



# 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



**2024**  
ANNUAL REPORT

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## DEFINITIONS

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

“Articles”	the articles of association of the Company, as amended from time to time
“ASP”	average selling price
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“BVI”	British Virgin Islands
“Chairman”	the chairman of the Board
“China” or “PRC”	the People’s Republic of China
“Controlling Shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Company”	Maike Tube Industry Holdings Limited, an exempted a company incorporated in the Cayman Islands with limited liability on 1 February 2019 and the Shares of which are listed on the Main Board of the Stock Exchange
“Corporate Governance Code” or “CG Code”	Corporate Governance Code as set out in Appendix C1 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
“Director(s)”	Director(s) of the Company
“Delta Electric (Thailand)”	Delta Electric (Thailand) Company Limited (泰國達美電力有限公司), a company incorporated under the laws of Thailand on 13 January 2021 and an indirectly non wholly-owned subsidiary of our Company
“ERW”	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
“Guan Dao Investments”	Guan Dao Investments Limited, a company incorporated under the laws of the BVI with limited liability on 3 January 2019 and a direct wholly-owned subsidiary of our Company

“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HVAC”	heating, ventilation and air conditioning
“Independent Third Party(ies)”	an individual or a company who is not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial Shareholders of the Company or its subsidiaries or any of their respective associates
“Jinan Ma Steel”	Jinan Magang Steel Pipes Manufacturing Company* (濟南瑪鋼鋼管製造有限公司), a company established under the laws of the PRC as a limited liability company on 7 November 2001 and 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 joint stock company with limited liability company on 21 May 2013 and an indirect wholly-owned subsidiary of our Company
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	18 December 2019, the date on which the Shares were listed and on which dealings in the Shares were first permitted to take place 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 C3 of the Listing Rules
“Mr. Kong”	Mr. Kong Linglei (孔令磊), a non-executive Director and 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

## DEFINITIONS

“reporting period” or “current period”	the year ended 31 December 2024
“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 USD0.0001 each
“Share Option Scheme”	a share option scheme passed pursuant to a written resolution by the Shareholder on 19 November 2019
“Shareholder(s)”	holder(s) of the Share(s)
“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
“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. Tong Chuang Xing De BVI is one of our substantial Shareholders
“Tube Industry”	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
“THB”	Thai Baht, the lawful currency of Thailand
“USD” or “US\$”	United States dollar, the lawful currency of United States
“Vietnam Piping”	Viet Nam Piping Industries Company Limited (越南管業科技有限公司), a company incorporated under the laws of Vietnam on 7 January 2019 and an indirectly wholly-owned subsidiary of our Company
“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 annual report, “we”, “us” or “our” refers to the Company and where the context otherwise requires, the Group (as defined above).

\* for identification purposes only



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Executive Directors*

Mr. Guo Lei (Chairman)  
Mr. WANG Ning  
Mr. Yang Shufeng

#### *Non-executive Directors*

Ms. Zhao Xuelian  
Mr. Kong Linglei (Appointed on 1 February 2025)

#### *Independent Non-executive Directors*

Mr. Liu Fengyuan  
Mr. Ding Xiaodong  
Mr. SUN Yongxi

### AUDIT COMMITTEE

Mr. Ding Xiaodong (Chairman)  
Mr. Liu Fengyuan  
Mr. SUN Yongxi

### REMUNERATION COMMITTEE

Mr. Liu Fengyuan (Chairman)  
Mr. Guo Lei  
Mr. Sun Yongxi

### NOMINATION COMMITTEE

Mr. Guo Lei (Chairman)  
Mr. Liu Fengyuan  
Mr. Sun Yongxi

### 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

### LEGAL ADVISOR AS TO HONG KONG LAW

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

## CORPORATE INFORMATION

### 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

### 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>



## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Group and the Board of Directors of the Group, I am pleased to present to the Shareholders the audited annual results for the year ended 31 December 2024. In 2024, we seized market opportunities, intensified the drive to innovate, optimized the strategic deployment of our operations and have been able to deliver solid results for our Shareholders. In 2024, the Group recorded a turnover of approximately RMB2,574.3 million (2023: approximately RMB2,190.9 million), representing a year-on-year increase of approximately 17.5%. The net profit for the year amounted to approximately RMB141.8 million (2023: approximately RMB152.9 million), representing a year-on-year decrease of approximately 7.2%. Earnings per share attributable to ordinary equity holders of the parent company was approximately RMB0.33 (2023: approximately RMB0.35).

Looking back at 2024, we have forged a path forward with our strategic focus and moved steadily ahead by navigating the waves of change in the business environment. Externally, we tapped into the needs of customers and gained trust in the market with customized customer service and prompt response. Internally, we are committed to enhancing operational efficiency and have achieved breakthroughs in both cost reduction and efficiency enhancement through effective process optimization and technical innovation. Being strivers of achievement, we have built a cohesive team and created a rules-based management system. An elite team comprising high-achieving professionals who have the will to fight and succeed was formed. Quality is at the heart of everything we do and efficiency is the key to success, which are prerequisites for enhancing our competitiveness continuously. In addition, we drive scientific decision-making with digital transformation, making data the new engine of management upgrading. Ultimately, it is shown by the core performance indicators that our operations are well managed and kept under control comprehensively in the complex environment.

We are committed to “technology leadership” and bolstered by two CNAS laboratories, the Shandong Provincial Enterprise Technology Center, and expert workstation. In 2024, the R&D team developed 68 new varieties and 389 specifications successfully. 13 new authorized patents and 4 software copyrights were secured, bringing the number of valid intellectual property rights to a total of 128. During the year, 12 technical innovation projects were organized and implemented in Shandong Province, with 4 technological achievements being evaluated and recognized as attaining the leading level domestically. We received multiple honors such as National Single-item Champion Enterprise in Manufacturing, Good Products of Shandong, Shandong Province Quality Benchmark, Outstanding Contribution Enterprise in Annual Water Supply and Drainage, and Industry Brand Recognition. Our plastic-lined composite steel pipes (DN15-DN300) passed the CBW certification for water supply and drainage products, while the GB/T3091 standard hot-dip galvanized steel pipes (DN15-DN200) completed the first annual compliance audit by China Metallurgical Information and Standardization Institute (CMISI), highlighting the exceptional quality of our products. Products such as gas bend pipes, British standard bend pipes, large-diameter groove-type anti-corrosion steel pipes, and high-end chuck-type spray-wrapped insulation pipes have been successfully delivered to customers, laying a solid foundation for the expansion of production capacity and continuously reinforcing the impetus of high-quality development.



## CHAIRMAN'S STATEMENT

By adhering to the “data-driven” approach, our key areas of focus are galvanizing, coating, and painting processes. An intelligent process control system has been developed to support refined management of the manufacturing process, enabling digital quality control and facilitating data-driven operations in the enterprise.

Guided by the principle of “quality is at the heart of our business”, we have successfully addressed several persistent quality issues in the industry by increasing our investment in monitoring instruments, deploying a 32-line surveillance platform, optimizing process parameters, and implementing precise training strategies. These efforts resulted in a 27% year-over-year reduction in customer complaints and negative feedback. Whilst becoming one of the first enterprises that meet the GB/T3091 steel pipe standards, we have also regained the trust of overseas clients and secured new orders totaling 14,700 tons.

We insist on “cost reduction and efficiency enhancement”. The Company embraces the philosophy of full participation by the employees and continuous innovation, cost reduction, and efficiency enhancement, as well as adopting a refined management approach to establish a comprehensive and multi-level cost control mechanism. By focusing on key aspects such as optimizing production processes, improving equipment utilization, reducing inventory, minimizing waste, refining procurement strategy, lowering procurement cost, and enhancing procurement efficiency, we have carried out extensive and in-depth cost reduction and efficiency enhancement activities.

The remarkable achievements of 2024 would not have been possible without the strong leadership and strategic deployment of the Board of Directors, the dedicated and proactive efforts of the management team as well as the wisdom, hard work, and perseverance of every member of Maike Tube. We tackle challenges with “innovation”, face adversity with “resilience” and fulfill our mission with “accountability”. We charted a course through the changing industry landscape, reached new heights in technical breakthroughs, and expanded our reach in the wave of globalization. The delivery of each order, advancement of each technology, and establishment of each production line is a testament to the collective efforts and shared vision of our staff.

Looking ahead to 2025, challenges and opportunities are intertwined. Confidence and determination lead us forward. We will steadfastly uphold our core values of being “customer-oriented, quality is at the heart of our business, facilitating development with innovation and achieving mutual benefits with cooperation”. Our commitment to deepening our global presence, enhancing digital transformation, and leading breakthroughs in high-end development remains unwavering. Through superior products, efficient services, and sustainable practices, we aim to scale new heights and build a brighter future on the journey of high-quality development!

### ACKNOWLEDGMENT

On behalf of our Group, I would like to thank all employees for their diligent hard work and incredible innovation in the past year. Meanwhile, I am also grateful to all clients, suppliers, and shareholders for their strong support in the Group's development. As the tide of globalization, decarbonization, and digitalization is turning, Maike Tube is committed to working hand in hand with all our partners. Together, we will achieve outstanding performance and write a new chapter of our success story!

*Chairman*

**GUO Lei**

Pingyin County, Jinan, Shandong Province, China

25 March 2025

# DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Guo Lei (郭雷)**, aged 46, is the Chairman, an executive Director of our Company. He joined our Group in October 2016 and was subsequently appointed as a director of Jinan Mech and the chairman of the board of directors of Jinan Ma Steel in November 2016. He was appointed as an executive Director in May 2019. He is primarily responsible for the day-to-day operation and management of our Group.

Mr. Guo has over 20 years of experience in the pipe and foundry industries. Prior to joining our Group, from November 1998 to October 2016, he served various positions in Meide, and his last position was deputy general manager, where he was responsible for overseeing the business of the management department, innovation department and IT department.

Mr. Guo graduated from Shandong Province Mechanical Industrial School\* (山東省機械工業學校) (currently known as Shandong Jianzhu University (山東建築大學)), the PRC, with a thermal treatment of metal diploma in July 1998.

**Wang Ning (王寧)**, aged 48, is an executive Director and the chief executive officer of the Company. He is the chief of standard prefabricated pipe nipple products production of our Company. He joined our Group as a deputy factory manager for standard prefabricated pipe nipple products production and section chief of the production department of Jinan Mech in August 2018, where he was responsible for factory production and management. He then became a factory manager for standard prefabricated pipe nipple products and section chief of the production department in December 2018. He was appointed as our Group's chief of standard prefabricated pipe nipple production in May 2019, the deputy general manager of our Company in August 2023 and the chief executive officer of our Company in December 2024. He is primarily responsible for production management. Mr. Wang has also been appointed as the authorised representative of Jinan Mech since November 2024.

Mr. Wang has over 20 years of experience in pipe and foundry industries. Prior to joining our Group, he was a planning worker at Meide from November 1999 to July 2018, and his last position at Meide was a section chief of the production department, where he was responsible for pipe manufacturing and production work.

Mr. Wang graduated from Shandong Province Gongye School\* (山東省機械工業學校) (currently known as Shandong Jianzhu University (山東建築大學)), the PRC, with a diploma in casting in July 1999.



## DIRECTORS AND SENIOR MANAGEMENT

**Yang Shufeng** (楊書峰), aged 53, is an executive Director. He joined Jinan Ma Steel since March 2002 and has been a sales manager since March 2008. He subsequently joined Jinan Mech in May 2013 and has been a deputy general manager since October 2015. He was appointed as an executive Director in May 2019. He is primarily responsible for overseeing sales and marketing team of our Group in the PRC.

Mr. Yang has over 10 years of experience in sales and marketing, pipe manufacturing and production management. Prior to joining our Group, he served at Meide as a marketing officer from May 1995 to March 2002.

Mr. Yang graduated from Shandong TV University (山東廣播電視大學), the PRC, with a bachelor's degree in marketing in July 1995.

### NON-EXECUTIVE DIRECTORS

**Kong Linglei** (孔令磊), aged 51, is a non-executive Director. Mr. Kong has over 28 years of experience in business management and operations. Mr. Kong was a Director in February 2019 and served as an executive Director and chairman of the Company from May 2019 to August 2022, where he was primarily responsible for presiding over the Board and the overall business direction of the Group. Mr. Kong was the founder and the chairman of Jinan Mech from May 2013 to October 2022 and was a director of Jinan Ma Steel from June 2007 to January 2023. Mr. Kong has been appointed as a non-executive Director with effect from 1 February 2025.

Prior to joining the Group, from July 1994 to September 2001, he worked for Industrial and Commercial Bank of China Limited in Jinan, the PRC, where he led the international business department of Pingyin branch as the department head. From September 2001 to August 2004, he worked at China Merchants Bank in Jinan, the PRC, as a deputy manager, where he was responsible for managing day-to-day operation at the Jinan branch. He served at Meide since August 2004, and served as a director of Meide since May 2006. Further, Mr. Kong has been elected as the president of the Pingyin Industry and Commerce Association\* (平陰縣工商聯合會) since December 2016. He has also been the vice president of Shandong Industry and Commerce Federation\* (山東省工聯會) since June 2017.

Mr. Kong graduated from the University of Science and Technology of China\* (中國科學技術大學), the PRC, with a master's degree in executive master of business administration in December 2018. Mr. Kong obtained a diploma in National Defense Mobilization and National Defense Education from Nanjing Army Command College of the Chinese People's Liberation Army\* (中國人民解放軍南京陸軍指揮學院) in December 2016.



## DIRECTORS AND SENIOR MANAGEMENT

**Zhao Xuelian (趙雪蓮)**, aged 46, a non-executive Director, has been appointed as a non-executive Director with effect from March 2020.

Ms. Zhao has over 20 years of experience in accounting and finance. Ms. Zhao has been working in Shandong Zhongqi Real Estate Development Company Limited\* (山東中齊房地產開發有限公司) (“**Shandong Zhongqi**”), a company primarily engaged in the development of real estates in the PRC, since September 2000 and she is the financial controller of Shandong Zhongqi.

Ms. Zhao obtained her bachelor’s degree in accounting from the Open University of China (國家開放大學) (previously known as China Central Radio and TV University (中央廣播電視大學)) in January 2008.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Liu Fengyuan (劉鳳元)**, aged 54, was appointed as an independent non-executive Director on 19 November 2019. He is primarily responsible for supervising and providing independent judgement on the operation and management to our Board. He has over 10 years of experience in finance education. He has been a professor specialising in financial regulations and a doctoral adviser at the School of International Finance and Laws of the East China University of Political Science and Law (華東政法大學) since February 2006. He also serves as an independent director of various companies listed on other stock exchanges:

Companies	Stock Exchange	Stock Code	Principal business in the PRC	Term of appointment
Chengdu Mam & Baby Co., Ltd (成都孕嬰世界股份有限公司)	National Equities Exchange and Quotations	874178	Sale of maternal and infant products and digital intelligent services	July 2022 to present
Ningbo Borine Electric Appliance Co., Ltd (寧波博菱電器股份有限公司)	National Equities Exchange and Quotations	873083	Manufacturing and distribution of electric appliances	August 2017 to August 2023
Jingjin Environmental Protection Co Ltd (景津環保股份有限公司)	Shanghai Stock Exchange	603279	General contracting and operating service provider of environmental protection engineering	June 2016 to June 2021

## DIRECTORS AND SENIOR MANAGEMENT

Companies	Stock Exchange	Stock Code	Principal business in the PRC	Term of appointment
Shanghai Material Trading Co., Ltd (上海物資貿易股份有限公司)	Shanghai Stock Exchange	600822	Developing, manufacturing and sales of smart identification terminals and industry application software	October 2014 to June 2020
Suzhou Kingswood Education Technology Co., Ltd. (蘇州科德教育科技股份有限公司)(formerly known as Suzhou Kingswood Printing Ink Co., Ltd (蘇州科斯伍德油墨股份有限公司))	Shenzhen Stock Exchange	300192	Manufacturing and sales of ink	September 2013 to October 2019

Mr. Liu graduated from Chongqing Normal University (重慶師範大學), the PRC, with a bachelor's degree in mathematics education in July 1994. He received his master's degree in science from Yunan University (雲南大學), the PRC, in July 1997 and obtained his doctoral degree in business administration (management) from Shanghai Jiao Tong University (上海交通大學), the PRC, in October 2005.

**Ding Xiaodong (丁曉東)**, aged 58, was appointed as an independent non-executive Director on 19 November 2019. He is primarily responsible for supervising and providing independent judgement on the operation and management to our Board. He has over 20 years of experience in accounting and finance education. He has been teaching at the Shandong University of Finance (山東財經學院) (currently known as Shandong University of Finance and Economics (山東財經大學)) since June 1988, and his current position is an associate professor in accounting. He served/is currently serving as an independent director of various companies listed on other stock exchanges:

Companies	Stock Exchange	Stock Code	Principal business in the PRC	Term of appointment
Chengdu Mam & Baby Co., Ltd (成都孕嬰世界股份有限公司)	National Equities Exchange and Quotations	874178	Sale of maternal and infant products and digital intelligent services	July 2022 to present
Ningbo Borine Electric Appliance Co., Ltd (寧波博菱電器股份有限公司)	National Equities Exchange and Quotations	873083	Manufacturing and distribution of electric appliances	August 2017 to August 2023

## DIRECTORS AND SENIOR MANAGEMENT

Companies	Stock Exchange	Stock Code	Principal business in the PRC	Term of appointment
Huilu Ecological Technology Group Co., Ltd.* (匯綠生態科技集團股份有限公司)	National Equities Exchange and Quotations	400038	Landscape planning and environmental protection	December 2014 to December 2020
Qingdao Hiron Commercial Cold Chain Co., Ltd (青島海容商用冷鏈股份有限公司)	Shanghai Stock Exchange	603187	Research and development, production, sale, and service of commercial cold chain equipment	June 2015 to June 2018

Mr. Ding has also been serving as a supervisor of Qingdao Hiron Commercial Cold Chain Co., Ltd (青島海容商用冷鏈股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange, since 11 November 2021.

Mr. Ding graduated from the Central University of Finance and Economics (中央財經大學), the PRC with a bachelor's degree in Economics in June 1988 and received his master's degree in management from the Dongbei University of Finance and Economics (東北財經大學), the PRC in June 1999.

**Sun Yongxi (孫永喜)**, aged 74, was appointed as an independent non-executive Director on 29 June 2023.

Mr. Sun has over 50 years of experience in the steel pipe industry. Prior to joining the Group, he has been the head of the expert committee of Shanghai Steel Pipe Industry Association\* (上海鋼管行業協會) since May 2016. He was a general manager at Shanghai Yueyuechao Steel Tube Group Co., Ltd.\* (上海月月潮鋼管集團有限公司) from January 2008 to May 2016. He served as a marketing director at Shanghai Zhongyou Tianbao Group\* (上海中油天寶集團) from January 2006 to January 2008. He was a general manager at Shanghai Allison Steel Tube Co., Ltd.\* (上海埃力生鋼管有限公司) from October 1996 to December 2005. He served as the head of welded pipe workshop and branch manager at Shanghai Steel Pipe Factory\* (上海鋼管廠) during the period from January 1981 to October 1996. He also worked for the factory from 1968 to November 1977.

Mr. Sun graduated from Shanghai Metallurgical College\* (上海冶金專科學校) in electrical automation in January 1981.

## DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

Our senior management team is responsible for the day-to-day management and operation of our business. The following table sets forth certain information regarding the members of our senior management team:

Name	Age	Position at our Company	Date of joining our Group	Roles and responsibilities in our Group	Relationship with other Director(s) and the senior management
Tian Mingze (田明澤)	53	Chief of SSAW steel pipe production general manager of Vietnam Piping	19 November 2016	Production management at Jinan Ma Steel	N/A
Liu Minghuai (劉明懷)	49	Deputy general manager (Finance)	1 March 2017	Overall management of the financial affairs of our Group	N/A

**Tian Mingze** (田明澤), aged 53, is the chief of SSAW steel pipe production and the general manager of Vietnam Piping of our Group. Mr. Tian began his career at Jinan Ma Steel as a procurement clerk in November 2001. He became the head of procurement and section chief of various departments at Jinan Ma Steel between 2001 to 2018. He joined our Group upon completion of the acquisition of Jinan Ma Steel in November 2016. He has been serving as the general manager and director of Jinan Ma Steel between 2018 to 2022. He was appointed as the chief of SSAW steel pipe production of our Group in May 2019 and the general manager of Vietnam Piping in January 2023, he is responsible for production management at Jinan Ma Steel.

Mr. Tian has approximately 25 years of experience in pipe and foundry industries. Prior to joining our Group, he worked at Meide, and his last position was a sales representative from July 1994 to October 2011, where he was responsible for the sales of Meide's products.

Mr. Tian graduated from the Shandong Province Gongye School\* (山東省機械工業學校) (currently known as Shandong Jianzhu University (山東建築大學)), the PRC, with a diploma in mechanical manufacturing in July 1994.



## DIRECTORS AND SENIOR MANAGEMENT

Liu Minghuai (劉明懷), aged 49, is the deputy general manager (finance) of our Company. He joined our Group as the financial director and the board's secretary of Jinan Mech in March 2017, where he was responsible for overseeing the our Group's financial and accounting management. He was appointed as our Group's deputy general manager (finance) in May 2019 and is primarily responsible for the overall management of the financial affairs of our Group.

Mr. Liu has over 20 years of experience in financial planning and management. Prior to joining our Group, from July 1999 to February 2017, he was the chief accountant and secretary to the board of (i) CNPC Jichai Power Equipment Company (中國石油集團濟柴動力有限公司), a company based in the PRC that develops, manufactures, and markets internal combustion engines, and (ii) Jinan Diesel Engine Company Ltd (濟南柴油股份有限公司) (currently known as CNPC Capital Company Limited (中國石油集團資本有限公司)), a company listed on the Shenzhen Stock Exchange (stock code: 000617), that principally engages in banking, financial leasing, trust and insurance businesses, where he was responsible for managing its financial affairs.

Mr. Liu graduated from Xi'an Shiyu University (西安石油大學), the PRC, with a bachelor's degree in accounting in July 1999.

## COMPANY SECRETARY

Leung Wing Lun (梁穎麟), aged 43, was appointed as the company secretary of our Company on 2 April 2019. He has over 19 years of experience in providing professional corporate services. From July 2004 to August 2005, he worked as an assistant accountant in Hop Fung Group Holdings Limited (a company listed on the Stock Exchange, stock code: 2320), where he was responsible for its day-to-day accounting duties. From September 2005 to March 2006, he worked as a contracted assistant taxation officer at the Inland Revenue Department in Hong Kong, where he was responsible for initial tax assessment. From March 2006 to July 2011, he worked as a tax consultant at Thomas Lee & Partners Ltd, where he was responsible for accounting and taxation business advisory. In November 2010, he founded Superior Alliance Group Company Limited and he has been a director since then, where he was responsible for taxation advisory and company secretarial service. He is currently the company secretary of Da Sen Holdings Group Limited (stock code: 1580), a company listed on the Stock Exchange principally engaged in the manufacturing and sales of plywood and biomass wood pellets, and has been the company secretary of Hang Yick Holdings Company Limited (stock code: 1894), a company listed on the Stock Exchange specialising in design, manufacture, supply and installation of steel and metal products for construction projects in Hong Kong from May 2018 to March 2021.

Mr. Leung graduated from the City University of Hong Kong with a bachelor's degree in business administration majoring in accounting in November 2004. He has been a Hong Kong Certified Public Accountant since February 2010.

Save as disclosed above, there was no relationship among each of the Directors and senior management as at the date of this annual report.

### CHANGE TO DIRECTORS' INFORMATION

Pursuant to rule 13.51B(1) of the Listing Rules, where there is a change in any of the information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) during the course of the director's, supervisor's or chief executive's term of office, the issuer must ensure that the change and the updated information regarding the director, supervisor or chief executive is set out in the next published annual or interim report of the listed issuer (whichever is the earlier).

During the year ended 31 December 2024, save as disclosed above, there is no other change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

# 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 assembled piping systems. We also conducted sales of raw materials that were procured from the suppliers and left unused, including steel coils.

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

During the reporting period, in the face of the impact of the contraction of the real estate industry and the decline in demand for steel pipes in the domestic market, as well as challenges such as trade protectionism and geopolitical conflicts in the oversea market, the Group, led by the Board, capitalized on its advantages in the sharing of market resources and technological research and development, and conducted deployment of improving our management strategies for the year, and thus our employees were able to navigate challenging circumstances and devote their efforts to innovation. For the year ended 31 December 2024, the Group recorded revenue of approximately RMB2,574.3 million, representing a year-on-year increase of 17.5%, and achieved an accumulated net profit of approximately RMB141.8 million, representing a year-on-year decrease of 7.2%.

## NEW ORDERS

For the year ended 31 December 2024, the Group received new orders for approximately 24,000 tons of standard prefabricated pipe products, of which approximately 98.2% were from overseas customers; we also received new orders for approximately 250,000 tons of steel pipe products, of which approximately 62.1% were from domestic customers. During the year ended 31 December 2024, the Group had delivered approximately 23,300 tons of standard prefabricated pipe products (including Vietnam Piping and Delta Electric (Thailand)) and approximately 240,000 tons of steel pipe products.

### STANDARD PREFABRICATED PIPE PRODUCTS

The standard prefabricated pipe products are our key competitive products. For the year ended 31 December 2024, our revenue from standard prefabricated pipe products amounted to approximately RMB393.6 million, accounting for 15.3% of the total revenue of the Group; for the year ended 31 December 2023, our revenue from standard prefabricated pipe products amounted to approximately RMB308.8 million, accounting for 14.1% of the total revenue of the Group. The revenue of standard fabricated pipe products increased by 27.5% as compared to the corresponding period in 2023, 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 year ended 31 December 2024, our ERW steel pipes, SSAW steel pipes and customised steel pipes recorded revenues of approximately RMB304.5 million, RMB507.7 million and RMB377.0 million, respectively, representing a year-on-year decrease of 18.3% and 16.1% for ERW steel pipes and SSAW steel pipes, and a year-on-year increase of 39.5% for customised steel pipes as compared to the corresponding period in 2023, respectively. The decrease in ERW steel pipes and SSAW steel pipes was mainly due to the decrease in sales volume and selling prices, 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 46.2% of the total revenue for the year ended 31 December 2024.

### DESIGN AND SUPPLY ASSEMBLED PIPING SYSTEM

Leveraging our industry experience, we are able to design and supply assembled piping systems to our customers to satisfy various physical and functional characteristics of our customers' designated sites. For the year ended 31 December 2024, our design and supply assembled piping system recorded the revenue of approximately RMB41.1 million, representing a year-on-year increase of approximately 23.8% as compared to the corresponding 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 year ended 31 December 2024.



## MANAGEMENT DISCUSSION AND ANALYSIS

### TRADING OF STEEL COILS

Steel coils are the major raw materials for the Group's products. To obtain preferential purchasing terms, the Group entered into an annual sales and purchase agreement with steel mills at the beginning of the year, under which all steel coils are required to be picked up within a specified period each month and transferred to storage locations under the control of the Group. The steel coils purchased are prioritized for production and the remaining portion is sold on a cash-before-delivery basis for a gross profit margin of approximately 0.3%. For the year ended 31 December 2024, the Group recorded revenue of approximately RMB950.0 million from trading of steel coils, representing a year-on-year increase of approximately 58.2% compared to the corresponding period in 2023. The increase was mainly due to the Group considered that this business risk is controllable, which not only reduces production costs but also allows for profit from external sales. At the beginning of the year, the Group increased the procurement volume agreed with steel mills to hedge against the risk of steel coil price fluctuations and fulfill procurement agreements. The sale of surplus steel coils from production led to a significant increase in steel coil sales revenue.

### 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 assembled piping systems; and (iv) sales of raw materials mainly including steel coils that were left unused and procured from its suppliers.

For the year ended 31 December 2024, our total revenue was approximately RMB2,574.3 million, representing an increase of approximately RMB383.4 million or 17.5% as compared to the year ended 31 December 2023. The increase in revenue was mainly due to an increase in the sales volume of steel coils and standard prefabricated pipe products.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Sales by product categories

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

2024				
	Revenue RMB'000	% of total	Sales volume ton'000	ASP RMB/ton
Standard prefabricated pipe nipples	393,604	15.3%	23.3	16,893
Steel pipe products				
ERW steel pipes	304,497	11.8%	68.2	4,465
SSAW steel pipes	507,659	19.7%	101.7	4,992
Customised steel pipes	376,973	14.7%	70.1	5,378
Design and supply assembled piping system	41,131	1.6%	N/A	N/A
Trading of steel coils	949,988	36.9%	293.7	3,235
Others	478	0.0%	N/A	N/A
<b>Total</b>	<b>2,574,330</b>	<b>100.0%</b>	<b>557.0</b>	<b>4,622</b>

  

2023				
	Revenue RMB'000	% of total	Sales volume ton'000	ASP RMB/ton
Standard prefabricated pipe nipples	308,794	14.1%	16.1	19,180
Steel pipe products				
ERW steel pipes	372,668	17.0%	74.2	5,022
SSAW steel pipes	604,972	27.6%	119.6	5,058
Customised steel pipes	270,164	12.4%	49.7	5,436
Design and supply assembled piping system	33,163	1.5%	N/A	N/A
Trading of steel coils	600,523	27.4%	169.1	3,551
Others	658	0.0%	N/A	N/A
<b>Total</b>	<b>2,190,942</b>	<b>100.0%</b>	<b>428.7</b>	<b>5,111</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

The revenue generated from sales of standard prefabricated pipe products amounted to approximately RMB393.6 million for the year ended 31 December 2024, representing an increase of approximately RMB84.8 million or 27.5% as compared to the year ended 31 December 2023, which was mainly due to the increase in sales volume.

The revenue generated from ERW steel pipes decreased by approximately RMB68.2 million or 18.3% from the year ended 31 December 2023 to approximately RMB304.5 million for the year ended 31 December 2024, which was mainly due to the decrease in sales volume and selling price of products; the revenue generated from SSAW steel pipes decreased by approximately RMB97.3 million or 16.1% from the year ended 31 December 2023 to approximately RMB507.7 million for the year ended 31 December 2024, which was mainly due to the decrease in sales volume; the revenue generated from customised steel pipes increased by approximately RMB106.8 million or 39.5% from the year ended 31 December 2023 to approximately RMB377.0 million for the year ended 31 December 2024.

The revenue generated from design and supply assembled piping system increased by approximately RMB7.9 million or 23.8% from approximately RMB33.2 million for the year ended 31 December 2023 to approximately RMB41.1 million for the year ended 31 December 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 RMB349.5 million or 58.2% for the year ended 31 December 2023 to approximately RMB950.0 million for the year ended 31 December 2024, mainly due to the increase in sales volume. The increase was mainly due to the Group considered that this business risk is controllable, which not only reduces production costs but also allows for profit from external sales. At the beginning of the year, the Group increased the procurement volume agreed with steel mills to hedge against the risk of steel coil price fluctuations and fulfill procurement agreements. The sale of surplus steel coils from production led to a significant increase in steel coil sales revenue.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Sales by geographical regions

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

	2024		2023	
	Revenue RMB'000	% of total revenue	Revenue RMB'000	% of total revenue
<b>Domestic market</b>				
PRC	1,751,393	68.0%	1,451,736	66.3%
<b>Overseas markets</b>				
The United States of America ("US")	313,524	12.2%	227,723	10.4%
Other countries in Americas (excluding the US)	183,057	7.1%	136,928	6.3%
Other countries in Asia (excluding the PRC)	260,933	10.1%	311,753	14.2%
Europe	25,178	1.0%	29,249	1.3%
Others	40,245	1.6%	33,553	1.5%
<b>Total</b>	<b>2,574,330</b>	<b>100.0%</b>	<b>2,190,942</b>	<b>100.0%</b>

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

### GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit decreased by approximately 1.3% or RMB5.1 million from approximately RMB383.5 million for the year ended 31 December 2023 to approximately RMB378.4 million for the year ended 31 December 2024. The decrease was mainly attributable to the decline in sales volume of ERW steel pipe products and SSAW steel pipes. Gross profit margin decreased by 2.8% compared to the corresponding period in 2023.

### OTHER INCOME

For the year ended 31 December 2024, other income mainly represents government grant and interest income, which increased from approximately RMB9.7 million for the year ended 31 December 2023 by approximately 135.3% or RMB13.1 million to approximately RMB22.8 million for the year ended 31 December 2024. The increase in other income was mainly due to the increase in government grant by RMB10.1 million, and the increase in bank interests by RMB3.0 million.



## MANAGEMENT DISCUSSION AND ANALYSIS

### OTHER GAINS AND LOSSES

For the year ended 31 December 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 on derivative financial instruments and net exchange gains. Other gains and losses for the year ended 31 December 2024 increased by approximately 212.7% to approximately RMB19.7 million (2023: RMB6.3 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 RMB9.3 million as compared to the gains on scrap of RMB8.6 million in the corresponding period in 2023; and gains from foreign exchange of approximately RMB8.1 million in 2024 as compared to the gains of approximately RMB1.2 million in the corresponding period in 2023.

### DISTRIBUTION AND SELLING EXPENSES

Distribution and selling expenses increased from approximately RMB87.1 million for the year ended 31 December 2023 by approximately 8.7% or RMB7.6 million to approximately RMB94.7 million for the year ended 31 December 2024, which was primarily due to (i) the increase in sea freight expenses; (ii) the increase in business expenses.

### ADMINISTRATIVE EXPENSES

Administrative expenses increased from approximately RMB59.2 million for the year ended 31 December 2023 by approximately 8.6% or RMB5.1 million to approximately RMB64.3 million for the year ended 31 December 2024, which was primarily due to the increase in remuneration of management staff.

### RESEARCH AND DEVELOPMENT COSTS

The cost of research and development increased from approximately RMB68.0 million for the year ended 31 December 2023 by approximately 3.1% or RMB2.1 million to approximately RMB70.1 million for the year ended 31 December 2024. Our research and development costs accounted for approximately 2.7% of the total revenue (corresponding period in 2023: approximately 3.1%).

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

The impairment losses under expected credit loss model, net of reversal amounted to approximately RMB12.7 million for the year ended 31 December 2024 (corresponding period in 2023: approximately RMB5.1 million), mainly due to (1) the increase in trade receivables by RMB192.3 million; (2) the extended payment cycle of some customers.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCE COSTS

Finance costs increased from RMB6.7 million for the year ended 31 December 2023 by approximately 23.9% or RMB1.6 million to approximately RMB8.3 million for the year ended 31 December 2024, which was primarily due to an increase in discounted notes.

### TAXATION CHARGE

Taxation charge increased from RMB20.5 million for the year ended 31 December 2023 to RMB29.0 million for the year ended 31 December 2024.

### PROFIT FOR THE YEAR

Profit for the year decreased by approximately 7.3% or RMB11.1 million from RMB152.9 million for the year ended 31 December 2023 to RMB141.8 million for the year ended 31 December 2024, which was mainly due to (1) the decrease in gross profit; (2) the increase in impairment losses under expected credit loss model.

### Capital structure, liquidity and financial resources

	For the year ended 31 December	
	2024 RMB'000	2023 RMB'000
Net cash used in operating activities	(158,939)	(20,389)
Net cash used in investing activities	(158,455)	(180,755)
Net cash generated from financing activities	322,302	214,545
Net increase in cash and cash equivalents	4,908	13,401
Cash and cash equivalents at the beginning of the year	71,943	57,760
Effect of foreign exchange rate changes	443	782
Cash and cash equivalents at the end of the year	77,294	71,943

### Gearing ratio

As at 31 December 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 6.1% (31 December 2023: approximately 3.7%). As at 31 December 2024, our total interest-bearing debts amounted to RMB69.1 million. The increase in gearing ratio was primarily attributable to the increase in bank loans.

## MANAGEMENT DISCUSSION AND ANALYSIS

### NET CASH USED IN OPERATING ACTIVITIES

Our net cash used in operating activities changed from a net outflow of approximately RMB20.4 million for the year ended 31 December 2023 to a net outflow of approximately RMB158.9 million for the year ended 31 December 2024. The change in net cash used in operating activities was mainly due to (1) the increase in trade and bill receivables; (2) the increase in prepayments.

### NET CASH USED IN INVESTING ACTIVITIES

Our net cash used in investing activities changed from a net outflow of approximately RMB180.8 million for the year ended 31 December 2023 a net outflow of to approximately RMB158.5 million for the year ended 31 December 2024. The change in net cash used in investing activities was primarily due to the decrease in the deposits' margin increase.

### NET CASH GENERATED FROM FINANCING ACTIVITIES

Our net cash generated from financing activities changed from a net inflow of approximately RMB214.5 million for the year ended 31 December 2023 to a net inflow of approximately RMB322.3 million for the year ended 31 December 2024. The change in net cash generated from financing activities was primarily due to (1) the increase in bank borrowings; (2) the increase in bill payables.

### NET CURRENT ASSETS AND LIABILITIES

#### Inventories

Our balance of inventories decreased by approximately RMB5.3 million or 1.9% from approximately RMB280.0 million as at 31 December 2023 to approximately RMB274.7 million as at 31 December 2024, which was mainly driven by the decrease in inventory of raw materials and steel coils.

### TRADE RECEIVABLES AND TRADE RECEIVABLES BACKED BY BILLS

Our trade receivables increased by approximately RMB192.3 million or 35.7% from approximately RMB538.9 million as at 31 December 2023 to approximately RMB731.2 million as at 31 December 2024, mainly due to the increase in shipments to trade customers in the fourth quarter of the reporting period, resulting in cash collections subsequent to the end of the reporting period. As of 20 March 2025, cash collections of trade receivable subsequent to the end of the reporting period amounted to RMB359.9 million, with a collection ratio of 49.2%.



## MANAGEMENT DISCUSSION AND ANALYSIS

Trade receivables over one year increased by approximately RMB128.7 million or 345% from approximately RMB37.3 million as of 31 December 2023 to approximately RMB166.0 million as of 31 December 2024, mainly due to the increase in shipments to project-based direct customers of spiral pipe products in 2023, with payments yet to be received. These customers are central state-owned enterprises leading livelihood projects, with delayed payment of funds but a low possibility of being unrecoverable. Regarding the management of trade receivables, the Group has established a comprehensive credit assessment system, with robust internal controls over contract signing, order issuance, goods delivery and receipt, confirmation, collection of overdue payments, impairment testing, and other management tasks. The Group's management regularly visits clients and has obtained commitments for repayment from relevant customers, collecting trade receivables as promised. The Directors believe that the impairment losses under expected credit loss model currently provided by the Group appropriately reflect the risks associated with trade receivables.

Our trade receivables backed by bills increased by approximately RMB64.3 million or 574% from approximately RMB11.2 million as at 31 December 2023 to approximately RMB75.5 million as at 31 December 2024, mainly due to outstanding bank bills previously received.

### CONTRACT ASSETS

Our contract assets increased from approximately RMB20.8 million as of 31 December 2023 to approximately RMB30.1 million as of 31 December 2024, mainly due to the increase 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 RMB197.3 million as at 31 December 2024, mainly due to the increase in prepayment for raw materials.

### AMOUNTS DUE FROM/TO RELATED PARTIES

Amounts due from related parties decreased from approximately RMB17.8 million as at 31 December 2023 to approximately RMB15.4 million as at 31 December 2024, mainly due to the decrease in unsettled trade amounts at the end of the reporting period.

Amounts due to related parties increased from approximately RMB2.5 million as at 31 December 2023 to approximately RMB6.1 million as at 31 December 2024, mainly due to the increase in unsettled payables at the end of the reporting period.

### TRADE AND BILL PAYABLES

Our trade and bill payables increased from approximately RMB415.2 million as of 31 December 2023 to approximately RMB625.7 million as of 31 December 2024, mainly due to an increase in bill payables.

## MANAGEMENT DISCUSSION AND ANALYSIS

### CONTRACT LIABILITIES

Our contract liabilities increased from approximately RMB60.8 million as of 31 December 2023 to approximately RMB157.0 million as of 31 December 2024, which was related to the timing of delivery of products to our customers.

### REFUND LIABILITIES

Our refund liabilities increased from approximately RMB5.3 million as of 31 December 2023 to approximately RMB5.6 million as of 31 December 2024.

### OTHER PAYABLES AND ACCRUED CHARGES

Our other payables and accrued charges increased from approximately RMB84.6 million as of 31 December 2023 to approximately RMB90.1 million as of 31 December 2024, which was mainly due to the increase in accrued charges.

### PROVISIONS

Our provisions decreased from approximately RMB3.1 million as of 31 December 2023 to approximately RMB2.5 million as of 31 December 2024. Provisions represent warranty provided for our sold products.

### BORROWINGS

Our borrowings increased from approximately RMB38.4 million as of 31 December 2023 to approximately RMB69.1 million as of 31 December 2024, mainly due to the increase in bank loans. The Group's borrowing of approximately RMB69.1 million as at 31 December 2024 was repayable within one year.

### LEASE LIABILITIES

As of 31 December 2024, the Group rented three properties in PRC, Vietnam and Thailand as its warehouses and the lease liabilities were measured at the present value of the lease payments that are not yet paid. We recorded lease liabilities of approximately RMB3.2 million.

### FOREIGN CURRENCY RISK

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

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

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

### DIVIDEND

The Board has recommended the payment of a final dividend of HKD12 cents per ordinary share of the Company issued (approximately HKD52,056,000 in aggregate) for the year ended 31 December 2024 in cash (2023: HKD12 cents).

### PLEDGE OF ASSETS

As at 31 December 2024, our Group pledged certain property, plant, equipment, right-of-use assets, and pledged bank deposits with the total net carrying amount of approximately RMB332.2 million (31 December 2023: approximately RMB263.1 million) to secure banking facilities granted to the Group.

### CONTINGENT LIABILITIES

As at 31 December 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 year ended 31 December 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

Save as disclosed in the Prospectus, the Group did not have any other plans for material investments or capital assets during the year ended 31 December 2024 and up to the date of this report.



## MANAGEMENT DISCUSSION AND ANALYSIS

### EMPLOYEES

For the year ended 31 December 2024, labour costs (including Directors' remunerations and emoluments in other forms) were approximately RMB122.4 million (for the year ended 31 December 2023: RMB118.9 million). Our Group's employees are generally remunerated by way of fixed salary, and commission will be awarded to our marketing staff if they have achieved certain sales targets. The Group utilises an appraisal system for our employees and considers the appraisal results of individual employees when conducting their salary reviews, making promotion decisions and determining the amount of bonuses. Our Group's employees are also entitled to a performance-based bonus, paid leave and various subsidies. As the Group believes that nurturing outstanding employees is particularly important for the development of enterprises, it provides employees with sufficient training to ensure that they can carry out their work safely and with due diligence. Employees in different positions are provided with various training and development programmes related to their necessary skills and knowledge.

As of 31 December 2024, we had 1,229 employees (31 December 2023: 1,070 employees), 1037 of whom are in the PRC (including Hong Kong), 121 of whom work in Vietnam, and 71 of whom work in Thailand. A breakdown of our employees by functions is set forth below:

#### Function

	As of 31 December 2024		
	China (including Hong Kong)	Vietnam	Thailand
Managerial, administrative and accounts	65	6	7
Production	661	113	62
Quality control	25	1	1
Procurement and inventory	33	1	1
Research and development	114	–	–
Sales and marketing	139	–	–
	<hr/>	<hr/>	<hr/>
Total number of employees	<u>1,037</u>	<u>121</u>	<u>71</u>

### EVENTS SUBSEQUENT TO THE REPORTING PERIOD

On 30 December 2024, Jinan Mech, an indirect wholly-owned subsidiary of the Company (as vendor) and Meide (as purchaser) entered into the equity transfer agreement, pursuant to which Jinan Mech has conditionally agreed to sell, and Meide has conditionally agreed to acquire the entire equity interest in Shandong Maike Smart Technology Limited\* (山東邁科智能科技有限公司) (“**Maike Smart**”), a direct wholly-owned subsidiary of Jinan Mech, at the total consideration of RMB45,000,000 (the “**Disposal**”). The Disposal constitutes a discloseable and connected transaction of the Company. As at 31 December 2024 and the date of approval of the consolidated financial statements, the Disposal is yet to complete.

On 30 December 2024, the Company on behalf of the Group and Meide on behalf of Meide and its subsidiaries entered into the 2025 products supply framework agreement and 2025 products purchase framework agreement to renew and revise the products supply framework agreement dated 29 December 2021 and the products purchase framework agreement dated 29 December 2021 for a further term of three years from 1 January 2025 to 31 December 2027, respectively. The transactions constitute continuing connected transactions of the Company.

For details, please refer to the Company’s announcements dated 30 December 2024, 17 January 2025 and 24 March 2025, and circular dated 28 February 2025.

Save as disclosed, there were no significant events subsequent to 31 December 2024 which would materially affect the Group’s operating and financial performance as at the date of this report.

### PROSPECTS

In 2024, the domestic steel pipe industry faced pressure from low demand due to the real estate downturn, increased costs from environmental upgrades, raw material price fluctuations, and low-price competition caused by overcapacity. The international market faced challenges such as trade protectionism, weakened export demand due to sluggish global economic recovery, and increased compliance costs from green trade barriers, coupled with exchange rate fluctuations and international capacity expansion, further squeezed profit margins. In 2025, the growth points for domestic and international steel pipe demand will be characterized as “high-end, green, and regionalization”. Domestically, the focus will be on the dual drivers of new energy and traditional upgrades, while overseas, it will be crucial to seize opportunities in Middle Eastern hydrogen energy, European transformation, and Southeast Asian infrastructure. We will leverage technological breakthroughs and a global capacity deployment to capture incremental markets.

Based on current situation, the Group will strengthen its own capacity building. It will adopt the following strategies to realize sustainable growth, further enhance its position in the pipe prefabrication industry, and create long-term value for the Shareholders: (1) Marketing: deepen market penetration overseas to maintain market share, and seize opportunities in untapped areas; domestically, leverage resources to qualify and expand the market through projects; (2) Production: continuously increase capacity, improve quality, and reduce costs; (3) Digitalization: integrate data horizontally and operations vertically, enhance management through digital empowerment; and (4) Team Building: continuously advance organizational capability enhancement and build a high-performance team.

## MANAGEMENT DISCUSSION AND ANALYSIS

### RISK MANAGEMENT

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

### ENVIRONMENTAL POLICIES AND PERFORMANCE

The major pollutants generated by the Group in the manufacturing process include various kinds of exhaust gas and wastewater which could be harmful to human body. We comply with Chinese, Vietnamese and Thai environmental laws and regulations promulgated by national and local governments. During the reporting period, we implemented a series of optimization measures on the existing environmental pollution control system. In terms of dust removal exhaust pipelines, a deep optimization and transformation project is being carried out for two sets of key dust removal pipelines. Through detailed simulation and adjustment of airflow direction within the pipeline, adjusting the size and position of the exhaust pipe, and combining intelligent variable frequency control technology, we precisely match the fan speed with actual working conditions requirements, successfully achieving a reduction in energy consumption of dust removal and pollution control facilities by 10%, significantly reducing operating costs while ensuring stable and efficient dust removal performance. For the volatile-organic-compounds (VOCs) pollution control system, a comprehensive upgrade process has been initiated, decisively eliminating more than ten sets of facilities such as photo-oxygen low-temperature plasma that no longer meet the current high-standard pollution control requirements. With the precise distributed control system (DCS), not only has the removal efficiency of VOCs been significantly improved, but the stability and reliability of system operation have also been greatly enhanced, comprehensively elevating the pollution control level of environmental protection facilities to ensure that various volatile organic compounds are discharged in compliance with standards. In the field of comprehensive water resource utilization, sewage stations have become key focal points for green transformation. By extensively expanding the scope of reclaimed water reuse, a new intelligent allocation of reclaimed water treatment pipeline network has been established to precisely connect with the factory area's greening irrigation system. Especially during the dry season, fully utilizing the potential of reclaimed water has increased the substitution rate of reclaimed water for greening purposes to 70%, effectively reducing the use of fresh water resources. This achieves a green circular flow of water resources within the plant area, helping the enterprise reach new heights in green production and contributing solidly to ecological environmental protection.



# REPORT OF THE DIRECTORS

The Directors are pleased to present this directors' report together with the audited consolidated financial statements of the Group for the year ended 31 December 2024.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are mainly engaged in the manufacturing of steel pipe products and the prefabricated pipe nipple products. Details of the subsidiaries are disclosed in note 41 of the consolidated financial statements of the Group in this annual report.

## BUSINESS REVIEW

A review of the business of the Group during the year ended 31 December 2024 and the discussion on the Group's future business development are set out in the section headed "Management Discussion and Analysis" in this annual report. The description key financial performance indicators are set out in the section headed "Management Discussion and Analysis" on pages 18 to 32 of this annual report. The details of the description of principal risks and uncertainties facing the Group are disclosed in notes 38 and 39 of the consolidated financial statements of the Group in this annual report.

### Relationships with employees, customers and suppliers

The Group's success also depends on the support from key stakeholders which comprise employees, customers and suppliers.

#### *Employees*

Employees are regarded as important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing performance appraisal system, and to promote career development and progression by offering training and providing opportunities within the Group for career advancement.

#### *Customers*

The Group's customers mainly include gas and HVAC companies, water supply companies, infrastructure and construction companies, wholesalers and distributors which on-sell our products to their own customers. The Group provides professional and quality services whilst maintaining long term profitability and business growth.

#### *Suppliers*

We firmly believe that our suppliers are equally important in cost control and increasing our bargaining power on procurement of materials, which further secures our competitive position. We proactively communicate with suppliers to ensure they are committed to delivering high-quality and sustainable products and services.

During the year ended 31 December 2024, there was no material dispute or disagreement between the Group and its employees, customers or suppliers.

## REPORT OF THE DIRECTORS

### Regulatory and legal compliance

The Group recognises the importance of compliance with regulatory requirements and risks of non-compliance with such requirements. So far as the Directors are aware, the Group has complied in all material respects with the relevant laws and regulations that have significant impact on the business of the Group.

### RESULTS AND FINAL DIVIDENDS

The Group's results for the year ended 31 December 2024 are set out in the consolidated statement of profit or loss and other comprehensive income on page 64 of this annual report.

The Board has recommended the payment of a final dividend of HKD12 cents per ordinary share of the Company issued (approximately HKD52,056,000 in aggregate) for the year ended 31 December 2024 in cash (2023: HKD12 cents).

The proposed dividend payment is subject to approval by the shareholders of the Company at the forthcoming annual general meeting to be held on 30 May 2025 and will be payable around 9 July 2025 in HKD.

Upon shareholders' approval, the proposed final dividend will be paid to ordinary shareholders whose names shall appear on the register of members of the Company on 16 June 2025.

The Company did not declare interim dividend for the six months ended 30 June 2024 (2023: Nil).

### CLOSURE OF REGISTER OF MEMBERS

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

- i) From Friday, 23 May 2025 to Friday, 30 May 2025 (both days inclusive), during which period no transfer of Shares will be registered. In order to determine the identity of the Shareholders who are entitled to attend and vote at the annual general meeting, all completed transfer documents accompanied by the relevant share certificates have to be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 22 May 2025.
- ii) From Friday, 13 June 2025 to Monday, 16 June 2025, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all completed transfer documents accompanied by the relevant share certificates have to be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 12 June 2025.

### USE OF PROCEEDS

The Company has raised gross proceeds of approximately HKD224.4 million (RMB201.8 million) through the global offering upon the Listing. After deducting the listing expenses, the net proceeds amounted to approximately HKD183.6 million (RMB166.4 million). Such net proceeds are intended to be applied in the same manner and the same proportion as disclosed in the section headed “Future Plans and Use of Proceeds” of the Prospectus.

As at 31 December 2024, the net proceeds from Listing has been fully utilised.

### FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 144 of this annual report. This summary does not form part of the Group’s consolidated financial statements.

### DONATIONS

During the year ended 31 December 2024, the Group made charitable donations amounting to nil (2023: nil).

### SHARE CAPITAL

Details of movements in the Company’s share capital during the year ended 31 December 2024 are set out in note 33 to the consolidated financial statements in this annual report.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the year ended 31 December 2024.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

### DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company’s reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB165,753,000.



## REPORT OF THE DIRECTORS

### TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders of the Company by reason of their holdings of Company's shares.

### DIRECTORS

The Directors during the year ended 31 December 2024 and up to the date of this report were:

#### Executive Directors

Mr. Guo Lei (*Chairman*)

Mr. Wang Ning

Mr. Yang Shufeng

#### Non-executive Directors

Ms. Zhao Xuelian

Mr. Kong Linglei (*Appointed on 1 February 2025*)

#### Independent Non-executive Directors

Mr. Liu Fengyuan

Mr. Ding Xiaodong

Mr. Sun Yongxi

In accordance with the Articles, Mr. Kong Linglei, Mr. Ding Xiaodong and Mr. Wang Ning will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming general meeting.

Save as disclosed in this report, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of the Directors that needs to be brought to the attention of the Shareholders and there was no information relating to the Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the date of this report.

### INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received written annual confirmations from Mr. Liu Fengyuan, Mr. Ding Xiaodong and Mr. Sun Yongxi in respect of their independence in accordance with the guidelines as set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Further, the Company will appoint a sufficient number of independent non-executive directors to meet the minimum number required under Rule 3.10(1) or 3.10A of the Listing Rules or appoint an independent non-executive director to meet the requirement set out in Rule 3.10(2) Listing Rules within three months after failing to meet the requirements.

### BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 10 to 17 of this annual report.

### DIRECTORS' SERVICE CONTRACTS

The executive Directors have entered into service agreements with the Company and each of the independent non-executive Directors and the non-executive Director have signed an appointment letter with the Company. The principal particulars of these service contracts and the letters of appointment are (i) for an fixed term of three years, and (ii) are subject to termination in accordance with their respective terms. All Directors were appointed for a fixed period but subject to retirement from office and re-election at the annual general meeting of the Company in accordance with the Articles.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### EMOLUMENT POLICY

The Group has a total of 1,229 employees (31 December 2023: 1,070 employees), 1,037 of whom are in the PRC (including Hong Kong), 121 of whom work in Vietnam, and 71 of whom work in Thailand. The total salaries and related costs granted to employees amounted to approximately RMB122.4 million for the year ended 31 December 2024. The remuneration packages of employees are determined based on their qualifications, position and experience. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of its decisions with respect to salary raises, bonuses and promotion.

The remuneration of the Directors is decided by the Board upon the recommendation from the Remuneration Committee after considering the relevant Director's qualifications, experience, responsibilities, duties and performance.

Details of the emoluments of the Directors and five highest paid individuals are set out in note 7 to the consolidated financial statements, respectively.

Save as disclosed above, there was no other long-term incentive schemes of the Group as at the date of this report.

### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Connected Transaction and Continuing Connected Transactions" below, none of the Directors or Controlling Shareholders, nor a connected party of any Directors or Controlling Shareholders, had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of the Company's subsidiaries was a party during the year ended 31 December 2024.

## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year ended 31 December 2024, none of the Directors was interested in any business which competed or was likely to compete, either directly or indirectly, with the Group's businesses.

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

There were no arrangements to which the Company, its subsidiaries, its holding company or its holding company's subsidiaries was a party to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate during the year ended 31 December 2024.

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2024.

### CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2024, the Group had the following continuing connected transactions and connected transaction, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

#### Products supply framework agreement

Mr. Kong Linglei is a non-executive Director and one of the Controlling Shareholders and thus a connected person of the Company as defined under Chapter 14A of the Listing Rules. Mr. Kong wholly owns Ningbo Ming De Heng Sheng Investment Limited (寧波明德恒生投資有限公司), a company established under the laws of the PRC, which in turn owns 35.49% of Meide Group Co., Ltd. (玫德集團有限公司) ("Meide" or "Meide Group"). Mr. Kong also holds 11.52% limited partnership interest in and is the general partner of 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)), which in turn owns 64.51% of Meide. Accordingly, Meide is an associate of Mr. Kong as defined under Chapter 14A of the Listing Rules and therefore a connected person of the Company.

As the 2022 products supply framework agreement dated 29 December 2021 (the “**2022 Products Supply Framework Agreement**”) expired on 31 December 2024, on 30 December 2024 (after trading hours), a framework products supply agreement (the “**2025 Products Supply Framework Agreement**”) was entered into between the Company on behalf of the Group as the vendor and Meide on behalf of Meide together with its subsidiaries as the purchaser, under which the Group agreed to sell products including steel pipes, standard prefabricated pipe nipples, and other products as specified in the 2025 Products Supply Framework Agreement to Meide Group. The 2025 Products Supply Framework Agreement renewed and revised the transactions contemplated under the 2022 Products Supply Framework Agreement and is effective for three years and may be renewed by the Company, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. The annual cap of this continuing connected transaction for the year ended 31 December 2024 was RMB92.7 million, in aggregate (RMB58.0 million for distribution and RMB34.7 million for internal use within Meide Group). The aggregate amounts for the sales of products under the 2022 Products Supply Framework Agreement to Meide Group for distribution and for internal use within Meide Group for the year ended 31 December 2024 were approximately RMB34.0 million and RMB18.7 million respectively.

### Products purchase framework agreement

As the 2022 products purchase framework agreement dated 29 December 2021 (the “**2022 Products Purchase Framework Agreement**”) expired on 31 December 2024, on 30 December 2024 (after trading hours), the Company as the purchaser and Meide as the vendor entered into the 2025 products purchase Framework agreement (the “**2025 Products Purchase Framework Agreement**”), under which the Group agreed to purchase products including pipe fittings, repair parts, valves and crafts from Meide Group. The 2025 Products Purchase Framework Agreement renewed and revised the transactions contemplated under the 2022 Products Purchase Framework Agreement and is effective for three years and may be renewed by the Company, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. The annual cap of this continuing connected transaction for the year ended 31 December 2024 was RMB48.1 million. The aggregate amounts for the purchase of products under the 2022 Products Purchase Framework Agreement from Meide Group for the year ended 31 December 2024 was approximately RMB45.4 million.

### The Disposal

After trading hours of the Stock Exchange on 30 December 2024, Jinan Mech Piping Technology Co., Ltd. (濟南邁科管道科技有限公司) (“Jinan Mech”), an indirect wholly-owned subsidiary of the Company (as vendor) and Meide (as purchaser) entered into the equity transfer agreement, pursuant to which Jinan Mech has conditionally agreed to sell, and Meide has conditionally agreed to acquire the entire equity interest in Shandong Maike Smart Technology Limited (山東邁科智能科技有限公司) (“Maike Smart”), a direct wholly-owned subsidiary of Jinan Mech, at the total consideration of RMB45,000,000 (the “Disposal”). The Disposal constitutes a discloseable and connected transaction of the Company.

## REPORT OF THE DIRECTORS

### Listing Rules implications

As one or more of the applicable percentage ratios as defined under the Listing Rules in respect of the largest annual caps under the 2025 Products Supply Framework Agreement and the 2025 Products Purchase Framework Agreement exceed 5%, the transactions under the 2025 Products Supply Framework Agreement and the 2025 Products Purchase Framework Agreement constitute non-exempt continuing connected transactions of the Company and are subject to the reporting, annual review, announcement, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but all applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. In addition, the Disposal also constitutes a connected transaction of the Company and is subject to the reporting, announcement, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors whose views have been set out in this circular dated 28 February 2025 together with the advice of the independent financial adviser) consider that, although the equity transfer agreement and the Disposal contemplated thereunder are not in the ordinary and usual course of business of the Group, the terms of the equity transfer agreement have been negotiated on an arm's length basis, are on normal commercial terms and are fair and reasonable, and the Disposal contemplated thereunder is in the interests of the Group and the Shareholders as a whole.

The independent non-executive Directors have reviewed the continuing connected transaction set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from Independent Third Parties; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole. Deloitte Touche Tohmatsu, the Company's auditors, were engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Deloitte Touche Tohmatsu have issued their unqualified letter in accordance with rule 14A.56 of the Listing Rules concluding the followings:

- (a) nothing has come to their attention that causes them to believe that the above continuing connected transaction has not been approved by the Board;
- (b) nothing has come to their attention that causes them to believe that the transactions were not, in all material aspects, in accordance with the pricing policies of the Company;

- (c) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (d) nothing has come to their attention that causes them to believe that the above continuing connected transactions have exceeded the annual cap as set by the Company.

A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

### Trademark Licensing Agreement

On 31 March 2019, a trademark licensing agreement was entered on between Meide Group and the Company pursuant to which Meide agreed to irrevocably grant the exclusive right to our Company (and its subsidiaries) the right to use Meide's trademarks for business operation globally for nil consideration for an initial term of 10 years commencing on the date of the Trademark Licensing Agreement and will be renewed automatically every 10 years from the initial expiry date to the extent permissible under the Listing Rules, relevant laws and regulations (the **"Trademark Licensing Agreement"**). The provisions under this agreement provided for mutual termination by parties and does not provide for unilateral termination by our Company or Meide.

The transactions under Trademark Licensing Agreement fall within de minimis threshold as stipulated under Rule 14A.76(1)(a) of the Listing Rules, given that nil consideration is payable, and will be exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### A Lease Agreement in relation to a factory facility in Thailand

On 31 March 2021, Delta Electric (Thailand) (as Lessee) entered into a lease agreement with Thai Steel Pipe (as Lessor) in respect of a factory facility in Thailand for a term of 2.75 years (the **"Lease Agreement"**). The Lease Agreement will commence from 1 April 2021 and expiring on 31 December 2023. The aggregated value of the rent payable shall amount to THB31.8 million (approximately HKD7.92 million). Siam Fittings Company Limited (**"Thai Steel Pipe"**) is an indirect wholly owned subsidiary of Meide, which is in turn controlled by Mr. Kong. Therefore Thai Steel Pipe is a connected person of the Company under the Listing Rules. As such, under Chapter 14A of the Listing Rules, the transactions contemplated under the Lease Agreement constitute a one-off connected transaction of the Company.

As the Lease Agreement expired on 31 December 2023, on 12 January 2024, which is subsequent to the end of the reporting period, Delta Electric (Thailand) (as Lessee) entered into a lease agreement with Thai Steel Pipe (as Lessor) in respect of a factory facility in Thailand for further term of 1 year (the **"Renewed Lease Agreement"**). The aggregated value of the rent payable under the Renewed Lease Agreement shall amount to THB 5.1 million (approximately HKD 1.11 million).

The transactions under the Renewed Lease Agreement fall within de minimis threshold as stipulated under Rule 14A.76(1)(c) of the Listing Rules, and will be exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.



## REPORT OF THE DIRECTORS

Except for the interest expenses charged by Meide, all of the Group's related party transactions as disclosed in note 35 to the Group's consolidated financial statements constitute continuing connected transactions or connected transactions as defined in Chapter 14A of the Listing Rules.

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

As at 31 December 2024, 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 31 December 2024, 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 Division 2 and 3 of Part XV of the SFO, or which were record 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 total issued share capital of our Company <sup>(1)(2)</sup>
Kong Linglei <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 Limited	Beneficial owner	70,160,000 Shares (L)	16.17%
Tong Chuang Xing De BVI	Beneficial owner	51,040,000 Shares (L)	11.77%
Zhao Pu (趙璞)	Beneficial owner	23,262,000 Shares (L)	5.36%
Zhang Jingru (張晶茹) <sup>(4)</sup>	Interest of spouse	23,262,000 Shares (L)	5.36%

Notes:

- (1) All interests stated are long positions.
- (2) Based on the total number of 433,800,000 Shares in issue as at 31 December 2024.
- (3) Kong Linglei 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.
- (4) Zhang Jingru (張晶茹) is the spouse of Zhao Pu (趙璞). Under the SFO, Zhang Jingru is deemed to be interested in the same number of Shares in which Zhao Pu (趙璞) is interested.

Save as disclosed above, as at 31 December 2024, 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.

### SHARE OPTION SCHEME

The Company conditionally adopted the Share Option Scheme pursuant to a written resolution passed by its shareholder on 19 November 2019. 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 Person(s)**”), 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 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.

## REPORT OF THE DIRECTORS

### (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 for the time being (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 HK\$1.00 (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 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 Stock Exchange's daily quotations 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 report, it has a remaining life of around 4.5 years.

No share options were granted, exercised, cancelled or lapsed under the Share Option Scheme since the adoption of the Share Option Scheme and up to the date of this annual report.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2024, the aggregate revenue from the Group's largest customer and five largest customers accounted for approximately of 5.7% and 23.1% of the total revenue, respectively. Purchases from the Group's largest supplier and five largest suppliers accounted for approximately of 13.2% and 45.7% of the total purchases for the year ended 31 December 2024, respectively.

None of the Directors or any of their associates or any Shareholders (which to the best knowledge of the Directors, own more than 5% of the number of issued Shares of the Company) had any beneficial interest in the Group's five largest customers or suppliers.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company had maintained the prescribed public float requirements under the Listing Rules from the Listing Date and up to the date of this annual report.

## EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Details of the significant events of the Group subsequent to the end of the reporting period set out in the section headed "Management Discussion and Analysis" on page 31 of this annual report.

## REPORT OF THE DIRECTORS

### PERMITTED INDEMNITY PROVISION

During the year ended 31 December 2024, a permitted indemnity provision as required by the Companies Ordinance (Chapter 622, Section 470, the Laws of Hong Kong) was in force for the benefits of all Directors.

### AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2024 have been audited by Messrs. Deloitte Touche Tohmatsu.

Messrs. Deloitte Touche Tohmatsu will retire, and being eligible, offer themselves for re-appointment. A resolution for the reappointment of Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Guo Lei**  
*Chairman*

Hong Kong  
25 March 2025



# CORPORATE GOVERNANCE REPORT

The Board hereby presents this corporate governance report in the Group's annual report for the year ended 31 December 2024.

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard of corporate governance to protect the interest of its Shareholders and to place importance on its corporate governance system. The Company has adopted the Corporate Governance Code contained in Appendix C1 to the Listing Rules issued by the Stock Exchange (the "CG Code" or the "Corporate Governance Code") as its own code of corporate governance.

This report describes the Company's corporate governance practices and structures that were in place during the financial year ended 31 December 2024, with specific reference to the principles and guidelines of the CG Code.

The Board has reviewed the Company's corporate governance practices and is of the view that during the year ended 31 December 2024, the Company has complied with the applicable code provisions of the CG Code.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all the Directors, all Directors have confirmed that they have complied with the Model Code during the year ended 31 December 2024 and up to the date of this report.



## CORPORATE GOVERNANCE REPORT

### BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Group, and delegates day-to-day operations to the management team of the Group. The Board provides directions to the management team by laying down strategies and plans, and then oversees the implementation performed by the management team. The Board also timely monitors the Group's operational and financial performance through monthly reports prepared by the management team of the Group. The Board also reviews the compensation policies, succession planning, internal control system and risk management system regularly through various committee established under the Board.

#### Composition

The Board currently comprises six Directors, including three executive Directors, two non-executive Directors and three independent non-executive Directors. As at the date of this report, the Board comprises the followings Directors:

#### Executive Directors

Mr. Guo Lei (*Chairman*)

Mr. Yang Shufeng

Mr. Wang Ning

#### Non-executive Directors

Ms. Zhao Xuelian

Mr. Kong Linglei (*Appointed on 1 February 2025*)

#### Independent Non-executive Directors

Mr. Liu Fengyuan

Mr. Ding Xiaodong

Mr. Sun Yongxi

The relationships among members of the Board have been disclosed in the section headed "Directors and Senior Management" in this annual report. During the year ended 31 December 2024, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board and at least one independent non-executive Director with appropriate professional qualifications, or accounting or related financial management expertise.

### *Independence of the independent non-executive Directors*

The Company has received annual written confirmations from all independent non-executive Directors with regard to their independence, and therefore the Company still considers, based on the guidelines set out in Rule 3.13 of the Listing Rules, that all independent non-executive Directors to be independent.

### *Continuous professional development*

During the year ended 31 December 2024, all of the Directors participated in continuous professional development by either attending external seminars and conferences, or reading materials relating corporate governance practices, directors' duty and the Listing Rules.

### *Chairman and Chief Executive*

Mr. Guo Lei currently serves as the chairman of the Board of the Company.

Mr. Wang Ning currently serves as the chief executive officer of the Company.

Pursuant to code provision C.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. Upon the Appointment, the Company has separate individuals performing as the chairman of the Board and the CEO. As such, the Board considers the Appointment would help to ensure a balance of power and authority for the management of the Company.

### *Appointment & re-election of Directors*

The procedures and process of appointment and re-election of the Directors are laid down in the Articles. Pursuant to the Articles, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Directors who are appointed to fill casual vacancies shall hold office only until the next following general meeting after their appointment, and are subject to re-election by the Shareholders.

Mr. Kong Linglei, Mr. Ding Xiaodong and Mr. Wang Ning will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming general meeting.

### *Indemnity of Directors*

The Company has taken out directors and officers liability insurance to cover liabilities arising from legal action against the Directors.

## CORPORATE GOVERNANCE REPORT

### *Board Committees*

The Board has established three Board committees, being the Audit Committee, the Nomination Committee and the Remuneration Committee, to oversee different areas of the Company's affairs. The terms of reference of the Board committees are published on the Company's website and the website of the Stock Exchange.

### CORPORATE GOVERNANCE FUNCTION

The Board recognises that corporate governance should be the collective responsibility of Directors and the corporate governance duties include:

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Company and Directors; and
- (e) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

### Audit Committee

Our Company established the Audit Committee on 19 November 2019 with its written terms of reference in compliance with the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee include among other matters, to review and supervise the financial reporting process and internal control system of our Group, oversee the audit process, provide advice and comments to our Board, perform other duties and responsibilities as may be assigned by our Board and review and oversee the risk management of our Company, by satisfying themselves as to the effectiveness of the Company's internal controls and as to the efficiency of the audits.

The Audit Committee consists of three members, namely Mr. Ding Xiaodong, Mr. Liu Fengyuan and Mr. Sun Yongxi. Mr. Ding Xiaodong has been appointed as the chairman of the Audit Committee, and is the independent non-executive Director who possesses the appropriate professional accounting and related financial management expertise. All members of the Audit Committee are independent non-executive Directors.

The work performed by the Audit Committee during the year ended 31 December 2024 comprises the following:

- reviewed the annual results announcement and the annual report of the Group for the year ended 31 December 2023;
- reviewed the interim results announcement and the interim report of the Group for the six months ended 30 June 2024;
- made recommendations to the Board on reappointment of the Company's external auditor;
- approved the remuneration and terms of engagement of the Company's external auditor;
- reviewed and monitoring the independence of the Company's external auditor, objectivity and the effectiveness of the audit process;
- reviewed the effectiveness and resources of the risk management and internal control systems of the Group;
- reviewed the Group's risk management and financial control system; and
- reviewed the Group's accounting policies and practices.

Subsequent to 31 December 2024 and up to the date of this report, the Audit Committee has also reviewed the annual results announcement and the annual report of the Group for the year ended 31 December 2024.

## CORPORATE GOVERNANCE REPORT

### Remuneration Committee

Our Company established the Remuneration Committee on 19 November 2019 with its written terms of reference in compliance with the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The primary duties of the Remuneration Committee include, among other matters, to establish, review and make recommendations to our Directors on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, determine the terms of the specific remuneration package of each executive Director and senior management and review and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time-to-time.

The Remuneration Committee consists of three members, namely Mr. Liu Fengyuan, Mr. Sun Yongxi and Mr. Guo Lei. Mr. Liu Fengyuan, our independent non-executive Director, has been appointed as the chairman of the Remuneration Committee. The majority of the Remuneration Committee members are independent non-executive Directors. Mr. Liu Fengyuan and Mr. Sun Yongxi are independent non-executive Directors and Mr. Guo Lei is an executive Director.

The work performed by the Remuneration Committee during the year ended 31 December 2024 comprises the followings:

- reviewed the remuneration of Directors and senior management; and
- assessed performance of executive Directors and approved the terms of executive Directors' service contracts.

Pursuant to code provision E.1.5 of the Corporate Governance Code, the remuneration paid to the senior management by band for the year ended 31 December 2024 is set out below:

Remuneration bands	Number of individual(s)
HK\$2,000,001 to HK\$2,500,000	0
HK\$1,500,001 to HK\$2,000,000	0
HK\$1,000,001 to HK\$1,500,000	2
Below HK\$1,000,000	3

Details of remuneration of the Directors and the five highest paid individuals are set out in notes 7(a) and 7(b) to the consolidated financial statements in this annual report, respectively.

### Nomination Committee

Our Company established the Nomination Committee on 19 November 2019 with its written terms of reference in compliance with the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The primary duties of the Nomination Committee include, among other matters, to review the structure, size and composition of our Board on a regular basis and make recommendations to our Board regarding any proposed changes to the composition of our Board, identify, select or make recommendations to our Board on the selection of individuals nominated for directorship, ensure the diversity of our Board members, assess the independence of our independent non-executive Directors and make recommendations to our Board on relevant matters relating to the appointment, reappointment and removal of our Directors.

The Nomination Committee consists of three members, namely Mr. Guo Lei, Mr. Liu Fengyuan and Mr. Sun Yongxi. Mr. Guo Lei, our Chairman and executive Director, has been appointed as the chairman of the Nomination Committee. The majority of the Nomination Committee members are independent non-executive Directors. Mr. Liu Fengyuan and Mr. Sun Yongxi are independent non-executive Directors and Mr. Guo Lei is an executive Director.

The work performed by the Nomination Committee during the year ended 31 December 2024 comprises the following:

- reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;
- made recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future, together with the Board, as appropriate;
- assessed the independence of independent non-executive directors in accordance with the provisions of the Listing Rules and other relevant laws, rules and regulations; and
- reviewed the board diversity policy, developed and reviewed measurable objectives for implementing the board diversity policy and monitoring the progress on achieving these objectives.

## CORPORATE GOVERNANCE REPORT

### Board Diversity Policy

The Board recognises the importance of diversity in the Board composition and has adopted a board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company. In designing the Board's composition, selection of candidates has been considered from a number of perspectives and measurable objectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee has considered and reviewed the composition and diversity of the Board. All the executive Directors and non-executive Director possess extensive and diversified experience in management and industrial experience. The three independent non-executive Directors possess professional knowledge in management, finance, accounting and legal aspects. The Nomination Committee will review the board diversity policy, as appropriate, to ensure its effectiveness.

The Nomination Committee recognises that the gender diversity of the Board and will continue to use its best efforts, to train, retain, attract and select suitable female candidates that can contribute success to the Group. As at the date of this report, the Board comprises six male directors and one female director.

As at 31 December 2024, approximately 25% of the Group's employees (including senior management) are female and 75% are male.

### Board and Board committee meetings

Code provision C.5.1 of the Corporate Governance Code states that at least four regular Board meetings should be held each year at approximately quarterly intervals with active participation of a majority of Directors, either in person or through other electronic means of communication.



## CORPORATE GOVERNANCE REPORT

The attendance of each Director for the Board meetings and general meeting held during the year ended 31 December 2024 is set out in the following table:

Name of Directors	Attendance/Number of Meetings				General Meeting
	Board	Audit Committee	Nomination Committee	Remuneration Committee	
Executive Directors					
Mr. Guo Lei <i>(Chairman of the Board)</i>	5/5	N/A	2/2	2/2	1/1
Mr. WANG Ning	5/5	N/A	N/A	N/A	1/1
Mr. Yang Shufeng	5/5	N/A	N/A	N/A	1/1
Non-executive Director					
Ms. Zhao Xuelian	5/5	N/A	N/A	N/A	1/1
Independent non-executive Directors					
Mr. Liu Fengyuan	5/5	3/3	2/2	2/2	1/1
Mr. Ding Xiaodong	5/5	3/3	N/A	N/A	1/1
Mr. Sun Yongxi	5/5	3/3	2/2	2/2	1/1

Apart from the above Board meetings, the Chairman also held a meeting with the independent non-executive Directors only without the presence of other Directors during the year ended 31 December 2024.

### AUDITOR'S REMUNERATION

For the year ended 31 December 2024, the remuneration paid or payable to Messrs. Deloitte Touche Tohmatsu and its affiliate companies in respect of audit and non-audit services provided is set out below:

Services rendered	RMB'000
Audit services	1,680
Non-audit services	—
	<u>1,680</u>

During the year ended 31 December 2024, no fees attributable to the non-audit services were incurred.

## CORPORATE GOVERNANCE REPORT

### DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group for the year ended 31 December 2024 that give a true and fair view of the state of affairs of the Group in accordance with International Financial Reporting Standards. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The reporting responsibilities of the Company's auditor with regards to the consolidated financial statements of the Group are set out in the independent auditor's report as contained in this annual report.

As Deloitte Touche Tohmatsu is relatively familiar with the Group's financials and affairs, the Board considers that the audit and other related work in respect of the Group for the year ending 31 December 2024 could be performed more efficiently by Deloitte Touche Tohmatsu, which is in the best interests of the Company and the Shareholders as a whole.

### RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. In addition to the Board's responsibilities, the senior management of the Company has risk management processes to identify, evaluate and manage significant risks, review the effectiveness of the risk management and internal control systems and to resolve material internal control defects. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. The Board and the Audit Committee will review the need for an internal audit function from time to time. During the year ended 31 December 2024, the Board confirms that it has conducted a review of the risk management and internal control systems of the Group by the external internal control consultant. The Board concludes, based on the result of the review, that the risk management and internal control systems currently in place are adequate and effective for the year ended 31 December 2024.

The Board expects that a review of the risk management and internal control systems will be performed annually.

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Group has policy and procedures which prohibit unauthorised use and dissemination of inside information. The Board is aware of its obligations to announce any inside information in accordance with the Listing Rules and conducts the affairs with reference to the “Guidelines on Disclosure of Inside Information” issued by the Securities and Futures Commission. In addition, only Directors and delegated officers can act as the Group’s spokesperson and respond to external enquiries about the Group’s affairs.

### COMPANY SECRETARY

Mr. Leung Wing Lun, an external service provider, has been engaged by the Company as its company secretary. The primary corporate contact person at the Company is Mr. Liu Minghuai, the deputy general manager (Finance). The biographical details of Mr. Leung are set out under the section headed “Directors and Senior Management” in this annual report.

During the year ended 31 December 2024, the company secretary of the Company had confirmed that he had taken no less than 15 hours of relevant professional training in compliance with the Listing Rules.

### SHAREHOLDERS’ RIGHTS

#### Procedure for Shareholders to send enquiries

Shareholders may at any time raise enquiries to the Board. The enquiries must be in writing with contact information of the Shareholder(s) and deposited at the principal place of the business of the Company in Hong Kong at Unit 1102, 11/F, Brill Plaza, 84 To Kwa Wan Road, To Kwa Wan, Kowloon, Hong Kong for the attention of the company secretary of the Company.

#### Procedure for convening an extraordinary general meeting and putting forward proposals

Shareholders can at any time raise enquiries to the Board. The enquiries must be in writing with contact information of the Shareholder(s) and deposited at the principal place of business of the Company in Hong Kong at Unit 1102, 11/F, Brill Plaza, 84 To Kwa Wan Road, To Kwa Wan, Kowloon, Hong Kong for the attention of the company secretary of the Company.

## CORPORATE GOVERNANCE REPORT

Any one or more duly registered holder of the Shares holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified and putting forward proposals in such requisition; the written requisition shall be deposited at the principal place of business of the Company in Hong Kong, specifying the objects of the meeting and signed by the requisitionist(s). Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

### Dividend policy

The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Cayman Companies Law, including the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual report and interim report, notices, announcements and circulars that are available on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.mechpipingtech.com](http://www.mechpipingtech.com). Overall, the Company considers the shareholders' communication policy of the Group implemented and conducted during the year to be effective. The Company will continue to review the implementation and effectiveness of the shareholders' communication policy by shareholders' feedback from the above channel.

## CHANGE IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2024, there were no changes in the constitutional documents of the Company.

The memorandum and articles of association of the Company are available for viewing on the websites of the Company and the Stock Exchange.



## INDEPENDENT AUDITOR'S REPORT

**Deloitte.**

**德勤**

TO THE SHAREHOLDERS OF MAIKE TUBE INDUSTRY HOLDINGS LIMITED

邁科管業控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of Maike Tube Industry Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 64 to 143, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTER — *continued*

#### Key audit matter

#### How our audit addressed the key audit matter

##### Impairment assessment of trade receivables

We identified impairment assessment of trade receivables under expected credit loss (“ECL”) model as a key audit matter due to significance of the Group’s trade receivables in the context of the Group’s consolidated financial statements, combined with management judgement involved.

As at 31 December 2024, the Group has trade receivables amounting to RMB731,200,000, net of allowance amounting to RMB32,588,000. Further information related to trade receivables is provided in note 18 to the consolidated financial statements.

Management judgement is required in assessing and determining the recoverability of trade receivables and adequacy of allowance made using ECL model under HKFRS 9 Financial Instruments. The ECL provision is assessed collectively using the provision matrix, which is based on internal credit ratings such as groupings of various debtors that have similar credit risk characteristics. The provision matrix are based on the Group’s historical credit loss experiences taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. Trade receivables with significant outstanding balances or credit-impaired balances were assessed for ECL individually. At every reporting date, the historical credit loss experiences are reassessed and changes in the forward-looking information are considered. The key assumptions on allowance for ECL and the Group’ credit risk management are disclosed in notes 4 and 18 to the consolidated financial statements.

In evaluating management’s impairment assessment for trade receivables, our procedures included:

- Obtaining an understanding and testing the design and implementation of the relevant key controls on how management determine the allowance for ECL;
- Evaluating the model used by management in determining the allowance for ECL;
- Testing the integrity of information used by management to develop the provision matrix, including trade receivables aging analysis as at 31 December 2024, on a sample basis, by comparing individual items in the analysis with the relevant sales invoices and other supporting documents; and
- Challenging management’s basis and judgement in determining credit loss allowance on trade receivables as at 31 December 2024, including the reasonableness of management’s grouping of the trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information).

### OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



## INDEPENDENT AUDITOR'S REPORT

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS — *continued*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, action taken to eliminate threats or safeguards applied.

From the matter communicated with those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe the matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Wan, Wai Nga.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
25 March 2025

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

	NOTES	2024 RMB'000	2023 RMB'000
Revenue	5	2,574,330	2,190,942
Cost of sales		(2,195,909)	(1,807,403)
Gross profit		378,421	383,539
Other income	8	22,756	9,672
Other gains and losses	8	19,668	6,309
Distribution and selling expenses		(94,721)	(87,119)
Administrative expenses		(64,273)	(59,211)
Research and development costs		(70,057)	(68,037)
Impairment losses under expected credit loss model, net of reversal	9	(12,651)	(5,137)
Finance costs	10	(8,304)	(6,690)
Profit before taxation	11	170,839	173,326
Income tax expense	12	(29,019)	(20,465)
Profit for the year		141,820	152,861
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operation		(4,123)	(2,473)
Total comprehensive income for the year		137,697	150,388
Profit (loss) for the year attributable to:			
– Owners of the Company		142,338	153,731
– Non-controlling interests		(518)	(870)
		141,820	152,861
Total comprehensive income (expense) for the year attributable to:			
– Owners of the Company		138,206	151,264
– Non-controlling interests		(509)	(876)
		137,697	150,388
Earnings per share			
– Basic (RMB yuan)	14	0.33	0.35

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2024

	NOTES	2024 RMB'000	2023 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	15	465,268	409,803
Deferred tax assets	16	5,052	4,648
Prepayments for plant and equipment		1,401	1,409
		<u>471,721</u>	<u>415,860</u>
<b>Current assets</b>			
Inventories	17	274,736	279,969
Trade receivables	18	731,200	538,907
Trade receivables backed by bills	19	75,450	11,150
Contract assets	21	30,107	20,810
Tax recoverable		324	1,036
Deposits, prepayments and other receivables	22	197,260	146,614
Amounts due from related parties	23	15,383	17,754
Pledged bank deposits	25	246,867	172,775
Time deposits	25	13,821	18,483
Cash and cash equivalents	25	77,294	71,943
		<u>1,662,442</u>	<u>1,279,441</u>
<b>Current liabilities</b>			
Trade and bill payables	26	625,710	415,233
Contract liabilities	27	157,031	60,822
Derivative financial instruments	24	186	22
Refund liabilities	28	5,562	5,281
Other payables and accrued charges	29	90,130	84,626
Amounts due to related parties	23	6,075	2,486
Provisions		2,541	3,132
Tax liabilities		5,880	2,947
Borrowings	30	69,127	38,362
Lease liabilities	31	1,143	1,528
Deferred income	32	1,466	1,440
		<u>964,851</u>	<u>615,879</u>
<b>Net current assets</b>		<u>697,591</u>	<u>663,562</u>
<b>Total assets less current liabilities</b>		<u>1,169,312</u>	<u>1,079,422</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2024

	NOTES	2024 RMB'000	2023 RMB'000
<b>Non-current liabilities</b>			
Lease liabilities	31	2,023	3,068
Deferred tax liabilities	16	16,897	14,858
Deferred income	32	9,049	10,536
		<u>27,969</u>	<u>28,462</u>
<b>Net assets</b>		<u><b>1,141,343</b></u>	<u><b>1,050,960</b></u>
<b>Capital and reserves</b>			
Share capital	33	304	304
Reserves		<u>1,137,118</u>	<u>1,046,226</u>
Attributable to owners of the Company		<b>1,137,422</b>	1,046,530
Non-controlling interests		<u>3,921</u>	<u>4,430</u>
<b>Total equity</b>		<u><b>1,141,343</b></u>	<u><b>1,050,960</b></u>

The consolidated financial statements on pages 64 to 143 were approved and authorised for issue by the board of directors on 25 March, 2025 and are signed on its behalf by:

DIRECTOR

DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 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 a)	RMB'000 (Note b)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	304	288,420	123,260	51,741	3,059	467,793	934,577	5,306	939,883
Profit (loss) for the year	-	-	-	-	-	153,731	153,731	(870)	152,861
Other comprehensive expense for the year	-	-	-	-	(2,467)	-	(2,467)	(6)	(2,473)
Total comprehensive (expense) income for the year	-	-	-	-	(2,467)	153,731	151,264	(876)	150,388
Dividends recognized as distribution	-	(39,311)	-	-	-	-	(39,311)	-	(39,311)
Transfer to statutory surplus reserve	-	-	-	13,938	-	(13,938)	-	-	-
At 31 December 2023	304	249,109	123,260	65,679	592	607,586	1,046,530	4,430	1,050,960
Profit (loss) for the year	-	-	-	-	-	142,338	142,338	(518)	141,820
Other comprehensive (expense) income for the year	-	-	-	-	(4,132)	-	(4,132)	9	(4,123)
Total comprehensive (expense) income for the year	-	-	-	-	(4,132)	142,338	138,206	(509)	137,697
Dividends recognized as distribution	-	(47,314)	-	-	-	-	(47,314)	-	(47,314)
Transfer to statutory surplus reserve	-	-	-	12,115	-	(12,115)	-	-	-
At 31 December 2024	304	201,795	123,260	77,794	(3,540)	737,809	1,137,422	3,921	1,141,343

## Notes:

- (a) Other reserve represented the difference between (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 Steel 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.
- (b) 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.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

	2024 RMB'000	2023 RMB'000
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	170,839	173,326
Adjustments for:		
Impairment losses under ECL model, net of reversal	12,651	5,137
Finance costs	8,304	6,690
Depreciation of property, plant and equipment	42,898	40,815
Losses on disposals of property, plant and equipment	1,082	1,561
Fair value change of foreign currency forward contracts	186	1,423
Fair value change of derivative financial instruments	(22)	115
(Reversal) write-down of inventories	(1,581)	1,621
Fair value change on structured bank deposits	(136)	(141)
Interest income	(4,652)	(1,684)
Amortization of deferred income	(1,461)	(1,435)
Unrealised exchange differences	(1,050)	(923)
Operating cash flows before movements in working capital	227,058	226,505
Decrease (increase) in inventories	3,298	(34,444)
Increase in trade receivables	(203,940)	(203,750)
(Increase) decrease in trade receivables backed by bills	(64,300)	878
(Increase) decrease in contract assets	(10,301)	5,867
Increase in deposits, prepayments and other receivables	(50,646)	(25,229)
Decrease (increase) in amounts due from related parties	2,371	(10,436)
(Decrease) increase in trade and bill payables	(143,732)	17,325
Increase in contract liabilities	96,209	19,013
Increase in other payables and accrued charges	5,504	3,283
Increase (decrease) in refund liabilities	281	(5,319)
(Decrease) increase in provisions	(591)	894
Increase (decrease) in amounts due to related parties	3,589	(2,330)
Increase in deferred income	—	544
Cash used in operations	(135,200)	(7,199)
Income taxes paid	(23,739)	(13,190)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(158,939)</b>	<b>(20,389)</b>



## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

	2024 RMB'000	2023 RMB'000
<b>INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(97,888)	(24,522)
Prepayments for plant and equipment	(1,401)	(1,409)
Proceeds from disposals of property, plant and equipment	5,476	1,099
Receipts from structured bank deposits	136	141
Interest received	4,652	1,684
Placement of pledged bank deposits	(489,465)	(339,616)
Withdrawal of pledged bank deposits	415,373	200,351
Placement of structured bank deposits	(360,210)	(211,690)
Withdrawal of structured bank deposits	360,210	211,690
Placement of time deposits	(33,620)	(18,483)
Withdrawal of time deposits	38,282	—
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(158,455)</b>	<b>(180,755)</b>
<b>FINANCING ACTIVITIES</b>		
Borrowings raised	108,500	116,500
Repayment of borrowings	(77,500)	(154,000)
Dividends paid to owners of the Company	(47,314)	(39,311)
Proceeds from discounted bills	701,670	361,671
Repayment of maturity discounted bills	(358,488)	(64,151)
Payment of lease liabilities	(1,594)	(2,658)
Interest paid	(2,972)	(3,506)
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>322,302</b>	<b>214,545</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>4,908</b>	<b>13,401</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>71,943</b>	<b>57,760</b>
Effect of foreign exchange rate changes	443	782
<b>TOTAL CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	<b>77,294</b>	<b>71,943</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

## 1. GENERAL INFORMATION

Maike Tube Industry Holdings Limited (the “Company”) is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. The immediate holding company is Ying Stone Holdings Limited (“Ying Stone”), which was incorporated in the British Virgin Islands (the “BVI”) and entirely owned by Mr. Kong Linglei (孔令磊) (“Mr. Kong”). The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporation Information” section of the annual report.

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. Details of the subsidiaries are disclosed in note 41. The Company and its subsidiaries are collectively referred as the “Group”.

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

## 2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2024 for the preparation of the 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 HKFRS Accounting Standards in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS – *continued*

#### New and amendments to HKFRS Accounting Standards in issue but not yet effective

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

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments <sup>3</sup>
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11 <sup>3</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>
HKFRS 18	Presentation and Disclosure in Financial Statements <sup>4</sup>
HKFRS 19	Subsidiaries without Public Accountability: Disclosures <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2026.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2027.

Except for the new and amendments to HKFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

#### HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 Presentation of Financial Statements. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 Statement of Cash Flows and HKAS 33 Earnings per Share are also made.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS – *continued*

#### HKFRS 18 Presentation and Disclosure in Financial Statements – *continued*

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

#### 3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

#### 3.2 Material accounting policy information

##### *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

#### 3.2 Material accounting policy information – *continued*

##### *Basis of consolidation – continued*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributable to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if the results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

##### *Revenue from contracts with customers*

Information about the Group's accounting policies relating to contracts with customers is provided in note 5.

##### *Leases*

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

#### 3.2 Material accounting policy information – *continued*

##### *Leases – continued*

The Group as a lessee

##### Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

##### Short-term leases

The Group applies the short-term lease recognition exemption to leases of some temporary staff dormitories that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

##### Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The Group presents right-of-use assets in “property, plant and equipment”, the same line item within which the corresponding underlying assets would be presented if they were owned.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

#### 3.2 Material accounting policy information – *continued*

##### *Leases – continued*

##### *The Group as a lessee – continued*

##### Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

##### Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

#### 3.2 Material accounting policy information – *continued*

##### *Leases – continued*

##### *The Group as a lessee – continued*

##### Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains one or more additional lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component. The associated non-lease components are included in the respective lease components.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

#### 3.2 Material accounting policy information – *continued*

##### *Foreign currencies*

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

##### *Government grants*

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

#### 3.2 Material accounting policy information – *continued*

##### *Employee benefits*

##### *Retirement benefits costs*

Payments to defined contribution retirement benefits are recognised as an expense when employees have rendered service entitling them to the contributions.

##### *Short-term employee benefits*

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS Accounting Standards requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

##### *Taxation*

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

#### 3.2 Material accounting policy information – *continued*

##### *Taxation – continued*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investment and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

#### 3.2 Material accounting policy information – *continued*

##### *Taxation – continued*

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

##### *Property, plant and equipment*

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties, equipment, machinery, motor vehicles and software in the course of construction for production and administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

#### 3.2 Material accounting policy information – *continued*

##### *Research and development costs*

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

##### *Impairment loss on property, plant and equipment*

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, (if any).

The recoverable amount of property, plant and equipment are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash- generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash generating unit) for which the estimates of future cash flows have not been adjusted.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

#### 3.2 Material accounting policy information – *continued*

##### *Impairment loss on property, plant and equipment – continued*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated to the assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised in profit or loss.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

#### 3.2 Material accounting policy information – *continued*

##### *Cash and cash equivalents*

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

##### *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on the weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

##### *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

#### 3.2 Material accounting policy information – *continued*

##### *Financial instruments*

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 Revenue from Contracts with Customers and the related Amendments. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

#### 3.2 Material accounting policy information – *continued*

##### *Financial instruments – continued*

##### Financial assets

##### Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

#### 3.2 Material accounting policy information – *continued*

##### *Financial instruments – continued*

##### *Financial assets – continued*

##### Classification and subsequent measurement of financial assets – *continued*

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income (“FVTOCI”) as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest earned on the financial asset and is included in the “other gains and losses” line item.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

#### 3.2 Material accounting policy information – *continued*

##### *Financial instruments – continued*

##### *Financial assets – continued*

##### Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under ECL model on financial assets (including trade receivables, trade receivables backed by bills, deposits and other receivables, pledged bank deposits, time deposits, cash and cash equivalents and amounts due from related parties) and contract assets, which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables, contract assets, trade receivables backed by bills and trade related amounts due from related parties without significant financing component.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

#### 3.2 Material accounting policy information – *continued*

##### *Financial instruments – continued*

##### *Financial assets – continued*

##### Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 – *continued*

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether the credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 50 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

#### 3.2 Material accounting policy information – *continued*

##### *Financial instruments – continued*

##### *Financial assets – continued*

##### Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 – *continued*

##### (i) Significant increase in credit risk – *continued*

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

##### (ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

##### (iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have been occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer of the borrower;
- A breach of contract, such as a default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probably that the borrower will enter bankruptcy or other financial reorganisation.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

#### 3.2 Material accounting policy information – *continued*

##### *Financial instruments – continued*

##### *Financial assets – continued*

##### Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 – *continued*

##### (iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

##### (v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables, contract assets, trade receivables backed by bills and trade related amounts due from related parties without significant financing component are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

#### 3.2 Material accounting policy information – *continued*

*Financial instruments – continued*

Financial assets – *continued*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 – *continued*

(v) Measurement and recognition of ECL – *continued*

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, contract assets and trade nature amounts due from related parties where the corresponding adjustment is recognised through a loss allowance account.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

#### 3.2 Material accounting policy information – *continued*

##### *Financial instruments – continued*

##### Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item (note 8) as part of the net exchange gains;
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item as part of the gain (loss) from changes in fair value of financial assets at FVTPL (note 8);

##### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

#### 3.2 Material accounting policy information – *continued*

##### *Financial instruments – continued*

##### Financial liabilities and equity

##### Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company is recognised at the proceeds received, net of direct issue costs.

##### Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

##### Financial liabilities at amortised cost

Financial liabilities including trade and bill payables, other payables and accrued charges, refund liabilities, borrowings and amounts due to related parties are subsequently measured at amortised cost, using the effective interest method.

##### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

#### 3.2 Material accounting policy information – *continued*

##### *Financial instruments – continued*

##### Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

##### Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in note 3, management of the Group is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTIES – *continued*

#### Key sources of estimation uncertainty

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### Provision of ECL for trade receivables under HKFRS 9

The Group calculates ECL for the trade receivables. Trade receivables with significant outstanding balances or credit-impaired are assessed for ECL individually, the ECL provision is assessed collectively using the provision matrix, which is based on internal credit ratings such as groupings of various debtors that have similar credit risk characteristics. The provision matrix are based on the Group's historical credit loss experiences taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical credit loss experiences are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in note 18.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 5. REVENUE

#### (i) Disaggregation of revenue from contracts with customers

	2024 RMB'000	2023 RMB'000
<i>Types of goods or service:</i>		
Sales of pipe products:		
– Spiral submerged arc welded steel pipes	507,659	604,972
– Standard prefabricated pipe nipples	393,604	308,794
– Customised steel pipes	376,973	270,164
– ERW steel pipes	304,497	372,668
– Design and supply assembled piping system	41,131	33,163
	<u>1,623,864</u>	<u>1,589,761</u>
Trading of steel coils	949,988	600,523
Others	478	658
	<u>2,574,330</u>	<u>2,190,942</u>
<i>Geographical markets</i>		
PRC	1,751,393	1,451,736
Others	822,937	739,206
	<u>2,574,330</u>	<u>2,190,942</u>
<i>Timing of revenue recognition:</i>		
A point in time	2,573,852	2,190,284
Over time	478	658
	<u>2,574,330</u>	<u>2,190,942</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 5. REVENUE – *continued*

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

The Group sells ERW steel pipes products, standard prefabricated pipe nipples products, spiral submerged arc welded steel pipes products, customised steel pipes products, design and supply assembled piping system to customers and trade steel coils with customers. For sales of goods, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location and inspected by the customers or completed the customs declaration 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.

The Group engages in trading of steel coils. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods and the Group is exposed to inventory risk. When the Group satisfies the performance obligation, the Group recognises trading revenue in the gross amount of consideration to which the Group expects to be entitled as specified in the contracts.

The Group is considered as an agent for its contracts with customers relating to the sales of steel coils as the Group did not obtain the control over steel coils before passing on to customers taking into consideration indicators such as the Group is not primarily responsible for fulfilling the promise and not exposed to inventory risk. When the Group satisfies the performance obligation, the Group recognises a commission revenue in the amount it expects to be entitled as specified in the contracts, which amounted to 1% of the gross amount of consideration as specified in the contracts.

During the year ended 31 December 2024, the Group recognised revenue relating to principal trading amounted to RMB949,351,000 and agent trading amounted to RMB637,000 (2023: RMB600,523,000 and RMBNil).

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 5. REVENUE – continued

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

During the year ended 31 December 2024 and 2023, all performance obligations for sales of goods are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

### 6. SEGMENT INFORMATION

The Group's operation is derived from the production and sales of pipe products in the PRC, Vietnam and Thailand. For the purpose of resources allocation and performance assessment, the chief operating decision maker ("CODM") (i.e. the chief executive officer) reviews the overall results and financial position of the Group as a whole, which are prepared based on same accounting policies set out in note 3. Accordingly, no operating segment is presented.

Geographical information

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

	Revenue from external customers		Non-current assets	
	Year ended 31 December		As at 31 December	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
PRC	1,751,393	1,451,736	397,564	387,705
The United States of America ("US")	313,524	227,723	–	–
Other countries in America (excluding US)	183,057	136,928	–	–
Other countries in Asia (excluding PRC)	260,933	311,753	69,105	23,507
Europe	25,178	29,249	–	–
Others	40,245	33,553	–	–
	<u>2,574,330</u>	<u>2,190,942</u>	<u>466,669</u>	<u>411,212</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 6. SEGMENT INFORMATION – *continued*

#### Information about major customer

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

	31/12/2024 RMB'000	31/12/2023 RMB'000
Customer A	N/A	239,660

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

#### (a) Directors' and chief executive's emoluments

The emoluments paid or payable to the directors of the Company by entities comprising the Group as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000 (note v)	Contributions to retirement benefit schemes RMB'000	Total RMB'000
For the year ended 31 December 2024:					
<b>Executive directors (note i)</b>					
Guo Lei	-	457	702	46	1,205
Yang Shufeng	-	227	551	43	821
Wang Ning	-	298	559	43	900
Sub-total	-	982	1,812	132	2,926
<b>Independent non-executive directors (note iii)</b>					
Mr. Sun Yongxi	-	100	-	-	100
Mr. Liu Fengyuan	-	100	-	-	100
Mr. Ding Xiaodong	-	100	-	-	100
Sub-total	-	300	-	-	300
<b>Non-executive director (note iv)</b>					
Mrs. Zhao Xuelian	-	-	-	-	-
Sub-total	-	-	-	-	-
<b>Total</b>					<b>3,226</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – *continued*

#### (a) Directors' and chief executive's emoluments – *continued*

	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000 (note v)	Contributions to retirement benefit schemes RMB'000	Total RMB'000
For the year ended 31 December 2023:					
<b>Executive directors (note i)</b>					
Guo Lei (note ii)	–	641	1,350	48	2,039
Yang Shufeng	–	341	724	52	1,117
Wang Ning	–	316	556	52	924
Sub-total	–	1,298	2,630	152	4,080
<b>Independent non-executive directors (note iii)</b>					
Mr. Sun Yongxi (note vi)	–	42	–	–	42
Mr. Liu Fengyuan	–	100	–	–	100
Mr. Ma Changcheng (note vi)	–	–	–	–	–
Mr. Ding Xiaodong	–	100	–	–	100
Sub-total	–	242	–	–	242
<b>Non-executive director (note iv)</b>					
Mrs. Zhao Xuelian	–	–	–	–	–
Sub-total	–	–	–	–	–
<b>Total</b>					<b>4,322</b>

Note i: The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

Note ii: Guo Lei resigned as the Chief Executive Officer on 1 August 2023, but continued to serve as Chairman of the Group.

Note iii: The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Note iv: The non-executive directors' emoluments shown above were for her service as directors of the Company.

Note v: Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

Note vi: Mr. Ma Changcheng resigned on 1 April 2023 and Mr. Sun Yongxi was appointed as independent non-executive director on 29 June 2023.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – *continued*

#### (a) Directors' and chief executive's emoluments – *continued*

During both years, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during both years.

#### (b) Five highest paid employees

The five highest paid employees of the Group during the year included three (2023: three) directors. The emoluments of the five highest paid individuals during the year are as follows:

	2024 RMB'000	2023 RMB'000
Salaries and other benefits	1,579	1,965
Discretionary bonus (note)	2,838	4,313
Contributions to retirement benefits schemes	206	256
	<u>4,623</u>	<u>6,534</u>

Note: Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

The emoluments of the five highest paid employees are within the following band:

	2024	2023
Nil to HK\$1,000,000	3	–
HK\$1,000,001 to HK\$1,500,000	2	3
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,000,001 to HK\$2,500,000	–	1
	<u>5</u>	<u>5</u>

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

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

	2024 RMB'000	2023 RMB'000
<b>Other income</b>		
Government grant (note i)	18,104	7,988
Bank interest income	4,652	1,684
	<u>22,756</u>	<u>9,672</u>
	2024 RMB'000	2023 RMB'000
<b>Other gains and losses</b>		
Gain on sales of scrap materials	9,322	8,638
Fair value gains (losses) on financial assets at FVTPL		
– structured bank deposits	136	141
– foreign currency forward contracts (note ii)	1,451	(2,272)
Fair value gains on derivative financial instruments (note iii)	44	442
Losses on disposals of property, plant and equipment	(1,082)	(1,561)
Net exchange gains	8,136	1,153
Others	1,661	(232)
	<u>19,668</u>	<u>6,309</u>

Notes:

- i. During the year ended 31 December 2024, the relevant government authorities granted one-off and unconditional subsidies to the Group amounting to RMB16,643,000 (2023: RMB6,553,000).
- ii. During the year ended 31 December 2024, gains on US\$ to RMB foreign currency forward contracts represented realised gains of RMB1,637,000 (2023: realised losses of RMB849,000) and unrealised losses of RMB186,000 (2023: unrealised losses of RMB1,423,000) on changes in fair value of foreign currency forward contracts.
- iii. During the year ended 31 December 2024, amount represented realised gains of RMBNil (2023: realised gains of RMB557,000) and unrealised gains of RMB44,000 (2023: unrealised losses of RMB115,000) arising on changes in fair value of commodity derivative contracts.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

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

	2024 RMB'000	2023 RMB'000
Impairment losses recognised on:		
– trade receivables	11,647	4,907
– contract assets	1,004	230
	<u>12,651</u>	<u>5,137</u>

Details of impairment assessment are set out in notes 18, 21 and 39.

### 10. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Finance costs represent interests on:		
– bank borrowings	2,737	3,422
– discounted bills	5,403	3,128
– lease liabilities	164	140
	<u>8,304</u>	<u>6,690</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 11. PROFIT BEFORE TAXATION

	2024 RMB'000	2023 RMB'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	1,680	1,680
Directors' emoluments (note 7)	3,226	4,322
Other staff costs:		
– Salaries and other benefits	90,738	87,375
– Contributions to retirement benefits schemes	28,391	27,242
Less: capitalised in inventories	(61,528)	(58,454)
Total staff costs	57,601	56,163
Depreciation of property, plant and equipment	42,898	40,815
Less: capitalised in inventories	(33,803)	(30,644)
	<hr/>	<hr/>
Total depreciation	9,095	10,171
Cost of inventories sold	2,195,909	1,807,403
	<hr/>	<hr/>
(Reversal) write-down of inventories (included in cost of inventories sold)	(1,581)	1,621
	<hr/> <hr/>	<hr/> <hr/>

### 12. INCOME TAX EXPENSE

	2024 RMB'000	2023 RMB'000
Current tax:		
– Hong Kong	2,147	1,235
– PRC Enterprise Income Tax	16,805	12,327
– Vietnam	2,654	1,843
	<hr/>	<hr/>
	21,606	15,405
	<hr/>	<hr/>
Under provision in prior years:		
– PRC Enterprise Income Tax	3,436	1,563
	<hr/>	<hr/>
Deferred tax (note 16)		
– Current year	3,977	3,497
	<hr/>	<hr/>
Taxation charge	<hr/> <hr/> 29,019	<hr/> <hr/> 20,465

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 12. INCOME TAX EXPENSE – *continued*

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

Pursuant to EIT Law and Implementation Regulations of the EIT Law, distribution of the profits earned by the subsidiaries in the PRC since 1 January 2008 to holding companies is subject to the PRC withholding tax at the applicable tax rate of 10%.

Jinan Mech Piping Technology Co., Ltd ("Jinan Mech") was recognised as a High and New Technology Enterprises in 2023, and the applicable tax rate is 15% from 1 January 2023 to 31 December 2025.

Jinan Magang Steel Pipes Manufacturing Company ("Jinan Ma Steel") was recognised as a High and New Technology Enterprises in 2024, and the applicable tax rate is 15% from 1 January 2024 to 31 December 2026.

Under the tax law in Hong Kong, the tax rate of Tube Industry Investments Limited ("Tube Industry") is 8.25% if the taxable income is under HK\$2,000,000 and the tax rate on the taxable income exceeding HK\$2,000,000 is 16.5%.

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

Under the tax law in Vietnam, the tax rates of Viet Nam Piping Industries Company Limited ("Viet Nam Piping") and Viet Nam Buttwelding Fittings Technology Company Limited ("Viet Nam Fittings") are 20%. Viet Nam Piping and Viet Nam Fittings have been granted to enjoy 2-years exemption of income tax followed by 4-year 50% reduction of income tax from the first profit making year. Starting from 2019 and 2024 respectively, Viet Nam Piping and Viet Nam Fittings enjoyed the 2-years exemption of income tax. Starting from 2021, Viet Nam Piping enjoyed the 4-year 50% reduction of income tax. Starting from 2026, Viet Nam Fittings will enjoy the 4-year 50% reduction of income tax.

Under the tax law in Thailand, the tax rate of Delta Electric (Thailand) is 20%. No provision for income tax has been made for Delta Electric (Thailand) in Thailand as there was no estimated assessable profit for the year ended 31 December 2023 and 31 December 2024.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 12. INCOME TAX EXPENSE – *continued*

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

	2024 RMB'000	2023 RMB'000
Profit before taxation	170,839	173,326
Taxation at PRC EIT rate of 25%	42,710	43,332
Tax effect of expenses not deductible for tax purpose	689	620
Tax effect of deductible temporary differences not recognised	351	797
Tax deduction on research and development expenses (note a)	(11,446)	(15,996)
Additional deduction of machinery and equipment Procurement (note b)	–	–
Tax effect of tax losses not recognised	2,131	1,134
Under provisions in prior years	3,436	1,563
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,161)	(656)
Withholding tax on distributed profits of PRC subsidiaries	5,379	1,662
Income tax at concessionary rate	(13,070)	(11,991)
Taxation charge for the year	29,019	20,465

Notes:

- a Pursuant to Caishui [2021] circular No.13, Jinan Mech and Jinan Ma Steel enjoy super deduction of 200% on qualified research and development expenditure for the years ended 31 December 2024 and 2023.
- b According to the PRC EIT Law and its relevant regulation issued in 2022, entities that qualified as High and New Technology Enterprise are entitled to an additional 100% of the amount of qualified machinery and equipment newly purchased from 1 October 2022 to 31 December 2022, which is allowed to be deducted from taxable income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 13. DIVIDEND

	2024		2023	
	HK\$'000	RMB'000	HK\$'000	RMB'000
Dividends recognised as distribution during the year:				
2023 final dividend of HK12 cents (2023: 2022 final dividend of HK10 cents) per share	<u>52,056</u>	<u>47,314</u>	<u>43,380</u>	<u>39,311</u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2024 of HK12 cents (equivalent to RMB11.1 cents) (2023: HK12 cents (equivalent to RMB10.9 cents)) per ordinary share, in an aggregate amount of HK\$52,056,000 (equivalent to RMB48,152,000) (2023: HK\$52,056,000 (equivalent to RMB47,314,000)) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

### 14. EARNINGS PER SHARE

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

	2024	2023
	RMB'000	RMB'000
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the year – attributable to owners of the Company)	<u>142,338</u>	<u>153,731</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>433,800</u>	<u>433,800</u>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 15. PROPERTY, PLANT AND EQUIPMENT

	Right- of-use assets RMB'000	Construction in progress RMB'000	Buildings RMB'000	Electronic equipment RMB'000	Machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Software RMB'000	Total RMB'000
<b>COST</b>									
At 1 January 2023	151,944	2,595	163,180	17,701	242,601	9,775	11,590	3,867	603,253
Additions	755	27,361	-	-	4,373	-	-	-	32,489
Lease modification	(1,090)	-	-	-	-	-	-	-	(1,090)
Disposals	-	-	-	(1,788)	(3,891)	-	(441)	-	(6,120)
Transfer	-	(19,753)	6,688	3,099	8,637	45	511	773	-
At 31 December 2023	151,609	10,203	169,868	19,012	251,720	9,820	11,660	4,640	628,532
Additions	17,352	52,381	11,697	-	23,058	35	370	28	104,921
Disposals	-	-	-	(124)	(12,468)	(70)	(126)	-	(12,788)
Transfer	-	(57,928)	27,434	570	29,244	53	627	-	-
At 31 December 2024	168,961	4,656	208,999	19,458	291,554	9,838	12,531	4,668	720,665
<b>ACCUMULATED DEPRECIATION</b>									
At 1 January 2023	16,714	-	48,956	8,893	96,430	3,831	3,249	3,301	181,374
Provided for the year	5,375	-	8,215	4,373	19,681	439	2,272	460	40,815
Eliminated on disposals	-	-	-	(749)	(2,295)	-	(416)	-	(3,460)
At 31 December 2023	22,089	-	57,171	12,517	113,816	4,270	5,105	3,761	218,729
Provided for the year	4,703	-	8,615	4,724	21,797	440	2,341	278	42,898
Eliminated on disposals	-	-	-	(32)	(6,112)	(52)	(34)	-	(6,230)
At 31 December 2024	26,792	-	65,786	17,209	129,501	4,658	7,412	4,039	255,397
<b>CARRYING AMOUNTS</b>									
At 31 December 2024	142,169	4,656	143,213	2,249	162,053	5,180	5,119	629	465,268
At 31 December 2023	129,520	10,203	112,697	6,495	137,904	5,550	6,555	879	409,803

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis after taking into account their estimated residual values, at the following rates per annum:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 15. PROPERTY, PLANT AND EQUIPMENT – *continued*

Buildings	3.8% to 9.5%
Electronic equipment	9.5 % to 31.7%
Machinery	6.3% to 19%
Office and other equipment	9.5% to 19%
Motor vehicles	9.5% to 19%
Right-of-use assets	Over lease terms
Software	20% to 33.3%

The buildings are situated on the land use rights in the PRC.

The Group has pledged buildings with the carrying amount of RMB46,482,000 (2023: RMB50,470,000) to secure general banking facilities granted to the Group.

The carrying amounts of right-of-use assets at the end of each reporting period and the depreciation by classes of right-of-use assets are set out as below:

	2024 RMB'000	2023 RMB'000
Carrying amounts		
Land	139,174	125,005
Plant	2,995	4,515
	<u>142,169</u>	<u>129,520</u>
Depreciation recognised in profit or loss		
Land	3,185	2,786
Plant	1,518	2,589
	<u>4,703</u>	<u>5,375</u>
Total cash outflow for leases	<u>1,594</u>	<u>2,658</u>

The Group has pledged rights-of-use assets with the carrying amount of RMB38,857,000 (2023: RMB39,841,000) to secure general banking facilities granted to the Group respectively.

In addition, lease liabilities of RMB3,166,000 (2023: RMB4,596,000) are recognised with related right-of-use assets of RMB2,995,000 (2023: RMB4,515,000) as at 31 December 2024. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 16. DEFERRED TAX

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2024 RMB'000	2023 RMB'000
Deferred tax assets	5,052	4,648
Deferred tax liabilities	(16,897)	(14,858)
	<u>(11,845)</u>	<u>(10,210)</u>

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Impairment losses of trade receivables and contract assets RMB'000	Impairment losses of inventories RMB'000	Accelerated tax depreciation RMB'000	Withholding tax on dividend reinvestment RMB'000	Distributable profits of PRC subsidiaries RMB'000	Tax loss RMB'000	Unconditional government grant received RMB'000	Total RMB'000
At 1 January 2023	2,480	273	(7,663)	(4,080)	(2,400)	1,574	1,400	(8,416)
Credit (charge) to profit or loss	520	124	(756)	-	(1,662)	(1,574)	(149)	(3,497)
Reversal on payment of withholding tax on distributable profits of PRC subsidiaries	-	-	-	-	1,703	-	-	1,703
At 31 December 2023	3,000	397	(8,419)	(4,080)	(2,359)	-	1,251	(10,210)
Credit (charge) to profit or loss	834	(279)	997	(572)	(4,807)	-	(150)	(3,977)
Reversal on payment of withholding tax on distributable profits of PRC subsidiaries	-	-	-	-	2,342	-	-	2,342
At 31 December 2024	<u>3,834</u>	<u>118</u>	<u>(7,422)</u>	<u>(4,652)</u>	<u>(4,824)</u>	<u>-</u>	<u>1,101</u>	<u>(11,845)</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 16. DEFERRED TAX – *continued*

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB644 million (2023: RMB596 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group has unused tax losses of approximately RMB5,032,000 (2023: RMB4,536,000) available for offset against future profits. No deferred tax asset has been recognised in respect of RMB5,032,000 in 2024 (2023: RMB4,536,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB3,361,000 (2023: RMB4,518,000) arising from Thailand with expiry dates in 2029 (2023: 2028) and approximately RMB1,671,000 (2023: RMB18,000) arising from PRC with expiry dates in 2029 (2023: 2028). A deferred tax asset has been recognised in respect of RMB10,499,000 of such losses which were tax losses arising from the PRC in 2023 and can be carried forward up to ten years from the year in which the loss was originated to offset future taxable profits in 2022.

### 17. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	95,863	126,765
Work in progress	9,085	14,692
Finished goods	169,788	138,512
	<u>274,736</u>	<u>279,969</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 18. TRADE RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	763,788	559,848
Less: allowance of impairment loss	<u>(32,588)</u>	<u>(20,941)</u>
Total trade receivables	<u><u>731,200</u></u>	<u><u>538,907</u></u>

As at 1 January 2023, trade receivables from contracts with customers amounted to RMB340,064,000.

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

	2024 RMB'000	2023 RMB'000
0 – 60 days	338,922	174,888
61 – 180 days	167,848	162,462
181 days – 1 year	58,403	164,298
Over 1 year	<u>166,027</u>	<u>37,259</u>
	<u><u>731,200</u></u>	<u><u>538,907</u></u>

The Group did not hold any collateral over these balances.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 18. TRADE RECEIVABLES – *continued*

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

Internal credit rating	Description	Trade receivables/ contract assets
Group A	The counterparty has a low risk of default based on historical repayment records and does not have any past-due amounts	Lifetime ECL – not credit-impaired
Group B	The counterparty usually settles within 50 days after due dates	Lifetime ECL – not credit-impaired
Group C	There have been significant increases in credit risk since initial recognition through information developed internally or external resources or the counterparty delays its payment after 50 days after due dates	Lifetime ECL - not credit-impaired
Group D	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired
Group E	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 18. TRADE RECEIVABLES – *continued*

The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on provision matrix within lifetime ECL (not credit-impaired).

Trade receivables with significant outstanding balances or credit-impaired with gross carrying amounts of RMB69,767,000 and RMB581,000 respectively as at 31 December 2024 (2023: RMBNil and RMB525,000) were assessed individually. Contract assets with significant outstanding balances with gross carrying amounts of RMB13,279,000 as at 31 December 2024 (2023: RMBNil) were assessed individually. The estimated loss rates of trade receivables with significant outstanding balances or credit-impaired are 2.46% and 100.00% (2023: Nil and 100.00%), the allowance for impairment losses are RMB1,716,000 and RMB581,000 (2023: Nil and RMB525,000) respectively. The estimated loss rate of contract assets with significant outstanding balances is 2.46% (2023: Nil) and allowance for impairment loss is RMB327,000 (2023: Nil).

Internal credit rating	Average loss rate		As at 31 December 2024		As at 31 December 2023	
			Gross carrying amounts of trade receivables	Gross carrying amounts of contract assets	Gross carrying amounts of trade receivables	Gross carrying amounts of contract assets
			RMB'000	RMB'000	RMB'000	RMB'000
Group A	0.185%	0.100%	406,330	6,433	318,965	13,629
Group B	4.538%	4.038%	180,164	2,924	167,232	1,241
Group C	19.909%	18.660%	106,946	9,916	73,126	7,381
			<u>693,440</u>	<u>19,273</u>	<u>559,323</u>	<u>22,251</u>

The estimated loss rates are estimated on historical credit loss experiences over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The contract assets have the same risk characteristics as the trade receivables for the same type of contracts would apply the same internal credit rating and loss rate. The grouping is regularly reviewed by management of the Group to ensure relevant information about specific debtors and contract assets is updated.

As at 31 December 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB136,495,000 (2023: RMB75,965,000) which are past due as at the reporting date. Out of the past due balances, RMB67,325,000 (2023: RMB38,949,000) has been past due 50 days or more and is not considered credit impaired. With reference to the historical records, past experience and also available reasonable and supportive forward-looking information to those customers, management of the Group does not consider these receivables as credit-impaired as these customers have a good business relationship and satisfactory settlement history.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 18. TRADE RECEIVABLES – *continued*

Movement in the allowance for impairment loss of trade receivables and contract assets:

	Trade receivables under lifetime ECL (not credit- impaired) RMB'000	Trade receivables under lifetime ECL (credit- impaired) RMB'000	Contract assets under lifetime ECL (not credit- impaired) RMB'000
As at 1 January 2023	15,549	485	1,211
Changes due to financial instruments recognised as at 1 January:			
– Transfer to credit-impaired	(40)	40	–
– Impairment recognised	–	–	–
– Impairment reversed	(10,825)	–	(516)
New financial assets originated	15,732	–	746
As at 31 December 2023	20,416	525	1,441
Changes due to financial instruments recognised as at 1 January:			
– Transfer to credit-impaired	(56)	56	–
– Impairment recognised	–	–	(812)
– Impairment reversed	811	–	–
New financial assets originated	10,836	–	1,816
As at 31 December 2024	32,007	581	2,445

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 19. TRADE RECEIVABLES BACKED BY BILLS

	2024 RMB'000	2023 RMB'000
Trade receivables backed by bills	<u>75,450</u>	<u>11,150</u>

For customers who used bank bills or commercial 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.

	2024 RMB'000	2023 RMB'000
0 – 180 days	69,431	10,565
181 days – 1 year	<u>6,019</u>	<u>585</u>
	<u>75,450</u>	<u>11,150</u>

As at 31 December 2024, the Group has no pledged trade receivables backed by bills to secure general banking facilities granted to the Group.

#### Impairment assessment on trade receivables backed by bills subject to ECL model

The Group assessed the trade receivables backed by bills on lifetime ECL basis. Management of the Group believes that those bills are issued by the banks with high credit ratings assigned by international credit-rating agencies, and the settlement parties of commercial bills are reputable or state-owned enterprise with high credit ratings. The Group considers that the risk of default over trade receivables backed by bills is regarded as low and lifetime ECL is insignificant at the end of the reporting period.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 20. TRANSFERS OF FINANCIAL ASSETS

#### Transfers financial assets that are not derecognised in their entirety

The following were the trade receivables backed by bills as at the end of the report period that were transferred to suppliers by endorsing these trade receivables backed by bills on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these trade receivables backed by bills, it continues to recognise the full carrying amount of the trade receivables backed by bills and the payables to suppliers. These financial assets are carried at amortised cost in the consolidated statement of financial position.

	2024 RMB'000	2023 RMB'000
Carrying amount of transferred assets	—	2,528
Carrying amount of associated liabilities	—	(2,528)
	<hr/>	<hr/>
Net position	—	—
	<hr/> <hr/>	<hr/> <hr/>

All the trade receivables backed by bills transferred to suppliers of the Group have a maturity date of less than one year from the end of the reporting period.

#### Transferred financial assets that are derecognised in their entirety but have continuing involvement

As of 31 December 2024, the Group have derecognised bills discounted to the banks or endorsed to certain suppliers but not expired amounting to RMB519,206,000 (2023: RMB16,991,000). These bills are issued or guaranteed by reputable PRC banks with high credit ratings, therefore the Directors of the Company consider the substantial risks in relation to these bills are interest risk as the credit risk arising from these bills are minimal, the Group has transferred substantially all the risks (i.e. interest risks) of these bills to relevant banks or suppliers. However, if the bills cannot be accepted at maturity, the relevant banks or suppliers have the right to require the Group to pay off the outstanding balance. Therefore, the Group continue its involvement in them.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 21. CONTRACT ASSETS

	2024 RMB'000	2023 RMB'000
Retention receivables on sales of pipe products	32,552	22,251
Less: allowance for impairment loss	(2,445)	(1,441)
	<u>30,107</u>	<u>20,810</u>

As at 1 January 2023, contract assets amounted to RMB26,907,000.

The contract assets primarily relate to the Group's right to consideration for work completed and not billed under the relevant contracts, and their rights are conditioned on the factors other than passage of time. The contract assets are transferred to trade receivables when the such rights become unconditional other than passage of time.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

The Group typically agrees to a retention period ranging from 6 to 24 months for 5% or 10% of the contract value with certain customers in accordance with the terms specified in the relevant contracts.

The retention receivables, net of allowance for impairment loss to be settled, based on the completion of defect liability period, at the end of the reporting period as follows:

	2024 RMB'000	2023 RMB'000
Within one year	22,220	10,550
Over one year	<u>7,887</u>	<u>10,260</u>
	<u>30,107</u>	<u>20,810</u>

Details of the impairment assessment on contract assets subject to ECL model disclosed in notes 18 and 39.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Advance payment for materials	180,613	137,866
Other tax recoverable	8,439	4,062
Tendering deposit	6,936	3,049
Prepayments	731	556
Other receivables	541	1,081
	<u>197,260</u>	<u>146,614</u>

#### Impairment assessment on deposits and other receivables subject to ECL model

Management of the Group measures the loss allowance equal to 12-month ECL on deposits and other receivables based on historical settlement records, past experience and also available reasonable and supportive forward-looking information. Management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of deposits and other receivables. ECL on deposits and other receivables is insignificant as the exposure of deposits and other receivables is insignificant and thus no loss allowance is recognised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 23. 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 are as follows:

	2024 RMB'000	2023 RMB'000
Jinan Kede Intelligent Technology Co., Ltd. 濟南科德智能科技有限公司 (“Kede Intelligent”) (note)	1,164	7,262
Meide Group Linyi Co., Ltd. 玫德集團臨沂有限公司 (“Linyi Meide”) (note)	4,193	5,822
Meide Group Co., Ltd. 玫德集團有限公司 (“Meide”)	4,752	3,441
Meide Archung (JiNan) Tube Co., Ltd. 玫德雅昌(濟南)管業有限公司 (“Meide Archung (Jinan)”) (note)	16	523
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)	107	501
Meide Archung (HeBi) Tube Co., Ltd. 玫德雅昌(鶴壁)管業有限公司 (“Meide Archung”) (note)	227	90
Jinan Mech Valve Technology Co., Ltd. 濟南邁克閥門科技有限公司 (“Mech Valve”) (note)	1,782	69
Meide Ayvaz Metal Products Co., Ltd. 玫德艾瓦茲(濟南)金屬制品有限公司 (“Ayvaz Metal”) (note)	1,255	37
Jinan Mech Crafts Co., Ltd. 濟南邁克工藝品有限公司 (“Mech Crafts”) (note)	34	8
Shandong Chenhui Electronic Technology Co., Ltd. 山東晨暉電子科技有限公司 (“Chenhui Electronic”) (note)	–	1
Meide Archung Group Co. Ltd. 玫德雅昌集團有限公司 (“Meide Archung Group”) (note)	7	–
Meide Group Weihai Co., Ltd. 玫德集團威海有限公司 (“Meide Weihai”) (note)	6	–
Meide (Hubei) Sales Co., Ltd. 玫德(湖北)銷售有限公司 (“Meide (Hubei)”) (note)	203	–
Meide Archung (Deqing) Pipe Co., Ltd. 玫德雅昌(德慶)管業有限公司 (“Meide Archung (Deqing)”) (note)	2	–
Shandong Derun storage equipment Co., Ltd. 山東德潤倉儲設備有限公司 (“Shandong Derun”) (note)	36	–
Siam Fittings Co., Ltd. 泰鋼管配件有限公司 (“Siam Fittings”) (note)	1,092	–
Meide (Shandong) New Energy Co., Ltd. 玫德(山東)新能源有限公司 (“Meide New Energy”) (note)	507	–
	<u>15,383</u>	<u>17,754</u>

Note: Subsidiaries of Meide.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 23. 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.

	2024 RMB'000	2023 RMB'000
0 – 60 days	8,893	13,337
61 – 180 days	2,817	3,023
181 – 360 days	529	381
Over 1 year	3,144	1,013
	<u>15,383</u>	<u>17,754</u>

As at 31 December 2024, included in the Group's amounts due from related parties balance are debtors with aggregate carrying amount of RMB3,673,000 (2023: RMB1,394,000) which are past due as at the reporting date. The Group did not hold any collateral over these balances.

#### Impairment assessment on amounts due from related parties subject to ECL model

The Group assessed the amounts due from related parties on simplified ECL basis. Management of the Group considers the risk of default by counterparty is insignificant based on the exposure of amounts due from related parties at the end of the reporting period, their understanding on the financial position, continuous settlement record of the counterparty and forward-looking information (such as current and forecasted economic growth rates in the PRC, which reflect the general economic conditions of the steel industry) that is available without undue cost or effort and thus the ECL on the balance is insignificant.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

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

#### Amounts due to related parties

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

	2024 RMB'000	2023 RMB'000
Siam Fittings (note)	1,087	866
Meide Archung	43	810
Meide New Energy	981	331
Meide	2,697	171
Intercom Technology (Shandong) Co. 信通科技(山東)有限公司 (“Information Technology”) (note)	99	125
Meide Archung (Jinan)	–	78
Mech Valve	295	77
Chenhui Electronic	12	28
Kede Intelligent	856	–
Linyi Meide Gengchen	3	–
Meide Archung Group	2	–
	<u>6,075</u>	<u>2,486</u>

Note: Subsidiary of Meide.

The credit period on purchases of goods is 180 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:

	2024 RMB'000	2023 RMB'000
0 – 60 days	4,364	1,545
61 – 180 days	1,395	941
Over 180 days	316	–
	<u>6,075</u>	<u>2,486</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 24. DERIVATIVE FINANCIAL INSTRUMENTS

	2024 RMB'000	2023 RMB'000
Foreign currency forward contracts (Note i)	186	–
Commodity derivative contracts (Note ii)	<u>–</u>	<u>22</u>

Notes:

- i. During the year ended 31 December 2024, the Group entered into US\$ to RMB net-settled foreign currency forward contracts with banks in the PRC in order to manage the Group's currency risk. The notional principal amounts are US\$2,000,000 in aggregate. The future rates for conversion of US\$ to RMB are ranged from 7.2598 to 7.1147. The duration of these foreign currency forward contracts was ranged from one month to one year.
- ii. During the year ended 31 December 2023, the net-settled commodity derivative contract was entered into by the Group through Shanghai Futures Exchange for the purpose of reducing its exposure to commodity price risk. The commodity derivative contract was not accounted for under hedge accounting.

Major terms of the commodity derivative contracts outstanding as at 31 December 2023 were set out below:

Contract price	Standard trading unit	Total unit	Maturity date
Steel commodity derivative contract: Selling at price of RMB4,056 per ton	10 tons	40	May 2024

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 25. CASH AND CASH EQUIVALENTS, PLEDGED BANK DEPOSITS AND TIME DEPOSITS

	2024 RMB'000	2023 RMB'000
Pledged bank deposits (note i)	246,867	172,775
Cash and cash equivalents (note ii)	77,294	71,943
Time deposits (note iii)	13,821	18,483
	<u>337,982</u>	<u>263,201</u>

Notes:

- (i) Pledged bank deposits represented bank deposits pledged to banks to secure short-term banking facilities granted to the Group. The pledged deposits carried interest at prevailing market rate of an average interest rate is 1.33% (2023: 1.42%) per annum.
- (ii) Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with original maturities of three months or less. Short-term bank deposits are made for various periods ranging from 1 to 3 months depending on the immediate cash requirements of the Group. The cash and cash equivalents carried interest at prevailing market rate which range from 0.1% to 2.35% (2023: 0.2% to 2.15%) per annum.
- (iii) As at 31 December 2024, time deposits represented bank deposits with maturity over three months and, it carried the fixed interest rate ranging from 1.5% to 5.0% (2023: 4.7% to 7.1%) per annum.

### 26. TRADE AND BILL PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables	156,343	67,094
Bill payables	469,367	348,139
	<u>625,710</u>	<u>415,233</u>

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

	2024 RMB'000	2023 RMB'000
0 – 180 days	<u>469,367</u>	<u>348,139</u>

As at 31 December 2024, the balance of the bills payable which issued by the Group to the companies in the Group and the companies discounted the bills payable before maturity is RMB387,386,000 (2023: RMB300,648,000).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 26. 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:

	2024 RMB'000	2023 RMB'000
0 – 30 days	125,727	25,698
31 – 60 days	6,236	6,528
61 – 120 days	6,983	13,069
121 – 180 days	1,208	2,765
181 – 360 days	1,118	6,576
Over 360 days	15,071	12,458
	<u>156,343</u>	<u>67,094</u>

### 27. CONTRACT LIABILITIES

The amounts consist of advance payments from customers for goods. The amounts of contract liabilities as at 1 January 2023 and 31 December 2023, which are RMB41,809,000, and RMB60,822,000, were recognised as revenue during the years ended 31 December 2023 and 2024.

### 28. REFUND LIABILITIES

	2024 RMB'000	2023 RMB'000
Arising from retrospective volume rebates to customers	<u>5,562</u>	<u>5,281</u>

The refund liability relates to volume rebates to the customers and a corresponding adjustment to revenue is recognised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 29. OTHER PAYABLES AND ACCRUED CHARGES

	2024 RMB'000	2023 RMB'000
Staff costs payable	17,696	22,116
Other tax payable	12,659	16,482
Transportation cost payable	4,856	2,491
Deposits received from suppliers	4,491	5,722
Guarantee receipts from staff on trade receivables (note)	4,584	4,801
Accrued charges	31,716	28,951
Agency fee payable	14,128	4,063
	<u>90,130</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, which is interest bearing at a fixed rate of 3.2% per annum, and will be settled on a monthly basis. Once the trade receivables are considered non-recoverable, the related guarantee receipts from sales staff would not be payable to sales staff accordingly.

### 30. BORROWINGS

	2024 RMB'000	2023 RMB'000
Secured bank borrowings (note)	<u>69,127</u>	<u>38,362</u>
Carrying amounts of borrowings:		
– repayable within one year	<u>69,127</u>	<u>38,362</u>

Note: As at 31 December 2024, the secured bank borrowings amounting RMB69,127,000 (2023: RMB38,362,000), carried fixed interest rate ranging from 2.5% to 3.45% (2023: 2.5% to 3.45%) per annum.

Details of assets pledged by the Group at the end of each reporting period are set out in note 36.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 31. LEASE LIABILITIES

	2024 RMB'000	2023 RMB'000
Lease liabilities payable:		
– within one year	1,143	1,528
– more than one year but not exceeding two years	967	1,011
– more than two years but not exceeding five years	1,056	2,057
	<u>3,166</u>	<u>4,596</u>
Less: Amount due for settlement with 12 months shown under current liabilities	<u>(1,143)</u>	<u>(1,528)</u>
Amounts due for settlement after 12 months shown under non-current liabilities	<u>2,023</u>	<u>3,068</u>

The Group leased a property to operate its factory and the lease liabilities were measured at the present value of the lease payments that are not yet paid. The lease liabilities were secured by rental deposit of RMB179,000 (2023: RMB268,000).

The weighted average incremental borrowing rates applied to lease liabilities is 4.30% (2023: 4.30%).

### 32. DEFERRED INCOME

	2024 RMB'000	2023 RMB'000
Government grants related to relevant assets	10,515	11,976
Less: Current portion	<u>1,466</u>	<u>1,440</u>
Non-current portion	<u>9,049</u>	<u>10,536</u>

The deferred income represent government grants related to relevant assets towards the cost of construction of the Group's electronic plant. The amount is transferred to income over the useful lives of the relevant assets. As at 31 December 2024, an amount of RMB10,515,000 remains to be amortised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 33. SHARE CAPITAL

The share capital as at 31 December 2024 represented the issued share capital of the Company.

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

	Number of shares	Amount US\$	US\$'000	RMB equivalent amount RMB'000
Ordinary Shares of US\$0.0001 each				
Authorised:				
At 1 January 2023, 31 December 2023 and 31 December 2024	<u>500,000,000</u>	<u>50,000</u>	<u>50</u>	<u>335</u>
Issued and fully paid:				
At 1 January 2023, 31 December 2023 and 31 December 2024	<u>433,800,000</u>	<u>43,380</u>	<u>43</u>	<u>304</u>

### 34. RETIREMENT BENEFITS SCHEME

The employees of the Group are members of a state-managed retirement benefits scheme operated by the local government. The Group is required to contribute a certain percentage of their payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The contributions to the retirement benefits scheme of the Group during the year are disclosed in notes 7 and 11, respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 35. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions with its related parties during the year ended 31 December 2024 and 2023:

Name of related companies	Nature of transactions	2024 RMB'000	2023 RMB'000
Meide	Sales of pipe products	26,012	18,355
	Sales of scrap materials	12,188	15,242
	Purchase of inventories	3,640	2,244
Linyi Meide Gengchen	Sales of pipe products	233	680
	Purchase of inventories	3	–
Linyi Meide	Sales of pipe products	861	4,774
	Sales of scrap materials	–	24
	Purchase of inventories	7	388
Meiyuan Renewable Resource Co., Ltd. 山東玖源再生資源有限公司 (note i)	Sales of pipe products	1	–
Mech Valve	Sales of pipe products	5,497	386
	Sales of scrap materials	458	–
	Sales of property, plant and equipment	256	–
	Purchase of inventories	1,234	1,019
Mech Crafts	Sales of pipe products	24	62
	Purchase of inventories	17	1,172
Kede Intelligent	Sales of pipe products	713	538
	Purchase of inventories	11,371	8,797
	Purchase of property, plant and equipment	23,095	–
Meide Weihai	Sales of pipe products	256	289
	Sales of scrap materials	182	–
	Purchase of inventories	–	276
Meide New Energy	Purchase of electricity	5,351	1,416
	Sales of pipe products	572	261

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

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

Name of related companies	Nature of transactions	2024 RMB'000	2023 RMB'000
Meide Archung	Sales of pipe products	779	1,968
	Purchase of inventories	1,905	5
Meide Archung Group	Purchase of inventories	7	431
	Sales of pipe products	18	7
Meide Archung (Jinan)	Sales of pipe products	680	2,740
	Purchase of inventories	15	–
Information Technology	Sales of pipe products	26	–
	Purchase of inventories	366	22
Chenhui Electronic	Sales of pipe products	49	62
	Purchase of inventories	7	54
Ayvaz Metal	Sales of pipe products	1,133	74
	Purchase of inventories	51	54
Siam Fittings	Purchase of inventories	2,289	–
	Sales of pipe products	1,038	1,173
Meide Archung (Deqing)	Sales of pipe products	11	–
Meide (Henan) Sales Co., Ltd. 玫德(河南)銷售有限公司 (note i)	Purchase of inventories	1,000	–
Meide (Hubei)	Purchase of inventories	227	–
Meide (Sichuan) Trading Co., Ltd. 玫德(四川)貿易有限公司 (note i)	Purchase of inventories	36	–
Meide (Shanxi) Sales Co., Ltd. 玫德(山西)銷售有限公司 (note i)	Purchase of inventories	13	–
Shandong Derun	Sales of pipe products	32	–

Note:

i. Subsidiary of Meide.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

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

The above transactions were transacted at prices agreed between the parties.

#### Compensation of key management personnel

During the year ended 31 December 2024, the remuneration of directors of the Company and other members of key management were as follows:

	2024 RMB'000	2023 RMB'000
Salaries and other benefits	2,458	3,210
Discretionary bonus	3,289	5,023
Contributions to retirement benefits schemes	248	341
	<u>5,995</u>	<u>8,574</u>

### 36. 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.

	2024 RMB'000	2023 RMB'000
Property, plant and equipment	46,482	50,470
Right-of-use assets	38,857	39,841
Pledged bank deposits	246,867	172,775
	<u>332,206</u>	<u>263,086</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 37. CAPITAL COMMITMENTS

	2024 RMB'000	2023 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	<u>7,445</u>	<u>3,806</u>

### 38. CAPITAL RISK MANAGEMENT

Management of the Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debt balance, which includes borrowings and lease liabilities as disclosed in notes 30 and 31 respectively, and equity balance. Equity balance consists of equity attributable to owners of the Group, comprising share capital and reserves.

Management of the Group reviews the capital structure on an on-going annual basis. As part of this review, management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of management of the Group, the Group will balance its overall capital structure through the payment of dividends, new issue of share as well as the issue of new debt.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 39. FINANCIAL INSTRUMENTS

#### (a) Categories of financial instruments

	2024 RMB'000	2023 RMB'000
<b>Financial assets</b>		
Financial assets at FVTPL		
– Foreign currency forward contracts	–	–
– Commodity derivative contracts	–	–
Financial assets at amortised cost	1,167,492	835,142
<b>Financial liabilities</b>		
Amortised cost	766,249	507,390
<b>Derivative financial instruments</b>	186	22
<b>Lease liabilities</b>	3,166	4,596

#### (b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, trade receivables backed by bills, deposits and other receivables, pledged bank deposits, time deposits, cash and cash equivalents, amounts due from related parties/to related parties, trade and bill payables, other payables and accrued charges, refund liabilities, borrowings and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

##### *Market risk*

##### *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings and lease liabilities (notes 30 and 31). The Group is also exposed to cash flow interest rate risk in relation to its pledged bank deposits and cash and cash equivalents and time deposits (note 25).

The Group currently does not have interest rate hedging policy. However, management of the Group closely monitors its exposure to future cash flow interest rate risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 39. FINANCIAL INSTRUMENTS – *continued*

#### (b) Financial risk management objectives and policies – *continued*

##### *Market risk – continued*

##### *Interest rate risk – continued*

##### Sensitivity analysis

No sensitivity analysis below is presented as management of the Group considers that the interest rate fluctuation for pledged bank deposits and bank balances and time deposits is not significant.

##### *Foreign currency risk*

Certain cash and cash equivalents, other receivables, trade receivables and trade payables are denominated in US\$ and HK\$, the currency other than the functional currency of the respective group entities, at end of each reporting period.

The Group currently does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's US\$ and HK\$ denominated monetary assets and monetary liabilities at the end of the reporting period as follows:

	2024		2023	
	US\$ RMB'000	HK\$ RMB'000	US\$ RMB'000	HK\$ RMB'000
Cash and cash equivalents	15,527	2	44,192	3
Other receivables	303	91	824	92
Trade receivables	132,535	–	110,991	–
Trade payables	499	–	238	–

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 39. FINANCIAL INSTRUMENTS – *continued*

#### (b) Financial risk management objectives and policies – *continued*

##### *Market risk – continued*

##### *Foreign currency risk – continued*

##### Sensitivity analysis

Sensitivity analysis of strengthening 5% (2023: 5%) in functional currency of the Group (i.e. RMB) against US\$ resulted a decrease in post-tax profit of RMB6,297,000 (2023: RMB6,656,000). For a 5% weakening of RMB against US\$, there would be an equal and opposite impact on the results.

5% is the sensitivity rate used and represents management's assessment of the reasonably possible change in foreign exchange rates.

No sensitivity analysis is presented as the impact for HK\$ denominated assets is insignificant.

##### *Credit risk and impairment assessment*

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of each reporting period. The Group does not have any collateral or other credit enhancements to cover its credit risks associated with financial assets.

Trade receivables and contract assets arising from contracts with customers

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group has applied the simplified approach to measure the loss allowance on trade receivables and contract assets at lifetime ECL as disclosed in notes 18 and 21 based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

At 31 December 2024, the Group had a concentration of credit risk as the largest customer and the top five trade debtors accounted for approximately 9.59% and 27.48% (2023: 30.33% and 42.55%) of its total trade receivables. Management of the Group regularly visits these customers to understand their business operations and cash flows position and follows up the subsequent settlement from the counterparties. In this regard, management of the Group considers that this credit concentration risk has been significantly mitigated.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 39. FINANCIAL INSTRUMENTS – *continued*

#### (b) Financial risk management objectives and policies – *continued*

##### *Credit risk and impairment assessment – continued*

###### Trade receivables backed by bills

The credit risk on trade receivables backed by bills are limited as those bills are issued by banks with high credit ratings assigned by international credit-rating agencies or the settlement parties of commercial bills are reputable or state-owned enterprise with high credit ratings, and no history of default in the past, thus no loss allowance provision for bills was recognised.

###### Deposits and other receivables

For deposits and other receivables, management of the Group makes periodic collective assessment on the recoverability of deposits and other receivables based on historical settlement records and past experience. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of deposits and other receivables. The Group recognises the 12-month ECL on deposits and other receivables, and there was no significant increase in credit risk on other receivables.

###### Pledged bank deposits/time deposits/cash and cash equivalents

There is concentration of credit risk on pledged bank deposits/time deposits and cash and cash equivalents for the Group as at 31 December 2024. The credit risk on liquid funds is limited because the majority of counterparties are banks with high credit-ratings assigned by international credit-rating agencies and 12-month ECL is insignificant.

###### Amounts due from related parties

The Group regularly monitors the business performance of the related parties. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities. The management believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL. For the years ended 31 December 2024 and 2023, the Group assessed the ECL for amounts due from related parties are insignificant and thus no loss allowance is recognized.

##### *Liquidity risk*

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance its operations and mitigates the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 39. FINANCIAL INSTRUMENTS – *continued*

#### (b) Financial risk management objectives and policies – *continued*

##### *Liquidity risk – continued*

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rates, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Effective interest rate %	On demand RMB'000	1-3 months RMB'000	4-12 months RMB'000	1-5 years RMB'000	Total undiscounted cash flow RMB'000	Total carrying amount RMB'000
<b>As at 31 December 2024</b>							
<b>Non-derivative financial liabilities and lease liabilities</b>							
Trade and bill payables	N/A	625,710	-	-	-	625,710	625,710
Refund liabilities	N/A	5,562	-	-	-	5,562	5,562
Other payables and accrued charges	N/A	59,775	-	-	-	59,775	59,775
Amounts due to related parties	N/A	6,075	-	-	-	6,075	6,075
Fixed-rate bank borrowings	2.99	-	23,065	46,680	-	69,745	69,127
Lease liabilities	4.30	-	272	949	3,277	4,498	3,166
		<u>697,122</u>	<u>23,337</u>	<u>47,629</u>	<u>3,277</u>	<u>771,365</u>	<u>769,415</u>
Derivative financial liabilities		<u>186</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>186</u>	<u>186</u>
<b>As at 31 December 2023</b>							
<b>Non-derivative financial liabilities and lease liabilities</b>							
Trade and bill payables	N/A	415,233	-	-	-	415,233	415,233
Refund liabilities	N/A	5,281	-	-	-	5,281	5,281
Other payables and accrued charges	N/A	46,028	-	-	-	46,028	46,028
Amounts due to related parties	N/A	2,486	-	-	-	2,486	2,486
Fixed-rate bank borrowings	2.99	-	8,918	29,994	-	38,912	38,362
Lease liabilities	4.30	-	621	949	3,407	4,977	4,596
		<u>469,028</u>	<u>9,539</u>	<u>30,943</u>	<u>3,407</u>	<u>512,917</u>	<u>511,986</u>
Derivative financial liabilities		<u>22</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22</u>	<u>22</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 39. FINANCIAL INSTRUMENTS – *continued*

#### (c) Fair value measurement

The following provides information about how the Group determines fair value of various financial liabilities.

*Fair value measurement of the Group's financial liabilities that are measured at fair value on a recurring basis*

Some of the Group's financial liabilities are measured at fair values at the end of each reporting period. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial liabilities	Fair value as at 31.12.2024	Fair value 31.12.2023	Fair value hierarchy	Valuation techniques and key inputs
Commodity derivative contracts at FVTPL	–	RMB22,000	Level 2	Quoted bid prices in an Shanghai Futures Exchange
Foreign currency forward contracts at FVTPL	RMB186,000	–	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The management of the Group considers that the carrying amounts of the financial assets and financial liabilities of the Group recorded at amortised cost in the consolidated financial statements at the end of each reporting period approximate their fair values.

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 40. MOVEMENT ON GROUP'S LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payables RMB'000	Bills payable RMB'000	Lease liabilities RMB'000	Borrowings RMB'000	Total
At 1 January 2023	–	–	7,449	75,946	83,395
Interest expenses	–	3,128	140	3,422	6,690
Financing cash flows	(39,311)	297,520	(2,658)	(41,006)	214,545
Dividends declared	39,311	–	–	–	39,311
Lease modified	–	–	(1,090)	–	(1,090)
New leases entered	–	–	755	–	755
At 31 December 2023	–	300,648	4,596	38,362	343,606
Interest expenses	–	5,403	164	2,737	8,304
Financing cash flows	(47,314)	343,182	(1,594)	28,028	322,302
Dividends declared	47,314	–	–	–	47,314
New leases entered	–	–	–	–	–
At 31 December 2024	<u>–</u>	<u>649,233</u>	<u>3,166</u>	<u>69,127</u>	<u>721,526</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 41. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at the date of this report are as follows:

Name of subsidiaries	Place and the date of incorporation/ establishment	Place of operation	Issued and fully paid capital/ registered capital	Shareholding/ equity interest attributable to owners of the Company at 31 December		Principal activities
				2024	2023	
Directly held:						
Guan Dao Investments Limited	BVI 3 January 2019	BVI	US\$1	100%	100%	Investment holding
Indirectly held:						
Jinan Mech	PRC 21 May 2013	PRC	RMB401,700,000	100%	100%	Manufacturing and sales of steel pipe, pipe nipples and prefabricated steel pipes
Jinan Ma Steel	PRC 13 October 2001	PRC	RMB400,000,000	100%	100%	Manufacturing and sales of steel pipe, pipe nipples and prefabricated steel pipes
Tube Industry	Hong Kong 23 January 2019	Hong Kong	HK\$10,000	100%	100%	Investment holding
Viet Nam Piping	Vietnam 7 January 2019	Vietnam	US\$2,000,000	100%	100%	Manufacturing and sales of steel pipe, pipe nipples and prefabricated steel pipes
Shandong Mech Supply Chain Management Co., Ltd.	PRC 1 September 2020	PRC	RMB3,000,000	100%	100%	Trading steel coils
Shandong Maiké Smart Technology Limited	PRC 25 December 2020	PRC	RMB45,000,000	100%	100%	Project construction
Delta Electric (Thailand)	Thailand 13 January 2021	Thailand	THB181,928,000	85%	85%	Manufacturing and sales of pipe nipples and prefabricated steel pipes
Jinan Mech Economic and Trade Co., Ltd	PRC 20 January 2022	PRC	RMB3,000,000	100%	100%	Warehouse handling service
Weihai Mech Pipe Manufacturing Co., Ltd.	PRC 15 March 2023	PRC	RMB1,000,000	100%	100%	Sales of spiral steel pipes
Yongqing Keqi Trading Co., Ltd.	PRC 21 June 2023	PRC	RMB500,000	100%	100%	Trading company
Viet Nam Fittings	Vietnam 1 January 2024	Vietnam	US\$4,000,000	100%	N/A	Manufacturing and sales of steel pipe, pipe nipples and prefabricated steel pipes

None of the subsidiaries had issued any debt securities at the end of the year.

Note: All of the PRC subsidiaries are companies registered as limited liability companies under the PRC law, except for Jinan Mech which is registered as a wholly-foreign owned enterprise with limited liability under the PRC law.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 42. EVENTS AFTER THE REPORTING PERIOD

On 30 December 2024, Jinan Mech and Meide entered into the equity transfer agreement, pursuant to which Jinan Mech has conditionally agreed to sell, and Meide has conditionally agreed to acquire the entire equity interest in Shandong Maike Smart Technology Limited, a direct wholly-owned subsidiary of Jinan Mech, at the total consideration of RMB45,000,000 (the “Disposal”). The Disposal constitutes a discloseable and connected transaction of the Company. As at 31 December 2024 and the date of approval of these consolidated financial statements, the Disposal is yet to complete.

### 43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2024 RMB'000	2023 RMB'000
<b>Non-current asset</b>		
Investment in a subsidiary	189,737	189,737
<b>Current asset</b>		
Cash and cash equivalents	641	209
	641	209
<b>Current liability</b>		
Amount due to a subsidiary	24,321	24,321
	24,321	24,321
<b>Net current liability</b>	(23,680)	(24,112)
<b>Net assets</b>	166,057	165,625
<b>Capital and reserves</b>		
Share capital	304	304
Reserves	165,753	165,321
<b>Total equity</b>	166,057	165,625

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – *continued*

#### Movement in the Company's reserves

	Share premium and other reserve RMB'000	Capital reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
At 31 December 2022	125,750	4,523	35,287	165,560
Profit and total comprehensive income for the year	–	–	39,072	39,072
Dividends recognised as distribution	(39,311)	–	–	(39,311)
At 31 December 2023	86,439	4,523	74,359	165,321
Profit and total comprehensive income for the year	–	–	47,746	47,746
Dividends recognised as distribution	(47,314)	–	–	(47,314)
At 31 December 2024	<u>39,125</u>	<u>4,523</u>	<u>122,105</u>	<u>165,753</u>

### 44. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2023, the Group entered into new lease agreements for the use of leased plants for 2-5 years. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of RMB755,000 and RMB755,000 respectively.

## SUMMARY FINANCIAL INFORMATION

A summary of the results and assets and liabilities of the Group for the last five financial years is as follows.

### RESULTS

	Year ended 31 December				
	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Revenue	<u>2,574,330</u>	<u>2,190,942</u>	<u>2,107,290</u>	<u>1,776,028</u>	<u>1,255,139</u>
Profit before taxation	170,839	173,326	153,251	130,134	104,224
Taxation charge	<u>(29,019)</u>	<u>(20,465)</u>	<u>(14,461)</u>	<u>(14,845)</u>	<u>(4,697)</u>
Profit for the year	<u>141,820</u>	<u>152,861</u>	<u>138,790</u>	<u>115,289</u>	<u>99,527</u>

### ASSETS AND LIABILITIES

	As at 31 December				
	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Total assets	2,134,163	1,695,301	1,282,453	1,228,336	998,645
Total liabilities	<u>(992,820)</u>	<u>(644,341)</u>	<u>(342,570)</u>	<u>(395,988)</u>	<u>(243,219)</u>
Net assets	<u>1,141,343</u>	<u>1,050,960</u>	<u>939,883</u>	<u>832,348</u>	<u>755,426</u>