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MAIKE TUBE INDUSTRY HOLDINGS LIMITED

(迈 科 管 业 控 股 有 限 公 司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1553)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the “**Board**”) of directors (the “**Directors**”) of Maike Tube Industry Holdings Limited (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2024 together with the comparative figures for the corresponding period of 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

		Six months ended 30 June	
		2024	2023
	NOTES	RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	1,162,024	1,069,376
Cost of sales		(995,186)	(883,242)
Gross profit		166,838	186,134
Other income	4	10,583	3,079
Other gains and losses	4	11,366	4,290
Distribution and selling expenses		(35,015)	(39,682)
Administrative expenses		(28,313)	(28,506)
Research and development costs		(28,894)	(35,193)
Impairment losses under expected credit loss model, net of reversal	5	2,208	(2,966)
Finance costs	6	(4,187)	(2,614)
Profit before taxation	7	94,586	84,542
Taxation charge	8	(13,134)	(12,757)
Profit for the period		81,452	71,785
Other comprehensive (expense) income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operation		(7,098)	3,243
Total comprehensive income for the period		74,354	75,028
Profit (loss) for the period attributable to:			
Owners of the Company		81,547	72,275
Non-controlling interests		(95)	(490)
		81,452	71,785
Total comprehensive income (expense) for the period attributable to:			
– Owners of the Company		74,701	74,796
– Non-controlling interests		(347)	232
		74,354	75,028
Earnings per share			
– Basic (RMB yuan)	10	0.188	0.167

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024

		30/06/2024	31/12/2023
	NOTES	RMB'000	RMB'000
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment	11	425,718	409,803
Deferred tax assets		4,441	4,648
Prepayments for plant and equipment		20,889	1,409
		<u>451,048</u>	<u>415,860</u>
Current assets			
Inventories		340,947	279,969
Trade receivables	12	542,911	538,907
Trade receivables backed by bills	13	15,978	11,150
Contract assets	14	16,411	20,810
Tax recoverable		3,110	1,036
Deposits, prepayments and other receivables		183,049	146,614
Amounts due from related parties	15	24,179	17,754
Pledged bank deposits		163,554	172,775
Time deposits		20,697	18,483
Cash and cash equivalents		69,522	71,943
		<u>1,380,358</u>	<u>1,279,441</u>
Current liabilities			
Trade and bill payables	16	441,890	415,233
Contract liabilities		51,052	60,822
Derivative financial instruments		—	22
Refund liabilities		14,047	5,281
Other payables and accrued charges	17	53,419	84,626
Dividend payables		47,314	—
Amounts due to related parties	15	8,479	2,486
Provisions		967	3,132
Tax liabilities		1,228	2,947
Borrowings	18	106,923	38,362
Lease liabilities		1,176	1,528
Deferred income		1,461	1,440
		<u>727,956</u>	<u>615,879</u>
Net current assets		<u>652,402</u>	<u>663,562</u>
Total assets less current liabilities		<u>1,103,450</u>	<u>1,079,422</u>

		30/06/2024	31/12/2023
	NOTES	RMB'000	RMB'000
		(unaudited)	(audited)
Non-current liabilities			
Lease liabilities		2,542	3,068
Deferred tax liabilities		13,124	14,858
Deferred income		9,784	10,536
		<u>25,450</u>	<u>28,462</u>
Net assets		<u>1,078,000</u>	<u>1,050,960</u>
Capital and reserves			
Share capital	19	304	304
Reserves		<u>1,073,613</u>	<u>1,046,226</u>
Attributable to owners of the Company		1,073,917	1,046,530
Non-controlling interests	20	<u>4,083</u>	<u>4,430</u>
Total equity		<u>1,078,000</u>	<u>1,050,960</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital	Share premium	Other reserve	Statutory surplus reserve	Translation reserve	Retained profits	Sub-total equity		
	RMB'000	RMB'000	RMB'000 (Note b)	RMB'000 (Note a)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024 (audited)	304	249,109	123,260	65,679	592	607,586	1,046,530	4,430	1,050,960
Profit (loss) for the period	–	–	–	–	–	81,547	81,547	(95)	81,452
Other comprehensive income for the period	–	–	–	–	(6,846)	–	(6,846)	(252)	(7,098)
Total comprehensive (expense) income for the period	–	–	–	–	(6,846)	81,547	74,701	(347)	74,354
Dividends recognized as distribution	–	(47,314)	–	–	–	–	(47,314)	–	(47,314)
At 30 June 2024 (unaudited)	<u>304</u>	<u>201,795</u>	<u>123,260</u>	<u>65,679</u>	<u>(6,254)</u>	<u>689,133</u>	<u>1,073,917</u>	<u>4,083</u>	<u>1,078,000</u>
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	–	(39,311)	–	–	–	–	(39,311)	–	(39,311)
At 30 June 2023 (unaudited)	<u>304</u>	<u>249,109</u>	<u>123,260</u>	<u>51,741</u>	<u>5,580</u>	<u>540,068</u>	<u>970,062</u>	<u>5,538</u>	<u>975,600</u>

Notes:

- (a) As stipulated by the relevant laws and regulations of the People's Republic of China (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 (as defined in note 1) 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 2024

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash (used in) generated from operating activities	<u>(70,098)</u>	<u>38,418</u>
Investing activities:		
Purchases of property, plant and equipment	(39,611)	(13,383)
Prepayments for plant and equipment	(20,889)	(1,060)
Proceeds from disposals of property, plant and equipment	3,124	820
Receipts from structured bank deposits	45	33
Interest received	2,189	700
Placement of pledged bank deposits	(180,664)	(67,966)
Withdrawal of pledged bank deposits	189,885	43,545
Placement of structured bank deposits	(170,900)	(55,500)
Withdrawal of structured bank deposits	170,900	55,500
Placement of time deposits	(18,659)	—
Withdrawal of time deposits	<u>16,445</u>	<u>—</u>
Net cash used in investing activities	<u>(48,135)</u>	<u>(37,311)</u>
Financing activities:		
Borrowings raised	98,500	116,973
Repayment of borrowings	(29,000)	(68,000)
Proceeds from discounted bills	359,758	—
Repayment of discounted bills	(310,648)	—
Payment of lease liabilities	(968)	(2,023)
Interest paid	<u>(2,174)</u>	<u>(2,429)</u>
Net cash generated from financing activities	<u>115,468</u>	<u>44,521</u>
Net (decrease) increase in cash and cash equivalents	(2,765)	45,628
Cash and cash equivalents at the beginning of the period	71,943	57,760
Effect of foreign exchange rate changes	<u>344</u>	<u>2,057</u>
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<u><u>69,522</u></u>	<u><u>105,445</u></u>

NOTES

1. GENERAL AND BASIS OF PREPARATION

Maike Tube Industry Holdings Limited (the “**Company**”) is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. The immediate holding company is Ying Stone Holdings Limited (“**Ying Stone**”), which was incorporated in the British Virgin Islands (the “**BVI**”) and entirely owned by Mr. Kong Linglei (孔令磊) (“**Mr. Kong**”). The addresses of the registered office and the principal place of business of the Company are P.O. BOX 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands and Meigui Zone of Industrial Park, Pingyin County, Jinan, Shandong Province, the PRC.

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

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

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2023.

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 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

3. REVENUE AND SEGMENTAL INFORMATION

Revenue

Revenue represents the fair value of amounts received and receivable from the sales of goods provided by the Group to related companies/external customers, net of related taxes. The following is an analysis of the Group's revenue for the six months ended 30 June 2024:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<i>Recognised at a point in time:</i>		
Sales of pipe products:		
– Customised steel pipes	218,058	133,123
– Standard prefabricated pipe nipples	184,517	131,168
– Spiral Submerged Arc Welded steel pipes	177,646	338,779
– ERW steel pipes	101,863	176,730
– Design and supply assembled piping system	18,738	11,571
Trading of steel coils	461,202	278,005
	<u>1,162,024</u>	<u>1,069,376</u>

The Group sells ERW steel pipes products, standard prefabricated pipe nipples products, spiral submerged arc welded steel pipes products, customised steel pipes products, design and supply assembled piping system to customers and trade steel coils with customers. For sales of goods, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location and inspected by the customers or the goods have been loaded into shipper's trucks (delivery). Transportation and other related activities that occur before customers obtains control of the related good are considered as fulfilment activities. A receivable is recognised by the Group when the goods are delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The credit term is generally 15 to 360 days upon delivery.

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.

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	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
PRC	764,850	778,938
The United States of America (“US”)	149,898	92,671
Other countries in Asia (excluding PRC)	130,467	103,038
Other countries in America (excluding US)	95,827	67,481
Europe	11,154	12,711
Others	9,828	14,537
	<u>1,162,024</u>	<u>1,069,376</u>

4. OTHER INCOME/OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Other income		
Government grant	8,394	2,379
Bank interest income	2,189	700
	<u>10,583</u>	<u>3,079</u>

4. OTHER INCOME/OTHER GAINS AND LOSSES – CONTINUED

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Other gains and losses		
Gain on sales of scrap materials	4,876	3,781
Fair value gains (losses) on financial assets at FVTPL		
– structured bank deposits	45	33
– foreign currency forward contracts (<i>note i</i>)	1,049	(3,453)
Fair value (losses) gains on derivative financial instruments (<i>note ii</i>)	(24)	246
Loss on disposals of property, plant and equipment	(278)	–
Net exchange gains	5,118	1,785
Others	580	1,898
	<u>11,366</u>	<u>4,290</u>

Notes:

- i. During the interim period, net gains (losses) on US\$ to RMB foreign currency forward contracts represented realised gains of RMB1,049,000 (six months ended 30 June 2023: realised losses of RMB89,000) and unrealised losses of Nil (six months ended 30 June 2023: unrealised losses of RMB3,364,000) on changes in fair value of foreign currency forward contracts.
- ii. During the interim period, amount represented net (losses) gains on commodity derivative contracts represented realised losses of RMB46,000 (six months ended 30 June 2023: realised gains of RMB379,000) and unrealised gains of RMB22,000 (six months ended 30 June 2023: unrealised losses of RMB133,000) 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	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Impairment losses (reversed) recognized on:		
– trade receivables	(2,377)	2,242
– contract assets	169	724
	<u>(2,208)</u>	<u>2,966</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 2024 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2023.

6. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Finance costs represent interest on:		
– bank borrowings	1,235	2,483
– lease liabilities	90	131
– discounted bills	2,862	—
	<u>4,187</u>	<u>2,614</u>

7. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging(crediting):		
Depreciation of property, plant and equipment	20,532	20,875
Less: capitalised in inventories	(16,074)	(15,304)
Total depreciation	4,458	5,571
(Reversal of) write-down of inventories (included in cost of inventories sold)	(2,107)	1,201

8. TAXATION CHARGE

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
PRC Enterprise Income Tax (“EIT”):		
Current period	11,659	10,001
Under provision in prior periods	1,258	3,139
Deferred tax expense(credit):	217	(383)
Taxation charge	<u>13,134</u>	<u>12,757</u>

9. DIVIDEND

During the current interim period, a final dividend of HK12 cents per share in respect of the year ended 31 December 2023 (2022: HK10 cents per share in respect of the year ended 31 December 2022) was declared to owners of the Company. The aggregate amount of the final dividend paid in the interim period amounted to HK\$52,056,000, equivalent to RMB47,314,000 (2022: RMB39,311,000).

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

10. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Earnings		
Earnings for the purposes of basic earnings per share		
(profit for the period attributable to owners of the Company)	<u>81,547</u>	<u>72,275</u>
	Six months ended 30 June	
	2024	2023
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of		
basic earnings per share	<u>433,800</u>	<u>433,800</u>

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

11. PROPERTY, PLANT AND EQUIPMENT

During the current interim period and six months ended 30 June 2023, the Group disposed property, plant and equipment with an aggregate amount of RMB3,402,000 (six months ended 30 June 2023: RMB820,000).

In addition, during the current interim period, the Group acquired property, plant and equipment with an aggregate amount of RMB40,520,000 (six months ended 30 June 2023: RMB10,099,000).

12. TRADE RECEIVABLES

	30 June 2024 <i>RMB'000</i> (unaudited)	31 December 2023 <i>RMB'000</i> (audited)
Trade receivables	561,475	559,848
Less: allowance of impairment loss	(18,564)	(20,941)
Total trade receivables	<u>542,911</u>	<u>538,907</u>

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

	30 June 2024 <i>RMB'000</i> (unaudited)	31 December 2023 <i>RMB'000</i> (audited)
0 – 60 days	170,620	174,888
61 – 180 days	78,246	162,462
181 days – 1 year	134,089	164,298
Over 1 year	159,956	37,259
	<u>542,911</u>	<u>538,907</u>

13. TRADE RECEIVABLES BACKED BY BILLS

	30 June 2024 <i>RMB'000</i> (unaudited)	31 December 2023 <i>RMB'000</i> (audited)
Trade receivables backed by bills	<u>15,978</u>	<u>11,150</u>

13. TRADE RECEIVABLES BACKED BY BILLS – CONTINUED

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

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
0 – 180 days	14,825	10,565
181 days – 1 year	1,153	585
	15,978	11,150

As at 30 June 2024, the Group has pledged trade receivables backed by bills amounted to RMB400,000 (31 December 2023: nil) to secure general banking facilities granted to the Group.

14. CONTRACT ASSETS

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Retention receivables on sales of pipe products	18,021	22,251
Less: allowance for impairment loss	(1,610)	(1,441)
	16,411	20,810

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 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Jinan Kede Intelligent Technology Co., Ltd. 濟南科德智能科技有限公司(“Kede Intelligent”) (note ii)	12,458	7,262
Meide Group Linyi Co., Ltd. 玫德集團臨沂有限公司(“Linyi Meide”) (note ii)	5,314	5,822
Meide Group Co., Ltd. (“Meide”) (note i)	4,618	3,441
Siam Fittings Co., Ltd. 泰鋼管配件有限公司(“Siam Fittings”) (note ii)	519	—
Meide (Shandong) New Energy Co., Ltd. 玫德(山東)新能源有限公司(“Meide New Energy”) (note ii)	506	—
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)	342	501
Meide Archung (Jinan) Tube Co., Ltd. 玫德雅昌(濟南)管業有限公司(“Meide Archung (Jinan)”) (note ii)	188	523
Jinan Mech Valve Technology Co., Ltd. 濟南邁克閥門科技有限公司(“Mech Valve”) (note ii)	97	69
Meide (Hubei) Sales Co., Ltd. 玫德(湖北)銷售有限公司(“Hubei Meide”) (note ii)	76	—
Jinan Mech Crafts Co., Ltd. 濟南邁克工藝品有限公司(“Mech Crafts”) (note ii)	34	8
Meide Archung Group Co. Ltd. (“Meide Archung Group”) (note ii)	12	—
Meide Yachang (Deqing) Pipe Industry Co., Ltd. 玫德雅昌(德慶)管業有限公司(“Meide Yachang (Deqing)”) (note ii)	10	—
Shandong Chenhui Electronic Technology Co., Ltd. 山東晨暉電子科技有限公司(“Chenhui Electronic”) (note ii)	3	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	37
Meide Archung (Hebi) Tube Co., Ltd. 玫德雅昌(鶴壁)管業有限公司(“Meide Archung”) (note ii)	—	90
	<u>24,179</u>	<u>17,754</u>

Notes:

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

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 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
0 – 60 days	18,098	13,337
61 – 180 days	533	3,023
181 – 360 days	4,978	381
Over 1 year	570	1,013
	<u>24,179</u>	<u>17,754</u>

As at 30 June 2024, included in the Group's amounts due from related parties balance are debtors with aggregate carrying amount of RMB5,548,000 (31 December 2023: RMB1,394,000) 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 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Meide New Energy	2,730	331
Mech Valve	2,723	77
Meide	1,360	171
Meide Archung	768	810
Kede Intelligent	553	–
Siam Fittings	247	866
Intercom Technology (Shandong) Co. 信通科技(山東)有限公司(“Information Technology”) (note)	75	125
Chenhui Electronic	13	28
Ayvaz Metal	8	–
Linyi Meide	2	–
Meide Archung (Jinan)	–	78
	<u>8,479</u>	<u>2,486</u>

Note: Subsidiary of Meide.

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 2024 <i>RMB'000</i> (unaudited)	31 December 2023 <i>RMB'000</i> (audited)
0 – 60 days	7,475	1,545
61 – 180 days	498	941
181 – 360 days	506	—
	<u>8,479</u>	<u>2,486</u>

16. TRADE AND BILL PAYABLES

	30 June 2024 <i>RMB'000</i> (unaudited)	31 December 2023 <i>RMB'000</i> (audited)
Trade payables	75,097	67,094
Bill payables	366,793	348,139
	<u>441,890</u>	<u>415,233</u>

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

	30 June 2024 <i>RMB'000</i> (unaudited)	31 December 2023 <i>RMB'000</i> (audited)
0 – 180 days	366,793	348,139

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 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
0 – 30 days	34,183	25,698
31 – 60 days	9,793	6,528
61 – 120 days	8,849	13,069
121 – 180 days	4,126	2,765
181 – 360 days	7,361	6,576
Over 360 days	10,785	12,458
	<u>75,097</u>	<u>67,094</u>

17. OTHER PAYABLES AND ACCRUED CHARGES

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Accrued charges	14,914	28,951
Staff costs payable	14,749	22,116
Guarantee receipts from staff on trade receivables (<i>note</i>)	8,792	4,801
Other tax payable	5,143	16,482
Agency fee payable	4,539	4,063
Transportation cost payable	4,165	2,491
Deposits received from suppliers	1,117	5,722
	<u>53,419</u>	<u>84,626</u>

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

18. BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to RMB98,500,000 (30 June 2023: RMB116,973,000). The loans carry interest at fixed market rates ranging from 2.50% to 3.60% per annum. The proceeds were used to finance the acquisition of raw materials for the Group.

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 2023 (audited),				
30 June 2023 (unaudited),				
1 January 2024 (audited) and				
30 June 2024 (unaudited)	500,000,000	50,000	50	335
Issued and fully paid				
At 1 January 2023 (audited),				
30 June 2023 (unaudited),				
1 January 2024 (audited) and				
30 June 2024 (unaudited)	433,800,000	43,380	43	304

20. NON-CONTROLLING INTERESTS

	Share of net assets of a subsidiary RMB'000	Total RMB'000
At 1 January 2024	4,430	4,430
Share of loss for the period	(95)	(95)
Other comprehensive expense for the period	(252)	(252)
At 30 June 2024	4,083	4,083

In November 2020, the Group entered into an investment agreement with JJ Fittings Limited (“**JJ Fitting**”) and Essence Electrical Products Co. Limited (“**Essence Electrical**”) to set up Delta Electric (Thailand) Co., Ltd (“**Delta Electric**”), and the Group injected capital into the Delta Electric in December 2023. The registered capital of Delta Electric was in the form of cash, with THB181,928,000 (equivalent to approximately RMB38,017,000). The interests of the Group, JJ Fitting and Essence Electrical in Delta Electric was 85%, 10% and 5% respectively. At the end of current interim period, the registered capital of Delta Electric was fully paid.

21. CAPITAL COMMITMENTS

	30 June 2024 <i>RMB'000</i> (unaudited)	31 December 2023 <i>RMB'000</i> (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	<u>16,405</u>	<u>3,806</u>

22. PLEDGE OF ASSETS

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

	30 June 2024 <i>RMB'000</i> (unaudited)	31 December 2023 <i>RMB'000</i> (audited)
Property, plant and equipment	48,630	50,470
Pledged bank deposits	163,554	172,775
Right-of-use assets	39,349	39,841
Trade receivables backed by bills	<u>400</u>	<u>—</u>
	<u>251,933</u>	<u>263,086</u>

23. RELATED PARTY TRANSACTIONS

During the current interim period, other than those disclosed 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	
		2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Meide	Sales of pipe products	12,493	9,825
	Sales of scrap materials	6,051	7,121
	Purchase of inventories	1,391	936
Linyi Meide Gengchen	Sales of pipe products	94	367
Linyi Meide	Sales of pipe products	11	73
	Sales of scrap materials	—	24
	Purchase of inventories	9	54
Mech Valve	Sales of pipe products	660	183
	Sales of scrap materials	458	—
	Purchase of inventories	318	775
Mech Crafts	Sales of pipe products	24	40
	Purchase of inventories	—	7
Kede Intelligent	Sales of pipe products	345	232
	Purchase of inventories	—	446
	Purchase of fixed assets	16,271	28
Meide Group Weihai Co., Ltd. 玫德集團威海有限公司 (“Meide Weihai”) (note)	Sales of pipe products	78	187
Ayvaz Metal	Sales of pipe products	8	23
	Purchase of inventories	—	11
Meide Archung	Sales of pipe products	269	1,765
	Purchase of inventories	1,712	—
Meide Archung (Jinan)	Sales of pipe products	650	14
	Purchase of inventories	8	366
Meide Archung Group	Sales of pipe products	13	4
	Purchase of inventories	7	1

23. RELATED PARTY TRANSACTIONS – CONTINUED

a) Transactions – continued

Name of relate companies	Nature of transactions	Six months ended 30 June	
		2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Meide New Energy	Sales of pipe products	572	254
	Purchase of inventories	2,305	1,278
Chenhui Electronic	Sales of pipe products	29	13
	Purchase of inventories	4	—
Meide Yachang (Deqing)	Sales of pipe products	9	—
Hubei Meide	Purchase of inventories	135	—
Information Technology	Purchase of inventories	45	96
Siam Fittings	Purchase of inventories	249	3,020
	Sales of scrap materials	495	—
	Lease expenses	145	—
	Interest expenses on lease liabilities	—	35
	Lease liabilities	—	1,127

Note: Subsidiary of Meide.

b) Compensation of key management personnel

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

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Salaries and other benefits	1,565	1,475
Discretionary bonus	650	578
Contributions to retirement benefit schemes	160	183
	<u>2,375</u>	<u>2,236</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group primarily engages in (i) the manufacturing and sales of standard prefabricated pipe nipple products; (ii) the manufacturing and sales of steel pipe products; and (iii) the design and supply of assembled piping systems. We also conducted sales of raw materials that were procured from its 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, faced with challenges such as the contraction of the domestic real estate industry, the decline in prices and profit margins in the steel pipe industry, the slow rebound of the overseas economies, and geopolitical conflicts, the Group, led by the Board of Directors, has been extensively explored the market and stabilised its market share externally, while continuously set a benchmark for costs reduction internally. The whole Group has been united in its endeavours and navigated through challenging circumstances. During the six months ended 30 June 2024, the Group recorded a cumulative revenue of approximately RMB1,162.0 million and a cumulative net profit of approximately RMB81.5 million, representing an increase of 8.7% and 13.5%, respectively, as compared with the same period last year.

NEW ORDERS

For the six months ended 30 June 2024, the Group received new orders for approximately 11,000 tons of standard prefabricated pipe products, of which approximately 98.5% were from overseas customers; we also received new orders for approximately 112,000 tons of steel pipe products, of which approximately 59.6% were from domestic customers. During the six months ended 30 June 2024, the Group had delivered approximately 10,400 tons of standard prefabricated pipe products (including Vietnam Piping and Delta Electric (Thailand)) and approximately 99,000 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 2024, our revenue from standard prefabricated pipe products amounted to approximately RMB184.5 million, accounting for 15.9% of the total revenue of the Group; 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. The revenue of standard fabricated pipe products increased by 40.6% as compared to the corresponding period last year, due to an increase 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 2024, our ERW steel pipes, SSAW steel pipes and customised steel pipes recorded revenues of approximately RMB101.9 million, RMB177.6 million and RMB218.1 million, respectively, representing year-on-year decreases of 42.4% and 47.6% for ERW steel pipes and SSAW steel pipes as compared to the same period in 2023, and a year-on-year increase of 63.8% for customised steel pipes respectively as compared to the same period in 2023. The decrease in ERW steel pipes and SSAW steel pipes was mainly due to the decline in sales volume, while the increase in customised steel pipes was mainly due to the increase in sales volume. The total revenue generated from steel pipe products accounted for approximately 42.9% of the total revenue for the six months ended 30 June 2024.

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 2024, our design and supply of assembled piping system recorded the revenue of approximately RMB18.7 million, representing a year-on-year increase of approximately 61.9% as compared to the same period in 2023. The increase was mainly due to an increase in the delivery of orders to our customers, accounting for approximately 1.6% of the total revenue for the six months ended 30 June 2024.

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 unused raw materials that were procured from suppliers, mainly including steel coils.

For the six months ended 30 June 2024, our total revenue was approximately RMB1,162.0 million, representing an increase of approximately RMB92.6 million or 8.7% as compared to the six months ended 30 June 2023. The increase in revenue was mainly due to the increase in the sales volume of steel coils and customised 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:

	Six months ended 30 June 2024			
	Revenue <i>RMB'000</i>	% of total	Sales volume <i>ton'000</i>	ASP <i>RMB/ton</i>
Standard prefabricated pipe nipples	184,517	15.9%	10.4	17,742
Steel pipe products				
ERW steel pipes	101,863	8.8%	22.3	4,568
SSAW steel pipes	177,646	15.3%	36.7	4,840
Customised steel pipes	218,058	18.8%	39.7	5,493
Design and supply of assembled piping system	18,738	1.6%	N/A	N/A
Trading of steel coils	461,202	39.6%	136.8	3,371
Total	<u>1,162,024</u>	<u>100.0%</u>	<u>208.5</u>	
	Six months ended 30 June 2023			
	Revenue <i>RMB'000</i>	% of total	Sales volume <i>ton'000</i>	ASP <i>RMB/ton</i>
Standard prefabricated pipe nipples	131,168	12.3%	6.9	19,063
Steel pipe products				
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
Total	<u>1,069,376</u>	<u>100.0%</u>	<u>208.5</u>	

The revenue generated from sales of standard prefabricated pipe products amounted to approximately RMB184.5 million for the six months ended 30 June 2024, representing an increase of approximately RMB53.3 million or 40.7% as compared to the six months ended 30 June 2023, which was mainly due to the increase in sales volume.

The revenue generated from ERW steel pipes decreased by approximately RMB74.9 million or 42.4% from the six months ended 30 June 2023 to approximately RMB101.9 million for the six months ended 30 June 2024, which was mainly due to the decrease in sales volume during the six months ended 30 June 2024; the revenue generated from SSAW steel pipes decreased by approximately RMB161.2 million or 47.6% from the six months ended 30 June 2023 to approximately RMB177.6 million for the six months ended 30 June 2024, which was mainly due to the decline in sales volume during the six months ended 30 June 2024; the revenue generated from customised steel pipes increased by approximately RMB85.0 million or 63.9% from the six months ended 30 June 2023 to approximately RMB218.1 million for the six months ended 30 June 2024.

The revenue generated from design and supply of assembled piping system increased by approximately RMB7.1 million or 61.9% from approximately RMB11.6 million for the six months ended 30 June 2023 to approximately RMB18.7 million for the six months ended 30 June 2024. 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 RMB183.2 million or 65.9% for the six months ended 30 June 2023 to approximately RMB461.2 million for the six months ended 30 June 2024, 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:

	Six months ended 30 June			
	2024		2023	
	Revenue	% of	Revenue	% of
	RMB'000	total revenue	RMB'000	total revenue
Domestic market				
The PRC	764,850	65.8%	778,938	72.8%
Overseas markets				
The United States	149,898	12.9%	92,671	8.7%
Other countries in Americas (excluding the United States)	95,827	8.3%	67,481	6.3%
Other countries in Asia (excluding the PRC)	130,467	11.2%	103,038	9.6%
Europe	11,154	1.0%	12,711	1.2%
Others	9,828	0.8%	14,537	1.4%
Total	<u>1,162,024</u>	<u>100.0%</u>	<u>1,069,376</u>	<u>100.0%</u>

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

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit decreased by approximately 10.4% or RMB19.3 million from approximately RMB186.1 million for the six months ended 30 June 2023 to approximately RMB166.8 million for the six months ended 30 June 2024. Such an decrease was mainly attributable to the decline in sales volume of SSAW steel pipes. Gross profit margin decreased by 3.0% as compared to the corresponding period last year.

OTHER INCOME

For the six months ended 30 June 2024, other income mainly represents government grant and interest income, which increased from approximately RMB3.1 million for the six months ended 30 June 2023 by approximately 241.9% or RMB7.5 million to approximately RMB10.6 million for the six months ended 30 June 2024. The increase in other income was mainly due to the increase in government grants by approximately RMB6.0 million and the increase in bank interest income by approximately RMB1.5 million.

OTHER GAINS AND LOSSES

For the six months ended 30 June 2024, 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. Other gains and losses for the six months ended 30 June 2024 increased by approximately 165% to approximately RMB11.4 million (the first half of 2023: RMB4.3 million) as compared with the corresponding period in 2023. Changes in other gains and losses were mainly attributable to gains on sales of scrap materials of approximately RMB4.9 million as compared to the gains on scrap of RMB3.8 million in the same period of last year; gains of approximately RMB1.0 million on foreign currency forward contracts in 2024 as compared to the losses of approximately RMB3.5 million in the same period of 2023; and gains from foreign exchange of approximately RMB5.1 million in 2024 as compared to the gains of approximately RMB1.8 million in the same period of 2023.

DISTRIBUTION AND SELLING EXPENSES

Distribution and selling expenses decreased from approximately RMB39.7 million for the six months ended 30 June 2023 by approximately 11.8% or RMB4.7 million to approximately RMB35.0 million for the six months ended 30 June 2024, which was primarily due to the decrease in business expenses.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased from approximately RMB28.5 million for the six months ended 30 June 2023 by approximately 0.7% or RMB0.2 million to approximately RMB28.3 million for the six months ended 30 June 2024.

RESEARCH AND DEVELOPMENT COSTS

The cost of research and development decreased from approximately RMB35.2 million for the six months ended 30 June 2023 by approximately 17.9% or RMB6.3 million to approximately RMB28.9 million for the six months ended 30 June 2024. Our research and development costs accounted for approximately 2.5% of the total revenue (corresponding period in 2023: approximately 3.3%).

IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

The impairment losses under expected credit loss model, net of reversal amounted to approximately RMB-2.21 million for the six months ended 30 June 2024 (corresponding period in 2023: approximately RMB2.97 million), which was mainly due to the repayment of long outstanding receivables by a customer.

FINANCE COSTS

Finance costs increased from RMB2.6 million for the six months ended 30 June 2023 by approximately 61.5% or RMB1.6 million to approximately RMB4.2 million for the six months ended 30 June 2024, which was primarily due to the increase in bill discount expenses.

TAXATION CHARGE

Taxation charge increased from RMB12.8 million for the six months ended 30 June 2023 to RMB13.1 million for the six months ended 30 June 2024.

PROFIT FOR THE YEAR

Profit for the year increased by approximately 13.5% or RMB9.7 million from RMB71.8 million for the period ended 30 June 2023 to RMB81.5 million for the period ended 30 June 2024, which was mainly due to the increase in sales volume of standard prefabricated pipe nipples.

Capital structure, liquidity and financial resources

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (used in)/from operating activities	(70,098)	38,418
Net cash used in investing activities	(48,135)	(37,311)
Net cash generated from financing activities	115,468	44,521
Net (decrease)/increase in cash and cash equivalents	(2,765)	45,628
Cash and cash equivalents at the beginning of the period	71,943	57,760
Effect of foreign exchange rate changes	344	2,057
Cash and cash equivalents at the end of the period	69,522	105,445

Gearing ratio

As at 30 June 2024, 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 9.9% (31 December 2023: approximately 3.7%). As at 30 June 2024, our total interest-bearing debts amounted to RMB106.9 million. The increase in gearing ratio was primarily attributable to the rise in bank loans.

NET CASH (USED IN)/FROM OPERATING ACTIVITIES

Our net cash generated from operating activities decreased from a net inflow of approximately RMB38.4 million for the six months ended 30 June 2023 to a net outflow of approximately RMB70.1 million for the six months ended 30 June 2024. The decrease in net cash generated from operating activities was mainly due to (i) an increase in inventories; and (ii) an increase in prepayments for raw materials.

NET CASH USED IN INVESTING ACTIVITIES

Our net cash from investing activities changed from a net outflow of approximately RMB37.3 million for the six months ended 30 June 2023 to a net outflow of approximately RMB48.1 million for the six months ended 30 June 2024. The change in net cash was primarily due to the increase in construction of fixed assets expenses.

NET CASH GENERATED FROM FINANCING ACTIVITIES

Our net cash from financing activities changed from a net inflow of approximately RMB44.5 million for the six months ended 30 June 2023 to a net inflow of approximately RMB115.5 million for the six months ended 30 June 2024. The change in net cash used in financing activities was primarily due to the increase in proceeds from discounted bills.

NET CURRENT ASSETS AND LIABILITIES

Inventories

Our balance of inventories increased by approximately RMB60.9 million or 21.8% from approximately RMB280 million as at 31 December 2023 to approximately RMB340.9 million as at 30 June 2024, which was mainly due to the delay in delivery by domestic customers, resulting in an increase in finished goods inventory tonnage.

TRADE RECEIVABLES AND TRADE RECEIVABLES BACKED BY BILLS

Our trade receivables increased by approximately RMB4 million or 0.7% from approximately RMB538.9 million as at 31 December 2023 to approximately RMB542.9 million as at 30 June 2024.

Our trade receivables backed by bills increased by approximately RMB4.8 million or 42.9% from approximately RMB11.2 million as at 31 December 2023 to approximately RMB16.0 million as at 30 June 2024, mainly due to the outstanding bank bills previously received.

CONTRACT ASSETS

Our contract assets decreased from approximately RMB20.8 million as of 31 December 2023 to approximately RMB16.4 million as of 30 June 2024, mainly due to the decrease in retention receivables on sales of pipe products.

DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Our deposits, prepayments and other receivables increased from approximately RMB146.6 million as at 31 December 2023 to approximately RMB183.0 million as at 30 June 2024, mainly due to the increase in prepayment for raw materials.

AMOUNTS DUE FROM/TO RELATED PARTIES

Amounts due from related parties increased from approximately RMB17.8 million as at 31 December 2023 to approximately RMB24.2 million as at 30 June 2024, mainly due to the settlement of trade amounts at the end of the period.

Amounts due to related parties increased from approximately RMB2.5 million as at 31 December 2023 to approximately RMB8.5 million as at 30 June 2024.

TRADE AND BILL PAYABLES

Our trade and bill payables increased from approximately RMB415.2 million as of 31 December 2023 to approximately RMB441.9 million as of 30 June 2024, mainly due to the increase of bill payables.

CONTRACT LIABILITIES

Our contract liabilities decreased from approximately RMB60.8 million as of 31 December 2023 to approximately RMB51.5 million as of 30 June 2024, which was related to the timing of product delivery to our customers.

REFUND LIABILITIES

Our refund liabilities increased from approximately RMB5.3 million as of 31 December 2023 to approximately RMB14.0 million as of 30 June 2024, primarily due to the settlement of liabilities.

OTHER PAYABLES AND ACCRUED CHARGES

Our other payables and accrued charges decreased from approximately RMB84.6 million as of 31 December 2023 to approximately RMB53.4 million as of 30 June 2024, which was mainly due to the decrease of accrued charges and other tax payable.

PROVISIONS

Our provisions decreased from approximately RMB3.1 million as of 31 December 2023 to approximately RMB1.0 million as of 30 June 2024. Provisions represent warranty provided for our sold products.

BORROWINGS

Our borrowings increased from approximately RMB38.3 million as of 31 December 2023 to approximately RMB106.9 million as of 30 June 2024, mainly due to a growth in bank loans. The Group's borrowing of approximately RMB98.5 million as at 30 June 2024 was repayable within one year.

LEASE LIABILITIES

As of 30 June 2024, 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 RMB3.7 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 2024 (30 June 2023: Nil).

PLEDGE OF ASSETS

As at 30 June 2024, 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 RMB251.9 million (31 December 2023: approximately RMB263.1 million) to secure banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30 June 2024, 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 2024, there were no significant investments held by the Group, and the Company had no material acquisition and disposal of subsidiaries, associates and joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have any plans for material investments or capital assets during the six months ended 30 June 2024 and up to the date of this interim report.

EMPLOYEES

For the six months ended 30 June 2024, labour costs (including Directors' remunerations and emoluments in other forms) were approximately RMB57.7 million (for the six months ended 30 June 2023: RMB53.5 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 2024, we had a total of 1,044 employees (30 June 2023: 1,154 employees), 824 of whom are in the PRC (including Hong Kong), 144 of whom work in Vietnam, and 76 of whom work in Thailand. A breakdown of our employees by functions is set forth below:

Function	As of 30 June 2024		
	The PRC (including Hong Kong)	Vietnam	Thailand
Managerial, administrative and accounts	50	9	5
Production	501	132	67
Quality control	26	1	3
Procurement and inventory	32	2	1
Research and development	113	—	—
Sales and marketing	102	—	—
	<hr/>	<hr/>	<hr/>
Total number of employees	<u>824</u>	<u>144</u>	<u>76</u>

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Save as disclosed, there were no significant events subsequent to 30 June 2024 which would materially affect the Group's operating and financial performance as of the date of this announcement.

PROSPECTS

In the first half of 2024, the domestic real estate market continued its sluggish trend, and the intensity of transportation infrastructure construction weakened. The steel pipe industry has gradually transitioned from the “incremental development” stage to the “stock optimisation” stage. Facing a decline in total demand, the industry will undergo product structure optimisation and adjustment. Under the content of Israel-Palestine conflict, global geopolitical tensions are increasing, and the rising ocean freight has a certain impact on exports; secondly, although China still dominates the world's pipe production, India's rapid growth is expected to have a certain impact on China in the future. In the second half of 2024, with the rapid development of new infrastructure construction such as water conservancy and urban pipeline network renovation, it will bring vast market space for the steel pipe industry; secondly, with the gradual resolution of local government debt issues and the background of economic recovery, the issuance speed of special bonds will further accelerate in the second half of the year, which will provide more financial support for infrastructure construction. These policies will jointly promote the stable development of the steel pipe industry, bringing new growth points to the Company's performance.

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) in terms of marketing strategy, overseas sales will achieve further growth through differentiated marketing strategies and supply channels in China, Vietnam and Thailand, and strengthened process control; domestic sales will enhance sales management quality through intensively exploration in advantageous regions, promotion of key projects, relationship management with distributors, and implementation of Pipeline Exchange; (2) in terms of product design and optimisation strategy, it will focus on sales demand and develop new products; (3) in terms of operating management, it will optimize the production lines to increase its production capacity, focus on the major issues to improve its quality, set a benchmark for remedying shortcomings to lower the costs, support the production and sales through sunshine purchase and digital applications to lower the costs; (4) in terms of customer services, it will invent a systematic model to create value for customers, and improve its product quality and service efficiency to increase customer stickiness; (5) in terms of risk management strategy, it will enhance professional skills, accurately identify hidden dangers, strengthen the construction of “Three Basics”, and proactively mitigate risks.

RISK MANAGEMENT

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

The major pollutants generated by the Group in the manufacturing process include various kinds of exhaust gas and wastewater which could be harmful to the human body. We have complied with the current effective Chinese, Vietnamese, and Thai environmental laws and regulations. During the reporting period, we successfully passed the re-evaluation of the national green factory, actively applied for and successfully passed the performance grading of key industries for heavy pollution weather - B-level enterprises in the coating industry, laying a foundation for the application of foreign trade guarantee enterprises and providing support for smooth production in autumn and winter.

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

During the six months ended 30 June 2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

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 (the "**CG Code**") in Appendix C1 to The Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"). The Company has taken careful measures to ensure that the provisions have been duly complied with from time to time. The Board is of the opinion that the Company has met the code provisions in the CG Code through the six-month period ended 30 June 2024.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules (the "**Model Code**") as its own Code of Conduct for securities transactions conducted by relevant Directors. Upon specific enquiry of all Directors, all Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2024. 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 2024.

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 2024, discussed and reviewed the adequacy and effectiveness of the Group's internal control systems, risk management functions and financial reporting systems, and that adequate disclosure has been made with no disagreement by the Audit Committee.

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

The announcement of interim results will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.mechpipingtech.com). The interim report of the Company for the six months ended 30 June 2024 will be despatched to the shareholders of the Company in due course and will be made available on the websites of the Stock Exchange and the Company.

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

Hong Kong, 27 August 2024

As at the date of this announcement, the executive Directors of the Company are Mr. GUO Lei, Mr. WANG Ning and Mr. YANG Shufeng; the non-executive Director is Ms. ZHAO Xuelian and the independent non-executive Directors of the Company are Mr. LIU Fengyuan, Mr. DING Xiaodong and Mr. SUN Yongxi.