, and internal smoothing. For the six months ended 30 June 2023, our ERW steel pipes, SSAW steel pipes and customised steel pipes recorded revenues of approximately RMB176.7 million, RMB338.8 million and RMB133.1 million, respectively, representing a year-on-year decrease of 5.1% for ERW steel pipes as compared to the same period in 2022, and year-on-year increases of 59.7% and 2.6% for SSAW steel pipes and customised steel pipes respectively as compared to the same period in 2022. The decrease in ERW steel pipes was mainly due to the decrease in raw material prices and product prices, while the increase in SSAW steel pipes and customised steel pipes was mainly due to the increase in sales volume. The total revenue generated from steel pipe products accounted for approximately 60.6% of the total revenue for the six months ended 30 June 2023.

### DESIGN AND SUPPLY OF ASSEMBLED PIPING SYSTEM

Leveraging our industry experience, we are able to design and supply assembled piping systems to our customers to satisfy various physical and functional characteristics of our customers' designated sites. For the six months ended 30 June 2023, our design and supply of assembled piping system recorded the revenue of approximately RMB11.6 million, representing a year-on-year increase of approximately 9.4% as compared to the same period in 2022. The increase was mainly due to an increase in the delivery of orders to our customers, accounting for approximately 1.1% of the total revenue for the six months ended 30 June 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

The Group's revenue is generated from (i) sales of standard prefabricated pipe products; (ii) sales of steel pipe products; (iii) sales of the design and supply of assembled piping systems; and (iv) sales of steel coils that were left unused and procured from its suppliers.

For the six months ended 30 June 2023, our total revenue was approximately RMB1,069.4 million, representing an increase of approximately RMB56.3 million or 5.6% as compared to the six months ended 30 June 2022. The increase in revenue was mainly due to the increase in the sales volume of SSAW steel pipes.

#### Sales by product categories

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

	For the six months ended 30 June 2023 (unaudited)			
	Revenue RMB'000	% of total	Sales volume ton'000	ASP RMB/ton
Standard prefabricated pipe nipples	131,168	12.3%	6.9	19,063
<b>Steel pipe products</b>				
ERW steel pipes	176,730	16.5%	34.7	5,100
SSAW steel pipes	338,779	31.7%	65.7	5,157
Customised steel pipes	133,123	12.4%	24.7	5,389
Design and supply of assembled piping system	11,571	1.1%	N/A	N/A
Trading of steel coils	278,005	26.0%	76.5	3,634
<b>Total</b>	<b>1,069,376</b>	<b>100.0%</b>	<b>208.5</b>	

	For the six months ended 30 June 2022 (unaudited)			
	Revenue RMB'000	% of total	Sales volume ton'000	ASP RMB/ton
Standard prefabricated pipe nipples	242,234	23.9	12.6	19,225
<b>Steel pipe products</b>				
ERW steel pipes	186,318	18.4%	31.5	5,915
SSAW steel pipes	212,240	20.9%	38.2	5,556
Customised steel pipes	129,717	12.8%	20.3	6,390
Design and supply of assembled piping system	10,572	1.1%	N/A	N/A
Trading of steel coils	232,026	22.9%	52.8	4,394
<b>Total</b>	<b>1,013,107</b>	<b>100.0%</b>	<b>155.4</b>	



## MANAGEMENT DISCUSSION AND ANALYSIS

The revenue generated from sales of standard prefabricated pipe products amounted to approximately RMB131.2 million for the six months ended 30 June 2023, representing a decrease of approximately RMB111.0 million or 45.8% as compared to the six months ended 30 June 2022, which was mainly due to the decrease in sales volume.

The revenue generated from ERW steel pipes decreased by approximately RMB9.6 million or 5.1% from the six months ended 30 June 2022 to approximately RMB176.7 million for the six months ended 30 June 2023, which was mainly due to lower average product prices during the six months ended 30 June 2023; the revenue generated from SSAW steel pipes increased by approximately RMB126.6 million or 59.7% from the six months ended 30 June 2022 to approximately RMB338.8 million for the six months ended 30 June 2023, which was mainly due to the growth in sales volume during the six months ended 30 June 2023; the revenue generated from customised steel pipes increased by approximately RMB3.4 million or 2.6% from the six months ended 30 June 2022 to approximately RMB133.1 million for the six months ended 30 June 2023.

The revenue generated from design and supply of assembled piping system increased by approximately RMB1 million or 9.4% from approximately RMB10.6 million for the six months ended 30 June 2022 to approximately RMB11.6 million for the six months ended 30 June 2023. The increase was mainly due to the increase in the delivery of orders to our customers.

The revenue generated from steel coils increased by approximately RMB46.0 million or 19.8% for the six months ended 30 June 2022 to approximately RMB278.0 million for the six months ended 30 June 2023, mainly due to the increase in sales volume.

### Sales by geographical regions

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

	For the six months ended 30 June 2023 (unaudited)		For the six months ended 30 June 2022 (unaudited)	
	Revenue RMB'000	% of total revenue	Revenue RMB'000	% of total revenue
Domestic market				
The PRC	778,938	72.8%	629,092	62.1%
Overseas markets				
The United States	92,671	8.7%	185,448	18.3%
Other countries in Americas (excluding the United States)	67,481	6.3%	43,395	4.3%
Other countries in Asia (excluding the PRC)	103,038	9.6%	105,493	10.4%
Europe	12,711	1.2%	24,004	2.4%
Others	14,537	1.4%	25,675	2.5%
<b>Total</b>	<b>1,069,376</b>	<b>100.0%</b>	<b>1,013,107</b>	<b>100.0%</b>

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

### GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit decreased by approximately 5.4% or RMB10.6 million from approximately RMB196.7 million for the six months ended 30 June 2022 to approximately RMB186.1 million for the six months ended 30 June 2023. Such an increase was mainly attributable to the decline in sales volume of SSAW steel pipes. Gross profit margin decreased by 2.0% as compared to the corresponding period last year.

### OTHER INCOME

For the six months ended 30 June 2023, other income mainly represents government grant and interest income, which decreased from approximately RMB3.6 million for the six months ended 30 June 2022 by approximately 13.9% or RMB0.5 million to approximately RMB3.1 million for the six months ended 30 June 2023. The decrease in other income was mainly due to the decrease in government grants by approximately RMB1.1 million and the increase in bank interest income by approximately RMB0.6 million.

### OTHER GAINS AND LOSSES

For the six months ended 30 June 2023, other gains and losses mainly represent gains on sales of scrap materials, fair value gains on structured bank deposits, fair value gains or losses on foreign currency forward contracts, fair value gains or losses on derivative financial instruments and net exchange gains or losses. Other gains and losses for the six months ended 30 June 2023 decreased by approximately 49% to approximately RMB4.3 million (the first half of 2022: RMB8.4 million) as compared with the corresponding period in 2022. Changes in other gains and losses were mainly attributable to gains on sales of scrap materials of approximately RMB3.8 million as compared to the gains on scrap of RMB5.2 million in the same period of last year; fair value gains of approximately RMB0.2 million on derivative financial instrument in 2023 as compared to the gains of approximately RMB0.4 million in the same period of 2022; and gains from foreign exchange of approximately RMB1.8 million in 2023 as compared to the gains of approximately RMB3.4 million in the same period of 2022.

### DISTRIBUTION AND SELLING EXPENSES

Distribution and selling expenses decreased from approximately RMB63.2 million for the six months ended 30 June 2022 by approximately 37.2% or RMB23.5 million to approximately RMB39.7 million for the six months ended 30 June 2023, which was primarily due to (i) the decrease in transportation costs; and (ii) the decrease in business expenses.

### ADMINISTRATIVE EXPENSES

Administrative expenses increased from approximately RMB26.2 million for the six months ended 30 June 2022 by approximately 8.8% or RMB2.3 million to approximately RMB28.5 million for the six months ended 30 June 2023, which was primarily due to the increase in compensation of management staff.

## MANAGEMENT DISCUSSION AND ANALYSIS

### RESEARCH AND DEVELOPMENT COSTS

The cost of research and development increased from approximately RMB35.0 million for the six months ended 30 June 2022 by approximately 0.6% or RMB0.2 million to approximately RMB35.2 million for the six months ended 30 June 2023. Our research and development costs accounted for approximately 3.3% of the total revenue (corresponding period in 2022: approximately 3.5%).

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

The impairment losses under expected credit loss model, net of reversal amounted to approximately RMB2.97 million for the six months ended 30 June 2023 (corresponding period in 2022: approximately RMB-1.65 million), which was mainly due to the increase in the Company's trade receivables.

### FINANCE COSTS

Finance costs decreased from approximately RMB3.6 million for the six months ended 30 June 2022 by approximately 27.8% or RMB1.0 million to approximately RMB2.6 million for the six months ended 30 June 2023, which was primarily due to the decrease in bank loan interest expenses.

### TAXATION CHARGE

Taxation charge increased from RMB12.3 million for the six months ended 30 June 2022 to RMB12.8 million for the six months ended 30 June 2023.

### PROFIT FOR THE PERIOD

Profit for the period increased by approximately 2.7% or RMB1.9 million from RMB69.9 million for the six months ended 30 June 2022 to RMB71.8 million for the six months ended 30 June 2023, which was mainly due to the increase in sales volume of SSAW steel pipes.

### Capital structure, liquidity and financial resources

	For the six months ended 30 June	
	2023 (unaudited) RMB'000	2022 (unaudited) RMB'000
Net cash generated from operating activities	38,418	66,777
Net cash used in investing activities	(37,311)	(49,053)
Net cash generated from/(used in) financing activities	44,521	(39,134)
Net increase/(decrease) in cash and cash equivalents	45,628	(21,410)
Cash and cash equivalents at the beginning of the period	57,760	86,548
Effect of foreign exchange rate changes	2,057	2,299
Cash and cash equivalents at the end of the period	105,445	67,437

### Gearing ratio

As at 30 June 2023, the gearing ratio of the Group, calculated based on the total interest-bearing debts divided by the total equity of the Company as at the respective period and multiplied by 100%, was approximately 12.8% (31 December 2022: approximately 8%). As at 30 June 2023, our total interest-bearing debts amounted to RMB125.0 million. The increase in gearing ratio was primarily attributable to the rise in bank loans.

### NET CASH GENERATED FROM OPERATING ACTIVITIES

Our net cash generated from operating activities decreased from a net inflow of approximately RMB66.8 million for the six months ended 30 June 2022 to a net inflow of approximately RMB38.4 million for the six months ended 30 June 2023. The decrease in net cash generated from operating activities was mainly due to (i) an increase in trade receivables; and (ii) an increase in inventories.

### NET CASH USED IN INVESTING ACTIVITIES

Our net cash from investing activities changed from a net outflow of approximately RMB49.1 million for the six months ended 30 June 2022 to a net outflow of approximately RMB37.3 million for the six months ended 30 June 2023. The change in net cash was primarily due to the decrease in construction of fixed assets expenses.

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

Our net cash from financing activities changed from a net outflow of approximately RMB39.1 million for the six months ended 30 June 2022 to a net inflow of approximately RMB44.5 million for the six months ended 30 June 2023. The change in net cash used in financing activities was primarily due to the increase in borrowings.

### NET CURRENT ASSETS AND LIABILITIES

#### Inventories

Our balance of inventories increased by approximately RMB63.6 million or 25.5% from approximately RMB249.5 million as at 31 December 2022 to approximately RMB313.1 million as at 30 June 2023, which was mainly driven by the sufficient orders for steel pipe products and the increase in steel coils, raw materials and inventories.

### TRADE RECEIVABLES AND TRADE RECEIVABLES BACKED BY BILLS

Our trade receivables increased by approximately RMB129.7 million or 38.1% from approximately RMB340.1 million as at 31 December 2022 to approximately RMB469.8 million as at 30 June 2023, mainly due to the increase in sales of SSAW steel pipes during the period and trade receivables being not yet due for payment.

Our trade receivables backed by bills increased by approximately RMB8.9 million or 74.2% from approximately RMB12.0 million as at 31 December 2022 to approximately RMB20.9 million as at 30 June 2023, mainly due to the outstanding bank bills previously received.



## MANAGEMENT DISCUSSION AND ANALYSIS

### CONTRACT ASSETS

Our contract assets decreased from approximately RMB26.9 million as of 31 December 2022 to approximately RMB23.3 million as of 30 June 2023, mainly due to the decrease in retention receivables on sales of pipe products.

### DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Our deposits, prepayments and other receivables decreased from approximately RMB121.4 million as at 31 December 2022 to approximately RMB111.4 million as at 30 June 2023, mainly due to the decrease in prepayment for raw materials.

### AMOUNTS DUE FROM/TO RELATED PARTIES

Amounts due from related parties increased from approximately RMB7.3 million as at 31 December 2022 to approximately RMB8.0 million as at 30 June 2023, mainly due to the settlement of trade amounts at the end of the period.

Amounts due to related parties increased from approximately RMB4.8 million as at 31 December 2022 to approximately RMB7.0 million as at 30 June 2023.

### TRADE AND BILL PAYABLES

Our trade and bill payables increased from approximately RMB90.7 million as of 31 December 2022 to approximately RMB194.8 million as of 30 June 2023, mainly due to the increase of bill payables.

### CONTRACT LIABILITIES

Our contract liabilities increased from approximately RMB41.8 million as of 31 December 2022 to approximately RMB65.6 million as of 30 June 2023, which was related to the timing of product delivery to our customers.

### REFUND LIABILITIES

Our refund liabilities decreased from approximately RMB10.6 million as of 31 December 2022 to approximately RMB4.0 million as of 30 June 2023, primarily due to the settlement of liabilities.

### OTHER PAYABLES AND ACCRUED CHARGES

Our other payables and accrued charges decreased from approximately RMB81.3 million as of 31 December 2022 to approximately RMB77.2 million as of 30 June 2023, which was mainly due to the decrease of accrued charges, deposits received from suppliers, and agency fee payable.

### PROVISIONS

Our provisions decreased from approximately RMB2.2 million as of 31 December 2022 to approximately RMB1.1 million as of 30 June 2023. Provisions represent warranty provided for our sold products.

### BORROWINGS

Our borrowings increased from approximately RMB75.9 million as of 31 December 2022 to approximately RMB125.0 million as of 30 June 2023, mainly due to a growth in bank loans. The Group's borrowing of approximately RMB117.0 million as at 30 June 2023 was repayable within one year.

### LEASE LIABILITIES

As of 30 June 2023, the Group rented two properties in Vietnam and Thailand respectively to operate its factories and the lease liabilities were measured at the present value of the lease payments that are not yet paid. We recorded lease liabilities of approximately RMB2.4 million.

### FOREIGN CURRENCY RISK

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

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

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

### DIVIDEND

The Board did not recommend the payment for any dividend for the six months ended 30 June 2023 (30 June 2022: Nil).

### PLEDGE OF ASSETS

As at 30 June 2023, our Group pledged certain property, plant, equipment, right-of-use assets, trade receivables backed by bills and pledged bank deposits with the total net carrying amount of approximately RMB163.7 million (31 December 2022: approximately RMB130.5 million) to secure banking facilities granted to the Group.

### CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any material contingent liabilities.

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

For the six months ended 30 June 2023, there were no significant investments held by the Group, and the Company had no material acquisition and disposal of subsidiaries, associates and joint ventures.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group did not have any other plans for material investments or capital assets during the six months ended 30 June 2023 and up to the date of this interim report.

### EMPLOYEES

For the six months ended 30 June 2023, labour costs (including Directors' remunerations and emoluments in other forms) were approximately RMB53.5 million (for the six months ended 30 June 2022: RMB54.1 million). Our Group's employees are generally remunerated by way of fixed salary, and commission will be awarded to our marketing staff if they have achieved certain sales targets. The Group utilises an appraisal system for our employees and considers the appraisal results of individual employees when conducting their salary reviews, making promotion decisions and determining the amount of bonuses. Our Group's employees are also entitled to a performance-based bonus, paid leave and various subsidies. As the Group believes that nurturing outstanding employees is particularly important for the development of enterprises, it provides employees with sufficient training to ensure that they can carry out their work safely and with due diligence. Employees in different positions are provided with various training and development programmes related to their necessary skills and knowledge.

As of 30 June 2023, we had a total of 1,154 employees (30 June 2022: 1,067 employees), 962 of whom are in the PRC (including Hong Kong), 125 of whom work in Vietnam, and 67 of whom work in Thailand. A breakdown of our employees by functions is set forth below:

Function	As of 30 June 2023		
	The PRC (including Hong Kong)	Vietnam	Thailand
Managerial, administrative and accounts	84	15	7
Production	580	109	55
Quality control	30	1	5
Procurement and inventory	28	–	–
Research and development	130	–	–
Sales and marketing	110	–	–
Total number of employees	<u>962</u>	<u>125</u>	<u>67</u>

### USE OF PROCEEDS

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

## MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2023, the net proceeds from the global offering had been applied as follows:

	Percentage of total net proceeds from the Global Offering	Planned use of net proceeds from the Global Offering RMB'000	Remaining net proceeds as at 31 December 2022 RMB'000	Actual use of proceeds for the six months ended 30 June 2023 RMB'000	Remaining net proceeds as at 30 June 2023 RMB'000	Expected timeline of full utilisation of the remaining proceeds from the Global Offering as at 30 June 2023 (Note 1)
Increasing our production capacity of our production of ERW steel pipes	19.00%	31,625	-	-	-	
Upgrading one of the SSAW steel pipes production line	22.30%	37,118	-	-	-	
Setting up a new production facilities building	9.40%	15,646	-	-	-	
Expanding to overseas to increase the production capacity	9.40%	15,646	4,787	676	4,111	By the end of 2023
Expanding our business horizontally through acquisition/collaboration	10%	16,645	-	-	-	
Strengthening research and development capabilities	10%	16,645	-	-	-	
Repayment of borrowings	10%	16,645	-	-	-	
General working capital	9.90%	16,478	-	-	-	
	<u>100%</u>	<u>166,448</u>	<u>4,787</u>	<u>676</u>	<u>4,111</u>	

Notes:

The expected timeline of full utilisation is based on the Directors' best estimation barring unforeseen circumstances.

During the six months ended 30 June 2023, the actual application of the net proceeds from the Listing were used and expected to be used according to the intentions previously disclosed in the Prospectus and saved for the disclosure above, there was no material change or delay in the use of proceeds. The unutilised amount is expected to be used in accordance with the Company's plan as disclosed in the Prospectus.

### EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Save as disclosed, there were no significant events subsequent to 30 June 2023 which would materially affect the Group's operating and financial performance as of the date of this interim report.



### SHARE OPTION SCHEME

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

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

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

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

#### (ii) Participants

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

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

#### (iii) Maximum number of Shares

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

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

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

### (v) Time of exercise of option

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

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

### (vi) Minimum period

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

### (vii) Payment on acceptance of option

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

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

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

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

The Share Option Scheme will remain in force for a period of 10 years commencing from the adoption date. As at the date of this interim report, it has a remaining life of around 6.5 years.

No share options were granted, exercised, cancelled or lapsed under the Share Option Scheme since the adoption of the scheme and up to the date of this interim report, and no outstanding share options under the Share Option Scheme as at 30 June 2023.

### PROSPECTS

While the PRC's anti-pandemic measures have been lifted at the end of 2022, the effects of the pandemic on our Company was gradually being unseen. In the first half of 2023, the rebound of the domestic economy faltered, tripped up by a continuous decline in real estate investment, a slowdown in the growth in manufacturing industry investment, and the signs of overall weakness in demand. At the same time, the Russo-Ukrainian conflict intensified the geopolitical tensions and the global economy fell into a mild recession due to the FED rate hikes, which have somewhat affected the pipeline industry. In the second half of 2023, renewal and renovation projects on oil and gas, steel, municipal construction, water conservancy, electricity, and urban pipeline have been gradually set up, and the Ministry of Housing and Urban-Rural Development announced that the PRC will carry out the urban infrastructure lifeline safety project, including risk elimination and renovation of infrastructures, such as gas, bridges, water supply, drainage, heat supply, and utility tunnel. In the second half of the year, the overall demand for pipelines showed signs of growth, which brought opportunities for the Company's performance growth.

Based on the current situation, the Group will strengthen its own capacity building. It will adopt the following strategies to realize sustainable growth, further enhance its position in the pipe prefabrication industry, and create long-term value for the Shareholders: (1) to drive growth and maximize organizational efficiency for the incremental market with the use of digital sales enablement tools; (2) to follow the domestic major projects; (3) to improve personnel administration by strengthening talent building and attracting talents for marketing, and research and development; (4) to improve the management strategies during the year and focus on the enhancement of digitalization; (5) to raise the awareness of total quality as identical to the quality of life, and together with other measures, in order to accelerate the enhancement of our quality.

### RISK MANAGEMENT

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

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

### ENVIRONMENTAL POLICIES AND PERFORMANCE

The major pollutants generated by the Group in the manufacturing process include various kinds of exhaust gas and wastewater which could be harmful to the human body. We have complied with the current effective Chinese, Vietnamese, and Thai environmental laws and regulations. During the reporting period, we utilized the EcoCloud Spot Checking System to set up a total of 73 EcoCloud Spot Checking Points to digitally monitor key environmental areas and put them under control. Hazardous waste emissions were controlled through the division of process management, the formulation of rules and regulations for the use of environmental protection equipment, and the organization of technological reforms for key emission sources.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules (the "CG Code"). Save as disclosed below, the Company has complied with the CG Code throughout the six months ended 30 June 2023.

#### Independent Non-executive Director ("INED")

Reference is made to the announcement of the Company dated 24 March 2023 in relation to the resignation of a former INED Mr. Ma Changcheng with effect from 1 April 2023. Following his resignation, the Company failed to meet the requirement of (i) Rule 3.10(1) and Rule 3.10A of the Listing Rules in relation to the composition of the Board; (ii) Rule 3.21 of the Listing Rules in relation to the composition of the Audit Committee; (iii) Rule 3.25 of the Listing Rules in relation to the composition of the Remuneration Committee and (iv) Rule 3.27A of the Listing Rules in relation to the composition of the Nomination Committee. The Company has used its best endeavors to ensure that suitable candidate is appointed to ensure compliance with the Listing Rules.

With effect from 29 June 2023, Mr. SUN Yongxi has been appointed as (i) an INED of the Company; and (ii) a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company with reference to the announcement of the Company dated 29 June 2023. Thereafter, the Company has been in compliance with the requirement under Rule 3.10(1), Rule 3.10A, Rule 3.21, Rule 3.25 and Rule 3.27A of the Listing Rules respectively.

#### Chairman and Chief Executive Officer ("CEO")

Pursuant to code provision C.2.1 of the CG Code, the responsibilities between the chairman and the CEO should be segregated and should not be performed by the same individual. However, we do not have a separate chairman and CEO and Guo Lei ("Mr. Guo") are performing these two roles throughout the six months ended 30 June 2023. Throughout the business history of the Group, Mr. Guo has held key leadership positions of the Group and has been deeply involved in the formulation of corporate strategies and management of the business and operations of the Group since its establishment. Taking into account the consistent leadership within the Group, the Board believes that it is in the best interests of the Group and the Shareholders as a whole to have Mr. Guo taking up both roles for effective and efficient overall strategic planning and continuation of the implementation of such plans for the Group. The Board considers that the balance of power and authority under the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively.

The Company has appointed Mr. Zhou Zhi Wei (周志偉) as the CEO for an initial term of three years with effect from 1 August 2023 (the "Appointment"). Upon the Appointment, the Company will have separate individuals performing as the chairman of the Board and the CEO. As such, the Board considers the Appointment would help to ensure a balance of power and authority for the management of the Group, and the Company has been in compliance with the requirements under code provision C.2.1 of the CG Code as at the date of this interim report.



### COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Model Code as its own Code of Conduct for securities transactions conducted by relevant Directors. Upon specific enquiry of all Directors, all Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2023. No incidents of non-compliance of the Model Code by the relevant Directors were noted by the Company.

### AUDIT COMMITTEE

The Audit Committee of the Company, which was established for the purposes of reviewing and providing supervision over the Company's financial reporting and audit process and overseeing the Group's risk management and internal controls, comprises three independent non-executive Directors, namely Mr. DING Xiaodong (chairman), Mr. LIU Fengyuan and Mr. SUN Yongxi.

The Audit Committee has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2023.

The Audit Committee together with the Company's management has reviewed and agreed on the accounting principles and practices adopted by the Group for the six months ended 30 June 2023, discussed and reviewed the adequacy and effectiveness of the Group's internal control systems, risk management functions and financial reporting systems, and that adequate disclosure has been made with no disagreement by the Audit Committee.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, so far as is known or otherwise notified to any Director or the chief executive of the Company, the particulars of the corporations or individuals (other than a Director or the chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO, were as follows:

Name	Nature of Interest	Number of Shares interested in <sup>(1)(2)</sup>	Approximate percentage of shareholding in the Company <sup>(1)(2)</sup>
Mr. Kong <sup>(3)</sup>	Interest of a controlled corporation	172,600,000 Shares (L)	39.79%
Ying Stone	Beneficial owner	172,600,000 Shares (L)	39.79%
Tong Chuang Sheng De BVI	Beneficial owner	70,160,000 Shares (L)	16.17%
Tong Chuang Xing De BVI	Beneficial owner	51,040,000 Shares (L)	11.77%

Notes:

- (1) All interests stated are long positions.
- (2) Based on the total number of 433,800,000 Shares in issue as at 30 June 2023.
- (3) Mr. Kong holds 100% of the issued share capital of Ying Stone, which in turn holds 172,600,000 Shares, representing approximately 39.79% of the issued share capital of our Company.

Save as disclosed above, as at 30 June 2023, the Directors and the chief executive of the Company are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Revenue	3	1,069,376	1,013,107
Cost of sales		(883,242)	(816,452)
Gross profit		186,134	196,655
Other income	4	3,079	3,611
Other gains and losses	4	4,290	8,379
Distribution and selling expenses		(39,682)	(63,216)
Administrative expenses		(28,506)	(26,237)
Research and development costs		(35,193)	(35,041)
Impairment losses under expected credit loss model, net of reversal	5	(2,966)	1,652
Finance costs	6	(2,614)	(3,625)
Profit before taxation	7	84,542	82,178
Taxation charge	8	(12,757)	(12,309)
Profit for the period		<u>71,785</u>	<u>69,869</u>
Other comprehensive income: Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operation		<u>3,243</u>	<u>1,267</u>
Total comprehensive income for the period		<u>75,028</u>	<u>71,136</u>
Profit (loss) for the period attributable to:			
Owners of the Company		<u>72,275</u>	<u>70,252</u>
Non-controlling interests		<u>(490)</u>	<u>(383)</u>
		<u>71,785</u>	<u>69,869</u>
Total comprehensive income (expense) for the period attributable to:			
– Owners of the Company		<u>74,796</u>	<u>72,029</u>
– Non-controlling interests		<u>232</u>	<u>(893)</u>
		<u>75,028</u>	<u>71,136</u>
Earnings per share			
– Basic (RMB yuan)	10	<u>0.167</u>	<u>0.162</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	409,468	421,879
Deferred tax assets		6,168	5,727
Deposits for property, plant and equipment		1,060	656
		<u>416,696</u>	<u>428,262</u>
<b>Current assets</b>			
Inventories		313,064	249,478
Trade receivables	12	469,792	340,064
Trade receivables backed by bills	13	20,930	12,028
Contract assets	14	23,308	26,907
Tax recoverable		5	4,225
Deposits, prepayments and other receivables		111,378	121,385
Amounts due from related parties	15	8,036	7,318
Financial assets at fair value through profit or loss ("FVTPL")		–	1,516
Pledged bank deposits		57,931	33,510
Bank balances and cash		105,445	57,760
		<u>1,109,889</u>	<u>854,191</u>
<b>Current liabilities</b>			
Trade and bill payables	16	194,760	90,704
Contract liabilities		65,551	41,809
Derivative financial instruments		1,981	–
Refund liabilities		3,975	10,600
Other payables and accrued charges	17	77,163	81,343
Dividend payables		39,811	–
Amounts due to related parties	15	7,037	4,816
Provisions		1,133	2,238
Tax liabilities		2,481	655
Borrowings	18	124,973	75,946
Lease liabilities		2,448	3,541
Deferred income		1,464	1,388
		<u>522,777</u>	<u>313,040</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
<b>Net current assets</b>		<b>587,112</b>	<b>541,151</b>
<b>Total assets less current liabilities</b>		<b>1,003,808</b>	<b>969,413</b>
<b>Non-current liabilities</b>			
Lease liabilities		3,264	3,908
Deferred tax liabilities		14,201	14,143
Deferred income		11,243	11,479
		<b>28,708</b>	<b>29,530</b>
<b>Net assets</b>		<b>975,100</b>	<b>939,883</b>
<b>Capital and reserves</b>			
Share capital	19	304	304
Reserves		969,258	934,273
Attributable to owners of the Company		969,562	934,577
Non-controlling interests	20	5,538	5,306
<b>Total equity</b>		<b>975,100</b>	<b>939,883</b>



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Attributable to owners of the Company								Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (Note b)	Statutory surplus reserve RMB'000 (Note a)	Translation reserve RMB'000	Retained profits RMB'000	Sub-total equity RMB'000	Non- controlling interests RMB'000	
At 1 January 2023 (audited)	304	288,420	123,260	51,741	3,059	467,793	934,577	5,306	939,883
Profit (loss) for the period	-	-	-	-	-	72,275	72,275	(490)	71,785
Other comprehensive income for the period	-	-	-	-	2,521	-	2,521	722	3,243
Total comprehensive income for the period	-	-	-	-	2,521	72,275	74,796	232	75,028
Dividends recognized as distribution	-	(39,811)	-	-	-	-	(39,811)	-	(39,811)
At 30 June 2023 (unaudited)	<u>304</u>	<u>248,609</u>	<u>123,260</u>	<u>51,741</u>	<u>5,580</u>	<u>540,068</u>	<u>969,562</u>	<u>5,538</u>	<u>975,100</u>
At 1 January 2022 (audited)	304	325,519	123,260	38,919	(2,291)	340,920	826,631	5,717	832,348
Profit (loss) for the period	-	-	-	-	-	70,252	70,252	(383)	69,869
Other comprehensive income (expense) for the period	-	-	-	-	1,777	-	1,777	(510)	1,267
Total comprehensive income (expense) for the period	-	-	-	-	1,777	70,252	72,029	(893)	71,136
Dividends recognized as distribution	-	-	-	-	-	(37,099)	(37,099)	-	(37,099)
At 30 June 2022 (unaudited)	<u>304</u>	<u>325,519</u>	<u>123,260</u>	<u>38,919</u>	<u>(514)</u>	<u>374,073</u>	<u>861,561</u>	<u>4,824</u>	<u>866,385</u>

## Notes:

- (a) As stipulated by the relevant laws and regulations of the PRC, before distribution of the net profit each year, the subsidiaries established in the PRC shall set aside 10% of their net profit after taxation for the statutory surplus reserve fund (except where the reserve has reached 50% of the subsidiaries' registered capital). The reserve fund can only be used, upon approval by the board of directors of the relevant subsidiaries and by the relevant authority, to offset accumulated losses or increase capital.
- (b) Other reserve represented (i) the difference between the nominal value of shares or equity interests paid/received by Mr. Kong and the share of net assets by non-controlling interests for each acquisition or disposal of shares/equity interests pursuant to changes in ownership interests in Jinan Mech Piping Technology Co., Ltd ("Jinan Mech") and Jinan Magang Steep Pipes Manufacturing Company ("Jinan Ma Steel") in 2016 which did not result in change of control; and (ii) the difference between the consideration paid to non-controlling interests in acquiring the remaining registered capital of Jinan Mech and the share of net assets of Jinan Mech by non-controlling interests upon and reorganisation in 2019.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Net cash generated from operating activities	38,418	66,777
<b>Investing activities:</b>		
Purchases of property, plant and equipment	(13,383)	(23,007)
Deposits for property, plant and equipment	(1,060)	(2,683)
Proceeds from disposals of property, plant and equipment	820	–
Receipts from structured bank deposits	33	14
Interest received	700	69
Placement of pledged bank deposits	(67,966)	(23,446)
Withdrawal of pledged bank deposits	43,545	–
Placement of structured bank deposits	(55,500)	(32,600)
Withdrawal of structured bank deposits	55,500	32,600
Net cash used in investing activities	(37,311)	(49,053)
<b>Financing activities:</b>		
Borrowings raised	116,973	114,000
Repayment of borrowings	(68,000)	(149,000)
Borrowing from related parties	–	762
Payment of lease liabilities	(2,023)	(1,949)
Interest paid	(2,429)	(2,947)
Net cash generated from (used in) financing activities	44,521	(39,134)
Net increase (decrease) in cash and cash equivalents	45,628	(21,410)
Cash and cash equivalents at the beginning of the period	57,760	86,548
Effect of foreign exchange rate changes	2,057	2,299
Cash and cash equivalents at the end of the period, represented by bank balances and cash	105,445	67,437

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 1. GENERAL AND BASIS OF PREPARATION

Maike Tube Industry Holdings Limited was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands on 1 February 2019. Its shares have been listed on the Main Board of the Stock Exchange since 18 December 2019. The addresses of the registered office and the principal place of business of the Company are P.O. BOX 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands and Meigui Zone of Industrial Park, Pingyin County, Jinan City, Shandong Province, the PRC.

The Company is an investment holding company. The principal activities of the Group are mainly engaged in the manufacturing of steel pipe products and the prefabricated pipe nipple products.

The Group's condensed consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements as set out in Appendix 16 to the Listing Rules.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendment to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 3. REVENUE AND SEGMENTAL INFORMATION

### Revenue

Revenue represents the fair value of amounts received and receivable from the sales of goods provided by the Group to related companies/external customers, net of related taxes. The following is an analysis of the Group's revenue for the six months ended 30 June 2023:

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
<i>Recognised at a point in time:</i>		
Sales of pipe products:		
– Spiral Submerged Arc Welded steel pipes	338,779	212,240
– ERW steel pipes	176,730	186,318
– Customised steel pipes	133,123	129,717
– Standard prefabricated pipe nipples	131,168	242,234
– Design and supply assembled piping system	11,571	10,572
Trading of steel coils	278,005	232,026
	<u>1,069,376</u>	<u>1,013,107</u>

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

### Segmental information

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 3. REVENUE AND SEGMENTAL INFORMATION – *continued*

#### Geographical information

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

	Revenue from external customers	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PRC	778,938	629,092
Other countries in Asia (excluding PRC)	103,038	105,493
The United States of America ("US")	92,671	185,448
Other countries in America (excluding US)	67,481	43,395
Europe	12,711	24,004
Others	14,537	25,675
	<u>1,069,376</u>	<u>1,013,107</u>

### 4. OTHER INCOME/OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>Other income</b>		
Government grant	2,379	3,542
Bank interest income	700	69
	<u>3,079</u>	<u>3,611</u>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 4. OTHER INCOME/OTHER GAINS AND LOSSES – *continued*

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
<b>Other gains and losses</b>		
Gain on sales of scrap materials	3,781	5,243
Fair value gains (losses) on financial assets at FVTPL		
– structured bank deposits	33	14
– foreign currency forward contracts (note i)	(3,453)	(1,397)
Fair value gains on derivative financial instruments (note ii)	246	397
Net exchange gains	1,785	3,444
Others	1,898	678
	<u>4,290</u>	<u>8,379</u>

Notes:

- i. During the interim period, net (losses) gains on US\$ to RMB foreign currency forward contracts represented realised losses of RMB89,000 (six months ended 30 June 2022: realised losses of RMB717,000) and unrealised losses of RMB3,364,000 (six months ended 30 June 2022: unrealised losses of RMB680,000) on changes in fair value of foreign currency forward contracts.
- ii. During the interim period, amount represented net gains (losses) on commodity derivative contracts represented realised gains of RMB379,000 (six months ended 30 June 2022: realised gains of RMB876,000) and unrealised losses of RMB133,000 (six months ended 30 June 2022: unrealised losses of RMB479,000) arising on changes in fair value of commodity derivative contracts.

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

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Impairment losses recognized (reversed) on:		
– trade receivables	2,242	(397)
– contract assets	724	(1,255)
	<u>2,966</u>	<u>(1,652)</u>

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 6. FINANCE COSTS

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Finance costs represent interest on:		
– bank borrowings	2,483	3,421
– lease liabilities	131	204
	<u>2,614</u>	<u>3,625</u>

## 7. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	20,875	17,856
Less: capitalised in inventories	(15,304)	(13,680)
Total depreciation	5,571	4,176
Write-down of inventories (included in cost of inventories sold)	<u>1,201</u>	<u>638</u>

## 8. TAXATION CHARGE

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
PRC Enterprise Income Tax (“EIT”):		
Current period	10,001	12,202
Under(over) provision in prior periods	<u>3,139</u>	<u>(2,183)</u>
Deferred tax (credit) expense:	<u>(383)</u>	<u>2,290</u>
Taxation charge	<u>12,757</u>	<u>12,309</u>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 12. TRADE RECEIVABLES

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Trade receivables	488,068	356,098
Less: allowance of impairment loss	<u>(18,276)</u>	<u>(16,034)</u>
Total trade receivables	<u><u>469,792</u></u>	<u><u>340,064</u></u>

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

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
0 – 60 days	246,210	196,402
61 – 180 days	144,036	85,771
181 days – 1 year	62,057	50,128
Over 1 year	<u>17,489</u>	<u>7,763</u>
	<u><u>469,792</u></u>	<u><u>340,064</u></u>

### 13. TRADE RECEIVABLES BACKED BY BILLS

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Trade receivables backed by bills	<u>20,930</u>	<u>12,028</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 13. TRADE RECEIVABLES BACKED BY BILLS – *continued*

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

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
0 – 180 days	18,430	9,819
181 days – 1 year	2,500	2,209
	<u>20,930</u>	<u>12,028</u>

As at 30 June 2023, the Group has pledged trade receivables backed by bills amounted to RMB5,512,000 (31 December 2022: RMB2,112,000) to secure general banking facilities granted to the Group.

### 14. CONTRACT ASSETS

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Retention receivables on sales of pipe products	25,243	28,118
Less: allowance for impairment loss	(1,935)	(1,211)
	<u>23,308</u>	<u>26,907</u>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 15. AMOUNTS DUE FROM RELATED PARTIES/TO RELATED PARTIES

### Amounts due from related parties

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

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Meide Group Co., Ltd. (“Meide”) (note i)	5,784	4,936
Meide Group Linyi Co., Ltd. 玫德集團臨沂有限公司 (“Linyi Meide”) (note ii)	723	681
Linyi Meide Gengchen Metal Material Co., Ltd. 臨沂玫德庚辰 金屬材料有限公司 (“Linyi Meide Gengchen”) (note ii)	471	343
Siam Fittings Co., Ltd. 泰鋼管配件有限公司 (“Siam Fittings”) (note ii)	450	–
Meide (Shandong) New Energy Co., Ltd. 玫德(山東)新能源有限公司 (“Meide New Energy”) (note ii)	296	123
Meide Archung (HeBi) Tube Co., Ltd. 玫德雅昌(鶴壁)管業有限公司 (“Meide Archung”) (note ii)	114	136
Jinan Kede Intelligent Technology Co., Ltd. 濟南科德智能科技有限公司 (“Kede Intelligent”) (note ii)	63	706
Jinan Mech Valve Technology Co., Ltd. 濟南邁克閥門科技有限公司 (“Mech Valve”) (note ii)	59	176
Jinan Mech Crafts Co., Ltd. 濟南邁克工藝品有限公司 (“Mech Crafts”) (note ii)	37	169
Meide Group Weihai Co., Ltd. 玫德集團威海有限公司 (“Weihai Meide”) (note ii)	26	–
Meide Archung (JiNan) Tube Co., Ltd. 玫德雅昌(濟南)管業 有限公司 (“Meide Archung (JiNan)”) (note ii)	5	5
Meide Archung Group Co. Ltd. (“Meide Archung Group”) (note ii)	5	1
Meide Ayvaz Metal Products Co., Ltd. 玫德艾瓦茲(濟南)金屬制品有限公司 (“Ayvaz Metal”) (note ii)	2	–
Shandong Chenhui Electronic Technology Co., Ltd. 山東晨暉電子科技有限公司 (“Chenhui Electronic”) (note ii)	1	42
	<u>8,036</u>	<u>7,318</u>

### Notes:

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 15. AMOUNTS DUE FROM RELATED PARTIES/TO RELATED PARTIES – *continued*

#### Amounts due from related parties – *continued*

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

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
0 – 60 days	5,803	4,715
61 – 180 days	857	1,923
181 – 360 days	1,082	566
Over 1 year	294	114
	<u>8,036</u>	<u>7,318</u>

As at 30 June 2023, included in the Group's amounts due from related parties balance are debtors with aggregate carrying amount of RMB1,376,000 (31 December 2022: RMB680,000) which are past due as at the reporting date. The Group did not hold any collateral over these balances.

#### Amounts due to related parties

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

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Siam Fittings	4,323	2,163
Meide Archung	1,016	–
Mech Valve	739	81
Kede Intelligent	362	1,842
Meide	231	384
Meide Archung (Jinan)	193	190
Intercom Technology (Shandong) Co. 信通科技(山東)有限公司 ("Information Technology") (note)	163	40
Linyi Meide	9	–
Meide Archung Group	1	–
Ayvaz Metal	–	116
	<u>7,037</u>	<u>4,816</u>

Note: Subsidiaries of Meide.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 15. AMOUNTS DUE FROM RELATED PARTIES/TO RELATED PARTIES – *continued*

#### Amounts due to related parties – *continued*

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

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
0 – 60 days	7,037	4,794
61 – 180 days	–	22
	<u>7,037</u>	<u>4,816</u>

### 16. TRADE AND BILL PAYABLES

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Trade payables	72,625	73,414
Bill payables	<u>122,135</u>	<u>17,290</u>
	<u>194,760</u>	<u>90,704</u>

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

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
0 – 180 days	<u>122,135</u>	<u>17,290</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 16. TRADE AND BILL PAYABLES – *continued*

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

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
0 – 30 days	33,382	35,569
31 – 60 days	7,154	7,843
61 – 120 days	4,805	5,141
121 – 180 days	6,801	4,588
181 – 360 days	9,146	8,847
Over 360 days	11,337	11,426
	<u>72,625</u>	<u>73,414</u>

### 17. OTHER PAYABLES AND ACCRUED CHARGES

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Accrued charges	31,550	30,213
Staff costs payable	17,548	20,669
Other tax payable	15,966	10,154
Guarantee receipts from staff on trade receivables ( <i>note</i> )	7,476	7,858
Transportation cost payable	2,440	2,361
Deposits received from suppliers	2,183	7,204
Agency fee payable	–	2,884
	<u>77,163</u>	<u>81,343</u>

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 18. BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to RMB116,973,000 (30 June 2022: RMB114,000,000). The loans carry interest at fixed market rates ranging from 2.50% to 3.80% per annum. The proceeds were used to finance the acquisition of raw material.

### 19. SHARE CAPITAL

	Number of shares	Amount US\$	US\$'000	Equivalent amount to RMB'000
Ordinary Shares of US\$0.0001 each				
Authorised:				
At 1 January 2022 (audited), 30 June 2022 (unaudited), 1 January 2023 (audited) and 30 June 2023 (unaudited)	<u>500,000,000</u>	<u>50,000</u>	<u>50</u>	<u>335</u>
Issued and fully paid				
At 1 January 2022 (audited), 30 June 2022 (unaudited), 1 January 2023 (audited) and 30 June 2023 (unaudited)	<u>433,800,000</u>	<u>43,380</u>	<u>44</u>	<u>304</u>

### 20. NON-CONTROLLING INTERESTS

	Share of net assets of a subsidiary RMB'000	Total RMB'000
At 1 January 2023	5,306	5,306
Share of loss for the period	(490)	(490)
Other comprehensive expense for the period	<u>722</u>	<u>722</u>
At 30 June 2023	<u>5,538</u>	<u>5,538</u>

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



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 21. CAPITAL COMMITMENTS

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	<u>7,985</u>	<u>1,718</u>

### 22. PLEDGE OF ASSETS

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

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Property, plant and equipment	59,672	54,087
Pledged bank deposits	57,931	33,510
Right-of-use assets	40,607	40,826
Trade receivables backed by bills	<u>5,512</u>	<u>2,112</u>
	<u>163,722</u>	<u>130,535</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 23. RELATED PARTY TRANSACTIONS

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

#### a) Transactions

Name of relate companies	Nature of transactions	Six months ended 30 June	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Meide	Sales of pipe products	9,825	16,895
	Sales of scrap materials	7,121	14,118
	Purchase of inventories	936	712
Linyi Meide Gengchen	Sales of pipe products	367	545
Linyi Meide	Sales of pipe products	73	224
	Sales of scrap materials	24	–
	Purchase of inventories	54	–
Meiyuan Renewable	Sales of pipe products	–	656
Mech Valve	Sales of pipe products	183	55
	Purchase of inventories	775	112
Mech Crafts	Sales of pipe products	40	145
	Purchase of inventories	7	44
Kede Intelligent	Sales of pipe products	232	867
	Purchase of inventories	446	861
	Purchase of fixed assets	28	–
Meide Weihai	Sales of pipe products	187	–
Ayvaz Metal	Sales of pipe products	23	–
	Purchase of inventories	11	61
Meide Archung	Sales of pipe products	1,765	2
Meide Archung (JiNan)	Sales of pipe products	14	7
	Purchase of inventories	366	143
Meide Archung Group	Sales of pipe products	4	–
	Purchase of inventories	1	–

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 23. RELATED PARTY TRANSACTIONS – *continued*

#### a) Transactions – *continued*

Name of relate companies	Nature of transactions	Six months ended 30 June	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Meide New Energy	Sales of pipe products	254	261
	Purchase of inventories	1,278	–
Chenhui Electronic	Sales of pipe products	13	–
Information Technology	Purchase of inventories	96	–
Siam Fittings	Purchase of inventories	3,020	917
	Loan from related party	–	762
	Interest expenses on lease liabilities	35	81
	Lease liabilities	1,127	3,307

#### b) Compensation of key management personnel

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

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Salaries and other benefits	1,475	1,859
Discretionary bonus	578	719
Contributions to retirement benefit schemes	183	176
	<u>2,236</u>	<u>2,754</u>