



達力普控股有限公司
DALIPAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1921



2021

INTERIM REPORT

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Meng Fanyong (*Chairman*)
Mr. Zhang Hongyao (*Vice-chairman*)
Ms. Xu Wenhong
Mr. Meng Yuxiang
Ms. Gan Shuya
Mr. Yin Zhixiang

Independent Non-executive Directors

Mr. Guo Kaiqi
Mr. Wong Jovi Chi Wing
Mr. Cheng Haitao

Joint Company Secretaries

Ms. Wong Gianne (*F CPA (Australia), CB*)
Mr. Chow Calvin Cheuk Yin (*Solicitor of HKSAR*)

Authorised Representatives

Mr. Meng Fanyong
Ms. Wong Gianne

Audit Committee

Mr. Wong Jovi Chi Wing (*Chairman*)
Mr. Guo Kaiqi
Mr. Cheng Haitao

Nomination Committee

Mr. Meng Fanyong (*Chairman*)
Mr. Guo Kaiqi
Mr. Cheng Haitao

Remuneration Committee

Mr. Guo Kaiqi (*Chairman*)
Mr. Meng Yuxiang
Mr. Cheng Haitao

Corporate Governance Committee

Ms. Xu Wenhong (*Chairlady*)
Mr. Guo Kaiqi
Mr. Wong Jovi Chi Wing

Risk Management Committee

Ms. Xu Wenhong (*Chairlady*)
Mr. Guo Kaiqi
Mr. Cheng Haitao

Auditor

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with
the Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

Legal Advisers as to Hong Kong Laws

Chiu & Partners
40th Floor
Jardine House
1 Connaught Place
Hong Kong

Headquarters and Principal Place of Business in Hong Kong

Unit 02, 10th Floor
Beautiful Group Tower
77 Connaught Road Central
Hong Kong

Place of Business in the People's Republic of China (the "PRC")

No.1 Zhuangbei District
Nanshugang Road
Bohai New District
Cangzhou City
Hebei Province
The PRC

Registered Office

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Cayman Islands Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

Company's Website

www.dalipal.com

Stock Code

1921

Principal Bankers

Hong Kong

Bank of China (Hong Kong) Limited

The PRC

China Construction Bank Corporation Cangxian Branch
Bank of China Limited Cangzhou City Dongfeng Road Branch

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2021 (the “**Period**”), under the challenging operating environment due to the changes in the domestic and foreign economic situations, in view of the impact of the COVID-19 pandemic (the “**Pandemic**”) from time to time, Dalipal Holdings Limited (the “**Company**”) and its subsidiaries (together with the Company, “**the Group**”) have taken effective measures such as adopting flexible strategies to respond to market changes, expanding new products and new customers, and exploiting internal potential to increase production efficiency to improve its performance during the Period as compared with the corresponding period in the previous year. With the gradual control of the Pandemic, the rebound of international oil prices, and the strengthening of domestic energy policies to promote oil and gas exploration, development and investment, market demand and prices for oil country tubular goods (“**OCTG**”) have increased. The Group’s production operation has progressed towards resumption. The Group has been able to achieve an increase in revenue by approximately 52.2% for the Period as compared with the corresponding period of last year, and an increase in gross profit margin from approximately 7.3% in the corresponding period last year to approximately 9.6% for the Period. Although the Group has achieved a turnaround from loss recorded in the first half of the previous year to profit for the Period, the Group is yet to fully recover its performance to the level before the outbreak of the Pandemic, due to the challenging operating environment post-Pandemic and uncertain global economic environment which has increased the operating costs of the Group. Yet, the Group is gradually recovering and improving its overall performance and results to bring positive return to the Company’s shareholders. The Group recorded a net profit of approximately RMB17.4 million for the first half of the year as compared with a net loss of approximately RMB34.7 million for the corresponding period in 2020. The profit for the period attributable to equity shareholders of the company was approximately RMB17.4 million.

Set out below are the breakdowns of our revenue by products and geographic locations during the Period indicated:

	January to June 2021		January to June 2020		Change	
	Sales RMB million	Proportion of sales %	Sales RMB million	Proportion of sales %	Sales RMB million	Percentage %
OCTG	442.5	29.4%	535.9	54.2%	(93.4)	-17.4%
Other oil pipes	961.4	63.9%	211.1	21.3%	750.3	355.3%
Pipe billets	101.8	6.7%	242.4	24.5%	(140.6)	-58.0%
	1,505.7	100.0%	989.4	100.0%	516.3	52.2%

	January to June 2021		January to June 2020		Change	
	Sales RMB million	Proportion of sales %	Sales RMB million	Proportion of sales %	Sales RMB million	Percentage %
Domestic sales	1,365.6	90.7%	904.7	91.4%	460.9	50.9%
Overseas sales	140.1	9.3%	84.7	8.6%	55.4	65.4%
Total	1,505.7	100.0%	989.4	100.0%	516.3	52.2%

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the Group recorded a decrease of 17.4% in the revenue from OCTG to approximately RMB442.5 million (corresponding period of 2020: RMB535.9 million), an increase of 355.3% in the revenue from other oil pipes to approximately RMB961.4 million (corresponding period of 2020: RMB211.1 million), and a decrease of 58.0% in the revenue from pipe billets to approximately RMB101.8 million (corresponding period of 2020: RMB242.4 million).

The decrease in revenue from the sale of OCTG was mainly due to the change in customer investment settlement cycle that led to a decrease in sales volume by the Group during the Period; the increase in revenue from the sale of other oil pipes was mainly due to the increase in sale volume as a result of the increase in production capacity utilization after the impact of the COVID-19 pandemic has gradually diminished and the increase in market prices of other oil pipes; the decrease in revenue from the sale of pipe billets was mainly due to the increase in internal consumption of pipe billets for the production of other oil pipes by the Group and therefore a decrease in sales volume.

During the Period, the revenue from overseas sales of the Group increased by 65.4% to approximately RMB140.1 million (corresponding period of 2020: RMB84.7 million), mainly attributable to the increase of sales to new customers.

PROSPECTS

Facing the challenging business environment, the Group will continue to pay attention to the market conditions and adjust its business strategies based on the actual situation. Such strategies include but not limited to making necessary adjustments to product structure in accordance with market demand, securing new customers and developing new products to counter the risks of market changes, advancing the progress of intelligent informatization to reduce production and management costs, promoting technological improvement and technological innovation to tap production potential and enhance product competitiveness, expanding the supplier base of raw materials to ensure the Group is able to meet customers' demands, and improving the Group's cash management by expediting debtor settlements and negotiating with suppliers on extension of payment terms. The Group will continue to advance the progress of new plant construction, new customer acquisition and market expansion.

During the Period, as disclosed in the Company's announcements dated 24 May 2021 and 16 June 2021, the Group has been awarded the bids for China National Petroleum Corporation's annual centralized procurement bidding project ("**CNPC Project**") for OCTG (including American Petroleum Institute standard ("**API**") OCTG, non-API standard OCTG, and API standard other oil pipes), and for the entering into of framework agreements with China Petrochemical Corporation for procurement of the Group's API standard OCTG and other oil pipes ("**Sinopec Project**"). The award of bids to the Group in the CNPC Project and Sinopec Project reflect the Group's comprehensive strength in terms of professionalism, intelligence and service integration, as well as the influence of the Group's brand in the industry, which will also help the Group to provide customers with better products and services. In addition, flexible business strategies will further enhance the Group's market participation.

The Group expects that there will be no material changes to the future development of the Group's business, except for the continued impact of the Pandemic on the global economy.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group recorded a revenue of approximately RMB1,505.7 million for the Period, representing an increase of 52.2% as compared to approximately RMB989.4 million for the corresponding period in 2020. During the Period, the revenue from the sales of other oil pipes increased significantly, contributing to approximately 63.9% of the total revenue of the Group.

Cost of sales

The Group recorded cost of sales of approximately RMB1,360.5 million in total for the Period, representing an increase of 48.4% as compared to approximately RMB916.8 million for the corresponding period in 2020, mainly due to the increase in sales volume of the Group's products and the increase of price of raw material.

Gross profit and gross profit margin

	January to June 2021		January to June 2020	
	Gross profit RMB million	Gross profit margin %	Gross profit RMB million	Gross profit margin %
OCTG	84.4	19.1%	87.0	16.2%
Other oil pipes	63.2	6.6%	9.8	4.6%
Pipe billets	6.4	6.3%	13.3	5.5%

The total gross profit of the Group for the Period was approximately RMB145.2 million, representing an increase of 100% as compared to approximately RMB72.6 million in the first half of 2020. The Group's overall gross profit margin for the first half of the year was 9.6%, representing an increase of 2.3 percentage points from 7.3% in the same period in 2020.

Other income

The Group's other income, which mainly consists of government subsidies and others, for the Period was approximately RMB9.8 million, representing a decrease of approximately RMB0.5 million as compared to RMB10.3 million for the corresponding period in 2020.

Administrative expenses

The administrative expenses of the Group for the Period was approximately RMB49.3 million, representing a decrease of 24.4% as compared to approximately RMB65.2 million in the first half of 2020, mainly attribute to reversal of bad debt provision and reduction of intermediary service fee.

Finance costs

The finance costs of the Group during the Period was approximately RMB50.9 million, representing an increase of 5.5% as compared to approximately RMB48.2 million for the corresponding period in 2020, mainly due to the increase in discounting fees for bills acceptance.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax

During the Period, the Group's income tax expenses were approximately RMB2.7 million, and the income tax credit for the corresponding period in 2020 was approximately RMB18.8 million. The Group incurred income tax expenses due to turnaround from loss to profit for the Period, and reversed the income tax credit according to the applicable tax rate.

Profit/(loss) for the Period and EBITDA

The Group recorded a profit of approximately RMB17.4 million for the Period as compared with the loss of approximately RMB34.7 million recorded in the first half of 2020.

The Group's EBITDA for the Period increased by 149.2% from approximately RMB53.1 million in the first half of 2020 to approximately RMB132.3 million.

Inventories

The Group's inventory turnover days decreased from 78 days in the first half of 2020 to 76 days for the Period, which represents normal inventory level.

Profit/(loss) attributable to equity shareholders for the Period

The profit attributable to equity shareholders of the Company for the Period was approximately RMB17.4 million, as compared to the loss attributable to the shareholders of the Company of approximately RMB33.2 million recorded in the corresponding period of 2020.

Capital expenditure

During the Period, the Group invested approximately RMB29.9 million (corresponding period of 2020: approximately RMB23.1 million) in property, plant and equipment.

Liquidity, financial resources and capital structure

The Group has mainly financed its working capital and other cash requirements by net cash generated from operating activities and resorted to external financing including both long-term and short-term bank borrowings in case the projected operating cash flow is insufficient to meet the capital requirements.

As at 30 June 2021, cash at bank and on hand amounted to approximately RMB419.8 million in aggregate (31 December 2020: RMB416.2 million).

As at 30 June 2021, interest-bearing borrowings of the Group with fixed interest rate ranging from 3.850% to 6.175% amounted to approximately RMB2,139.0 million, and the remaining interest-bearing borrowings of the Group were charged with reference to floating interest rate. Of the total interest-bearing borrowings of the Group in the amount of RMB2,249.0 million, approximately RMB255.8 million were long-term borrowings and approximately RMB1,993.2 million were short-term borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

Debt to equity ratio, which is calculated by the net liabilities (interest-bearing borrowings net of cash at bank and on hand) divided by the total equity as at the respective year/period end and multiplied by 100%, was approximately 142.9% as at 30 June 2021, representing an increase of 23.6 percentage points as compared to approximately 119.3% at 31 December 2020, attributable to the increase in interest-bearing borrowings.

Current ratio, which is calculated based on the current assets divided by the current liabilities, was 0.9 as at 30 June 2021 which remained basically the same as at 31 December 2020.

Employees and remuneration policy

As at 30 June 2021, the Group had 1,476 employees (30 June 2020: 1,859 employees) in total, total staff costs amounted to approximately RMB83.7 million (corresponding period of 2020: RMB82.0 million).

The Group believes its success depends on its employees' provision of consistent, high quality and reliable services. In order to attract, retain and enrich the knowledge, skill level and qualifications of its employees, the Group places a strong emphasis on training for employees. In addition, the Group offers competitive remuneration packages, including basic salary and performance-based monthly and annual bonuses, and reviews the remuneration packages annually according to industry benchmark, financial results, as well as the performance of employees. The Company has also adopted the Pre-IPO Share Option Scheme (as defined below) and Post-IPO Share Option Scheme (as defined below) for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, who contribute to the success of the Group's operations.

Pledge of assets

As at 30 June 2021, the Group's property, plant and equipment with carrying amount of RMB1,142.5 million and other chattels with carrying amount of RMB570.9 million were pledged as collateral for the Group's bank borrowings.

Foreign exchange risk

A majority of the Group's businesses are operated in the PRC and are denominated in RMB. It is expected that the Group will not be subject to any materially adverse effects arising from exchange rate fluctuation, therefore the Group does not have any formal foreign currency hedging policy nor conducts any hedging exercise to reduce its foreign currency exposure. Nevertheless, the Group will closely monitor the financial market and would consider appropriate measures as and when necessary.

Significant investments held and material acquisitions and disposals

The Group did not hold any significant investments or have any material acquisitions or disposals during the Period.

Contingent liabilities

As at 30 June 2021, the Group had no contingent liabilities.

Dividends

The Directors do not recommend the payment of interim dividend for the Period.

OTHER INFORMATION

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING (“IPO”)

On 8 November 2019, the Company issued 300,000,000 new ordinary Shares of the Company (“Shares”) of HK\$0.10 each in connection with the listing of its Shares on the Stock Exchange (the “IPO”) at the final offer price of HK\$1.59. The net proceeds after deducting the underwriting commission and other expenses arising from the IPO were approximately HK\$426.3 million (approximately RMB383.7 million).

As stated in the prospectus of the Company dated 28 October 2019, the Company intended to use the proceeds (i) to fund the Phase Two Expansion; (ii) to strengthen the Group’s product research and development and innovation capabilities; (iii) to strengthen the Group’s relationships with key customers, expand the Group’s customer base and further expand the Group’s sales to overseas markets; and (iv) for general replenishment of working capital and other general corporate purpose.

On 10 June 2020, the Board resolved to allocate part of the unutilised net proceeds of the Phase Two Expansion for the repayment of certain existing interest-bearing borrowings of the Group (the “Reallocation”). For details of the Reallocation, please refer to the Company’s announcement dated 10 June 2020.

The following table sets forth the utilisation of the net proceeds from the IPO during the Period:

	Original planned use of net proceeds (RMB million)	Amount of Reallocation (RMB million)	Amount utilised during the Period (RMB million)	Unutilised proceeds as at 30 June 2021 (RMB million)
To fund the Phase Two Expansion	339.2	(200.0)	25.1	76.1
To strengthen the Group’s product research and development and innovation capabilities	9.2	–	Nil	5.5
To strengthen the Group’s relationships with key customers, enlarge the Group’s customer base and further expand the Group’s sales to overseas markets	7.7	–	Nil	2.9
For general replenishment of working capital and other general corporate purpose	27.6	–	Nil	20.0
For repayment of borrowings	–	200.0	Nil	–
	383.7	–	25.1	104.5

The unutilised net proceeds are kept in banks and approved financial institutions in Hong Kong and the PRC. As at the date of this report, the Company did not anticipate any further change to the above planned use of proceeds after the Reallocation. The remaining unutilised net proceeds as at 30 June 2021 are currently expected to be fully utilised on or before 30 June 2022.

OTHER INFORMATION

EVENTS AFTER THE PERIOD UNDER REVIEW

There was no significant event after the end of the Period up to the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold, or redeemed any of the Company's listed securities during the Period.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the provisions in the Corporate Governance Code (the "**CG Code**") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance, and has complied with all the code provisions as set out in the CG Code during the Period.

MODEL CODE SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules. Having made specific enquiries with each of the Directors, all Directors have confirmed to the Company that they have complied with the required standards set out in the Model Code during the Period.

REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "**Audit Committee**") has reviewed the Group's unaudited condensed consolidated interim financial information for the Period. Based on this review and based on discussions with the management, the Audit Committee was satisfied that the financial information was prepared in accordance with applicable accounting standards and fairly presented the Group's financial position and results for the Period.

BOARD COMMITTEES

Five Board Committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee, the Corporate Governance Committee and the Risk Management Committee, are established for them to oversee particular aspects of the Group under defined terms of reference. The terms of reference align with the CG Code and have been uploaded onto the websites of the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

OTHER INFORMATION

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Wong Jovi Chi Wing (as committee chairman), Mr. Guo Kaiqi and Mr. Cheng Haitao.

The terms of reference of the Audit Committee adopted by the Board align with the CG Code, and have been uploaded onto the websites of the Stock Exchange and the Company.

The Audit Committee is mainly responsible for (i) making recommendations to the Board on the appointment, re-appointment, or removal of external auditors; (ii) reviewing interim report and, annual report drafts, and financial statements (including any significant financial reporting judgements mentioned in them); and (iii) overseeing the Company's financial reporting, risk management, and internal control systems.

NOMINATION COMMITTEE

The Nomination Committee comprises one executive Director and two independent non-executive Directors, namely Mr. Meng Fanyong (as committee chairman), Mr. Guo Kaiqi and Mr. Cheng Haitao.

The terms of reference of the Nomination Committee adopted by the Board are aligned with the code provisions set out in the CG Code and have been uploaded onto the websites of the Stock Exchange and the Company.

The Nomination Committee is mainly responsible for (i) reviewing the Board's composition, structure, size, and diversity of the Board; (ii) assessing the independence of the Independent Non-executive Directors; (iii) making recommendations to the Board on the nomination, appointment or re-appointment of Directors; and (iv) succession-planning for especially the Chairman and the CEO.

REMUNERATION COMMITTEE

The Remuneration Committee consists of two independent non-executive Directors and one executive Director, namely Mr. Guo Kaiqi (as committee chairman), Mr. Cheng Haitao and Mr. Meng Yuxiang.

The terms of reference of the Remuneration Committee adopted by the Board are aligned with the code provisions set out in the CG Code, and have been uploaded onto the websites of the Stock Exchange and the Company.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure on the remuneration packages for all directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy.

The Remuneration Committee has adopted the approach under code provision B.1.2(c)(ii) of the CG Code to make recommendations to the Board on remuneration packages of the directors and the senior management.

OTHER INFORMATION

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee consists of one executive Director and two independent non-executive Directors, namely Ms. Xu Wenhong (as committee chairlady), Mr. Guo Kaiqi, and Mr. Wong Jovi Chi Wing.

The terms of reference of the Corporate Governance Committee adopted by the Board are aligned with the code provisions set out in the CG Code and are currently made available on the websites of the Stock Exchange and the Company. The Corporate Governance Committee is responsible for performing, and has performed, the functions set out in the code provision D.3.1 of the CG Code.

The Corporate Governance Committee is mainly responsible for proposing applicable principles of corporate governance and reviewing and determining corporate governance policies to maintain the effectiveness of the Group's corporate governance and non-financial internal control systems, thereby improving and ensuring the Group's corporate Governance practices meet high standards.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee consists of one executive Director and two independent non-executive Directors, namely Ms. Xu Wenhong (as committee chairlady), Mr. Guo Kaiqi, and Mr. Cheng Haitao.

The terms of reference of the Risk Management Committee adopted by the Board are aligned with the code provisions set out in the CG Code.

The Risk Management Committee is mainly responsible for determining the overall objectives of risk management, approving strategies and monitoring and evaluating the effectiveness of the construction and operation of the risk management system, understanding and grasping the major risks and risk management status, and approving major risk response plans and risks manage organization structure and its responsibility plan, and approve the annual report of risk management and the audit report of annual risk management supervision and evaluation.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2021, the interests and short positions of the Directors and their associates in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules, were as follows:

Long positions

Name	Name of Group member/ associated corporation	Nature of interest	Number of shares/ amount of registered capital (Note 1)	Approximate percentage of shareholding (Note 4)
Directors				
Mr. Meng Fanyong	The Company	Interest of controlled corporation (Note 2)	706,353,600(L)	47.1%
Mr. Zhang Hongyao	The Company	Beneficial owner	12,000,000(L) (Note 3)	0.8%
Ms. Gan Shuya	The Company	Beneficial owner	8,400,000(L) (Note 3)	0.56%
Mr. Guo Kaiqi	The Company	Beneficial owner	598,000(L)	0.04%
Chief Executive				
Mr. Bai Gongli	The Company	Beneficial owner	10,500,000(L) (Note 3)	0.7%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares and underlying shares of the Company.
- (2) Rosy Astral Limited ("Rosy Astral") is owned as to approximately 80.6% by Mr. Meng Fanyong. By virtue of the SFO, Mr. Meng Fanyong is deemed to be interested in the Shares held by Rosy Astral.
- (3) These represent the maximum number of Shares which may be allotted and issued to such Directors or chief executive upon the exercise of the pre-IPO share options granted to each of them under the pre-IPO share option scheme approved and adopted by the then shareholders on 19 June 2019 (the "Pre-IPO Share Option Scheme"). Details of the Pre-IPO Share Option Scheme are set out under the section headed "Share Option Schemes" below.
- (4) The percentage represents the number of shares involved divided by the number of the Company's issued shares as at 30 June 2021, being 1,500,000,000.

Save as disclosed above, as at 30 June 2021, none of the Directors or chief executive of the Company had any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), 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.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, so far as is known to the Directors, the following corporations or persons (other than a Director or the chief executive of the Company) had an interest or a short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions

Name of shareholders	Nature of interest	Number of Shares <i>(Note 1)</i>	Approximate percentage of shareholding <i>(Note 3)</i>
Ms. Luo Yumei	Interest of spouse <i>(Note 2)</i>	706,353,600(L)	47.1%
Rosy Astral	Beneficial owner	706,353,600(L)	47.1%
Polaris Swift Limited	Beneficial owner	417,822,000(L)	27.9%

Notes:

- (1) The letter "L" denotes the shareholder's long position in the Shares and underlying shares of the Company.
- (2) Ms. Luo Yumei is the spouse of Mr. Meng Fanyong. By virtue of the SFO, Ms. Luo Yumei is deemed to be interested in the Shares which Mr. Meng Fanyong is interested in.
- (3) The percentage represents the number of Shares involved divided by the number of issued Shares as at 30 June 2021, being 1,500,000,000.

Save as disclosed above, as at 30 June 2021, other than the Directors and the chief executive of the Company whose interests are set out in the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation" above, no corporation or person had interest or short position in the Shares or underlying Shares which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEMES**Post-IPO Share Option Scheme**

On 19 June 2019, a post-IPO share option scheme (the "**Post-IPO Share Option Scheme**") was adopted by a resolution in writing by the then shareholders of the Company to incentivise or reward eligible participants (i.e. (i) any full-time or part-time employee (including any executive director) of the Group or any entity in which any member of the Group holds any equity interest ("**Invested Entity**"); (ii) any non-executive directors (including independent non-executive directors) of the Group or Invested Entity; (iii) any supplier or customer of the Group or any Invested Entity; (iv) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; (v) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (vi) any adviser or consultant to any area of business or business development of the Group or any Invested Entity; (vii) such other persons who in the sole opinion of the Board may contribute or have contributed to the development and growth of the Group; and (viii) any company wholly owned by one or more persons belonging to any of the above classes of participants (collectively, the "**Post-IPO Eligible Participants**") for their contribution to the Group, for the purpose of motivating them to optimise their performance efficiency for the benefit of the Group, and attracting and retaining these Post-IPO Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

OTHER INFORMATION

For any options granted to Directors, chief executives or substantial shareholders of the Company, or any of their respective associate, options to be granted to any of these persons shall be approved by the independent non-executive Directors (excluding any independent non-executive Director who or whose associates is the proposed grantee of options). Where any option granted to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued or to be issued upon exercise of all options already granted and to be granted to such person in the 12-month period up to and including the date of such grant, (i) representing in aggregate over 0.1% of the Shares in issue; and (ii) having an aggregate value, based on the closing price of the Shares at the date of each offer for the grant, in excess of HK\$5 million, such grant of options shall be subject to prior approval by resolutions of the shareholders (voting by way of poll) at which all core connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time.

The number of Shares issued and to be issued in respect of options granted and may be granted to any individual in any 12-month period is not permitted to exceed 1% of the total Shares of the Company in issue, without prior approval from the shareholders of the Company and with such participants and his close associates abstaining from voting.

The amount payable on acceptance of the grant of an option is HK\$1.00, which will be payable on or before a prescribed acceptance date. In relation to any options granted under the Post-IPO Share Option Scheme, the exercise price is determined by the Directors, and will not be less than the higher of (i) the closing price of the Shares on the date of the offer for the grant; (ii) the average closing price of the Shares for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

The Post-IPO Share Option Scheme does not contain any minimum period for which an option must be held before it can be exercised. However, at the time of granting of the options, the Board may specify any such minimum period.

The options granted pursuant to the Post-IPO Share Option Scheme will expire no later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise terminated by the shareholders in general meeting in accordance with the terms of the Post-IPO Share Option Scheme, the Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption which was 19 June 2019, after which no further options will be granted or offered but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted prior to the expiry of the 10-year period or otherwise as may be require. As at the date of this report, the Post-IPO Share Option Scheme had a remaining life of approximately 7 years.

The total number of the Shares which may be allotted and issued upon the exercise of all options to be granted under the Post-IPO Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date (being 150,000,000 Shares) unless shareholders' approval has been obtained. The total number of Shares available for issue under the Post-IPO Share Option Scheme was 150,000,000 Shares, representing 10% of the total number of Shares in issue as at the date of this report. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the Shares in issue from time to time.

No share option was granted, exercised, cancelled or lapsed under the Post-IPO Share Option Scheme during the Period. No share option was outstanding under the Post-IPO Share Option Scheme as at 30 June 2021.

OTHER INFORMATION

Pre-IPO Share Option Scheme

On 19 June 2019, the Pre-IPO Share Option Scheme was adopted by a resolution in writing passed by the then shareholders of the Company to incentivise or reward eligible participants (i.e. any full-time or part-time employee (including any executive director) of the Group or any Invested Entity; and any non-executive directors or proposed non-executive directors (including independent non-executive directors) of the Company, any subsidiary of the Company or any Invested Entity) (the "**Pre-IPO Eligible Participants**") for their contribution to the Group for the purpose of motivating the Pre-IPO Eligible Participants to optimise their performance efficiency for the benefit of the Group, and attract and retain or otherwise maintain an on-going relationship with the Pre-IPO Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

As at the date of this report, the Pre-IPO Share Option Scheme had a remaining life of approximately 7 years.

There is no maximum entitlement limit for the participants as specified in the Pre-IPO Share Option Scheme.

The consideration payable on acceptance of the grant is HK\$1.00, which will be payable on or before a prescribed acceptance date, and any offer of option made by the Directors under the Pre-IPO Share Option Scheme shall be open for acceptance for a period of up to the earlier of 21 days from the relevant offer date or the latest practicable date as specified in the Prospectus. For the avoidance of doubt, no further option may be granted under the Pre-IPO Share Option Scheme.

There is no minimum period for which the share options granted under the Pre-IPO Share Option Scheme must be held before it can be exercised once the relevant share options have been vested on the grantees, unless otherwise determined by the Directors. Please refer to the below for further information about the applicable vesting period of the options granted under the Pre-IPO Share Option Scheme.

In relation to any options granted under the Pre-IPO Share Option Scheme, the exercise price is determined at the discretion of the Directors, provided that it shall be not less than the nominal value of a Share. Please refer below for further information about the exercise price of the options granted under the Pre-IPO Share Option Scheme.

Upon terminated by the shareholders in general meeting in accordance with the terms of the Pre-IPO Share Option Scheme, no further options will be offered but the terms of the Pre-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted prior thereto or otherwise as may be required in accordance with the terms of the Pre-IPO Share Option Scheme.

OTHER INFORMATION

Movements of the share options granted under the Pre-IPO Share Option Scheme during the Period were as follows:

Date of grant	Exercise period (Note 1)	Outstanding as at 1 January 2021	Exercise Price per Share HKD (Note 2)	During the Period				Outstanding as at 30 June 2021	
				Granted	Exercised	Cancelled	Lapsed		
Directors									
Mr. Zhang Hongyao	8 October 2019	From 9 November 2021 to 8 November 2026	3,000,000	0.477	-	-	-	3,000,000 (Note 3)	0
	8 October 2019	From 9 November 2022 to 8 November 2026	3,000,000	0.477	-	-	-	-	3,000,000
	8 October 2019	From 9 November 2023 to 8 November 2026	3,000,000	0.477	-	-	-	-	3,000,000
	8 October 2019	From 11 November 2024 to 8 November 2026	3,000,000	0.477	-	-	-	-	3,000,000
	8 October 2019	From 10 November 2025 to 8 November 2026	3,000,000	0.477	-	-	-	-	3,000,000
			15,000,000	-	-	-	-	3,000,000	12,000,000
Ms. Gan Shuya									
	8 October 2019	From 9 November 2020 to 8 November 2025	1,200,000	0.477	-	-	-	-	1,200,000
	8 October 2019	From 9 November 2021 to 8 November 2025	2,400,000	0.477	-	-	-	2,400,000 (Note 3)	0
	8 October 2019	From 9 November 2022 to 8 November 2025	2,400,000	0.477	-	-	-	-	2,400,000
	8 October 2019	From 9 November 2023 to 8 November 2025	2,400,000	0.477	-	-	-	-	2,400,000
	8 October 2019	From 11 November 2024 to 8 November 2025	2,400,000	0.477	-	-	-	-	2,400,000
			10,800,000	-	-	-	-	2,400,000	8,400,000
Senior Management									
Mr. Bai Gongli	8 October 2019	From 9 November 2020 to 8 November 2025	1,500,000	0.477	-	-	-	-	1,500,000
	8 October 2019	From 9 November 2021 to 8 November 2025	3,000,000	0.477	-	-	-	3,000,000 (Note 3)	0
	8 October 2019	From 9 November 2022 to 8 November 2025	3,000,000	0.477	-	-	-	-	3,000,000
	8 October 2019	From 9 November 2023 to 8 November 2025	3,000,000	0.477	-	-	-	-	3,000,000
	8 October 2019	From 11 November 2024 to 8 November 2025	3,000,000	0.477	-	-	-	-	3,000,000
			13,500,000	-	-	-	-	3,000,000	10,500,000

OTHER INFORMATION

	Date of grant	Exercise period (Note 1)	Outstanding as at 1 January 2021	Exercise Price per Share HKD (Note 2)	During the Period				Outstanding as at 30 June 2021
					Granted	Exercised	Cancelled	Lapsed	
Ms. Wong Gianne	8 October 2019	From 9 November 2020 to 8 November 2025	600,000	0.477	-	-	-	-	600,000
	8 October 2019	From 9 November 2021 to 8 November 2025	600,000	0.477	-	-	-	-	600,000
	8 October 2019	From 9 November 2022 to 8 November 2025	600,000	0.477	-	-	-	-	600,000
	8 October 2019	From 9 November 2023 to 8 November 2025	600,000	0.477	-	-	-	-	600,000
	8 October 2019	From 11 November 2024 to 8 November 2025	600,000	0.477	-	-	-	-	600,000
			3,000,000	-	-	-	-	-	3,000,000
Total			42,300,000	-	-	-	-	8,400,000	33,900,000

Notes:

- (1) The vesting date of the relevant share options (“**Share Options**”) under the Pre-IPO Share Option Scheme is the respective first date of the exercise period as set out above. The vesting of the Share Options is subject to the fulfilment of certain vesting conditions. Please refer to the prospectus of the Company dated 28 October 2019 for further details of the vesting conditions.
- (2) The exercise price represents 30% of the final offer price of each Share upon Listing (i.e. HK\$1.59).
- (3) As both of the vesting conditions in relation to the financial performance of the Group for the year ended 31 December 2020 were not met, all of the share options expected to be vested on 9 November 2021 have lapsed on the date when the Board approved the final results for the year ended 31 December 2020 of the Group (i.e. 26 March 2021).

The total number of Shares which may be allotted and issued upon exercise of all the outstanding options granted under the Pre-IPO Share Option Scheme as at the date of this report was 33,900,000 Shares, representing 2.26% of the total number of Shares in issue as at the date of this report.

Save as disclosed above, no share options have been granted, exercised, cancelled or lapsed under the Pre-IPO Share Option Scheme during the Period.

Meng Fanyong
Chairman of the Board and Executive Director

Hong Kong, 26 August 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOMEFor the six months ended 30 June 2021 – unaudited
(Expressed in Renminbi (“RMB”))

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Revenue	4	1,505,671	989,439
Cost of sales		(1,360,460)	(916,840)
Gross profit	4(b)	145,211	72,599
Other income	5	9,800	10,280
Selling expenses		(34,740)	(22,976)
Administrative expenses		(49,265)	(65,186)
Profit/(loss) from operations		71,006	(5,283)
Finance costs	6(a)	(50,861)	(48,203)
Profit/(loss) before taxation	6	20,145	(53,486)
Income tax	7	(2,709)	18,787
Profit/(loss) for the period		17,436	(34,699)
Other comprehensive income for the period (after tax):			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences on translation into presentation currency		(1,094)	(919)
Total comprehensive income for the period		16,342	(35,618)
Profit/(loss) for the period attributable to:			
Equity shareholders of the Company		17,436	(33,212)
Non-controlling interests		–	(1,487)
Profit/(loss) for the period		17,436	(34,699)
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company		16,342	(34,131)
Non-controlling interests		–	(1,487)
Total comprehensive income for the period		16,342	(35,618)
Earnings/(loss) per share	8		
Basic (RMB)		0.01	(0.02)
Diluted (RMB)		0.01	(0.02)

The notes on pages 25 to 39 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 18(a).

CONSOLIDATED STATEMENT OF FINANCIAL POSITIONAt 30 June 2021 – unaudited
(Expressed in RMB)

	Note	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Non-current assets			
Property, plant and equipment	9	1,890,251	1,922,593
Deferred tax assets	17	16,545	19,254
		1,906,796	1,941,847
Current assets			
Inventories	10	655,946	494,951
Trade and bills receivables	11	1,283,847	752,695
Prepayments, deposits and other receivables	12	132,384	83,017
Cash at bank and on hand	13	419,819	416,173
		2,491,996	1,746,836
Current liabilities			
Trade and bills payables	14	497,440	319,246
Other payables and accruals	15	347,862	159,335
Interest-bearing borrowings	16(a)	1,993,207	1,479,052
Lease liabilities		781	151
Current taxation		7,947	9,276
		2,847,237	1,967,060
Net current liabilities		(355,241)	(220,224)
Total assets less current liabilities		1,551,555	1,721,623
Non-current liabilities			
Interest-bearing borrowings	16(b)	255,750	443,200
Lease liabilities		541	–
Deferred income		14,984	15,842
		271,275	459,042
NET ASSETS		1,280,280	1,262,581

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2021 – unaudited
(Expressed in RMB)

	Note	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
CAPITAL AND RESERVES	18		
Share capital		134,263	134,263
Reserves		1,146,017	1,128,318
TOTAL EQUITY		1,280,280	1,262,581

Approved and authorised for issue by the board of directors on 26 August 2021.

Meng Fanyong
Chairman

Gan Shuya
Director

The notes on pages 25 to 39 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021 – unaudited
(Expressed in RMB)

	Attributable to equity shareholders of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Other reserves	Exchange reserve	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020	134,263	295,037	1,788	496,657	867	586,289	1,514,901	11,078	1,525,979
Changes in equity for the six months ended 30 June 2020:									
Loss for the period	-	-	-	-	-	(33,212)	(33,212)	(1,487)	(34,699)
Other comprehensive income	-	-	-	-	(919)	-	(919)	-	(919)
Equity settled share-based transactions	-	-	3,286	-	-	-	3,286	-	3,286
Distributions declared by a subsidiary of the Group	-	-	-	-	-	-	-	(1,248)	(1,248)
Dividends approved in respect of the previous year (Note 18(a)(ii))	-	(135,907)	-	-	-	-	(135,907)	-	(135,907)
Balance at 30 June 2020 and 1 July 2020	134,263	159,130	5,074	496,657	(52)	553,077	1,348,149	8,343	1,356,492
Changes in equity for the six months ended 31 December 2020:									
Loss for the period	-	-	-	-	-	(83,205)	(83,205)	-	(83,205)
Other comprehensive income	-	-	-	-	(66)	-	(66)	-	(66)
Total comprehensive income	-	-	-	-	(66)	(83,205)	(83,271)	-	(83,271)
Equity settled share-based transactions	-	-	792	-	-	-	792	-	792
Acquisition of non-controlling interests	-	-	-	(3,089)	-	-	(3,089)	(8,343)	(11,432)
Appropriation to reserves	-	-	-	40,540	-	(40,540)	-	-	-
	-	-	792	37,451	-	(40,540)	(2,297)	(8,343)	(10,640)
Balance at 31 December 2020	134,263	159,130	5,866	534,108	(118)	429,332	1,262,581	-	1,262,581

The notes on pages 25 to 39 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2021 – unaudited
(Expressed in RMB)

	Attributable to equity shareholders of the Company						
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Other reserves RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
Balance at 1 January 2021	134,263	159,130	5,866	534,108	(118)	429,332	1,262,581
Changes in equity for the six months ended 30 June 2021:							
Profit for the period	-	-	-	-	-	17,436	17,436
Other comprehensive income	-	-	-	-	(1,094)	-	(1,094)
Total comprehensive income	-	-	-	-	(1,094)	17,436	16,342
Equity settled share-based transactions	-	-	1,357	-	-	-	1,357
Balance at 30 June 2021	134,263	159,130	7,223	534,108	(1,212)	446,768	1,280,280

The notes on pages 25 to 39 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2021 – unaudited
(Expressed in RMB)

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Operating activities			
Cash (used in)/generated from operations		(219,659)	407,228
Income tax paid		(1,329)	(22,815)
Net cash (used in)/generated from operating activities		(220,988)	384,413
Investing activities			
Payments for acquisitions of property, plant and equipment		(47,989)	(37,902)
Proceeds from disposal of property, plant and equipment		709	–
Interest received		1,135	3,957
Net cash used in investing activities		(46,145)	(33,945)
Financing activities			
Proceeds from bank and other interest-bearing borrowings		1,200,768	817,707
Repayment of bank and other interest-bearing borrowings		(877,202)	(1,211,497)
Capital element of lease rentals paid		(333)	(449)
Interest element of lease rentals paid		(23)	(37)
Interest paid		(42,011)	(58,916)
Net cash generated from/(used in) financing activities		281,199	(453,192)
Net increase/(decrease) in cash and cash equivalents		14,066	(102,724)
Effect of exchange rate changes on cash and cash equivalents		(975)	638
Cash and cash equivalents at 1 January	13	312,220	572,067
Cash and cash equivalents at 30 June	13	325,311	469,981

The notes on pages 25 to 39 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

1 Corporate information

Dalipal Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 28 August 2018 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 8 November 2019. The Company and its subsidiaries (together, the “Group”) are principally engaged in the development, manufacture and sale of oil country tubular goods (“OCTG”), other oil pipes and pipe billets.

2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the “IASB”). It was authorised for issue on 26 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s independent review report to the board of directors is included on page 40.

The financial information relating to the financial year ended 31 December 2020 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

As at 30 June 2021, the Group had net current liabilities of RMB355,241,000, including bank and other borrowings of RMB1,993,207,000 which were due for repayment and renewal within the next twelve months from the end of the reporting period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

2 Basis of preparation (CONTINUED)

The directors of the Company have been undertaking certain measures to improve the Group's liquidity and financial position, including:

- (i) The Group has maintained its long-term strong business relationship with its major banks to get their continuing support. The Group is actively discussing with its banks for renewal of bank borrowings, which will be due in the next twelve months ending 30 June 2022. The directors are of the opinion that the Group will be able to either renew or obtain new banking facilities to supplement liquidity of the Group at adequate level during the next twelve months; and
- (ii) The Group has been implementing various strategies to develop new market while maintaining strong relationship with current principal customers to generate additional operating cash inflows and putting extra efforts on the collection of trade debtors to improve the Group's operating cash flows.

Based on a cash flow forecast of the Group for the next twelve months ending 30 June 2022 prepared by the management, which has taken into account that most of the Group's bank borrowings will be refinanced, the directors of the Company consider that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

Accordingly, the directors of the Company consider it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

3 Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform – phase 2*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 Revenue and segment reporting**(a) Revenue**

The Group is principally engaged in the development, manufacture and sale of OCTG, other oil pipes and pipe billets. All of the revenue of the Group is recognised at a point in time. The customers obtain control of the products when they are delivered to and have been accepted at premises determined by the customers. Acceptance notes are generated and revenue is recognised at that point in time.

Disaggregation of revenue from contracts with customers by major products is as follows:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Sales of OCTG	442,531	535,904
Sales of other oil pipes	961,394	211,144
Sales of pipe billets	101,746	242,391
	1,505,671	989,439

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

4 Revenue and segment reporting (CONTINUED)**(b) Segment reporting**

Segment information disclosed in the financial report has been prepared in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- OCTG: this segment includes primarily the manufacture and sale of OCTG.
- Other oil pipes: this segment includes primarily the manufacture and sale of other oil pipes.
- Pipe billets: this segment includes primarily the manufacture and sale of pipe billets.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments during normal operations. The measure used for reporting segment result is gross profit, but excluded depreciation expenses, staff costs and utilities expenses incurred during the suspension of production as a result of the COVID-19 pandemic. No inter-segment sales have occurred for the six months ended 30 June 2021 and 2020. Assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The Group's other operating income and expenses, such as other income and selling and administrative expenses, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2021 and 2020 is set out below.

	Six months ended 30 June 2021			
	OCTG RMB'000	Other oil pipes RMB'000	Pipe billets RMB'000	Total RMB'000
Revenue from external customers	442,531	961,394	101,746	1,505,671
Reportable segment gross profit	84,441	63,219	6,439	154,099
	Six months ended 30 June 2020			
	OCTG RMB'000	Other oil pipes RMB'000	Pipe billets RMB'000	Total RMB'000
Revenue from external customers	535,904	211,144	242,391	989,439
Reportable segment gross profit	87,084	9,752	13,260	110,096

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

4 Revenue and segment reporting (CONTINUED)**(b) Segment reporting** (continued)*(ii) Reconciliation of reportable segment gross profit*

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Reportable segment gross profit (Note 4(b)(i))	154,099	110,096
Depreciation expenses, staff costs and utilities incurred during production suspension period as a result of the COVID-19 pandemic	(8,888)	(37,497)
Reportable segment gross profit derived from the Group's external customers	145,211	72,599

(iii) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical information about the revenue prepared by location at which the goods were delivered is as follows:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Mainland China	1,365,601	904,721
Overseas:		
Thailand	103,474	–
Oman	22,583	1,181
Turkmenistan	–	48,302
Others	14,013	35,235
	140,070	84,718
	1,505,671	989,439

All of the Group's non-current assets are located in the PRC. Accordingly, no segment analysis based on geographical location of the assets is provided.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

5 Other income

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Government grants (including amortisation of deferred income)	3,697	7,652
Interest income	1,135	3,957
Net foreign exchange (loss)/gain	(278)	17
Net loss on disposal of property, plant and equipment	(234)	–
Net gains on sales of scraps	5,444	–
Others	36	(1,346)
	9,800	10,280

6 Profit/(loss) before taxation

Profit/(loss) before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Interest expenses on borrowings	47,699	46,975
Interest expenses on lease liabilities	23	37
Others	3,139	1,191
	50,861	48,203

(b) Other items

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Depreciation expenses		
– owned property, plant and equipment	57,981	55,066
– right-of-use assets	3,269	3,314
Impairment losses (reversed)/recognised on trade receivables	(1,647)	2,553
Impairment losses on prepayments and other receivables	–	2,841
Research and development costs	12,271	11,261
Cost of inventories (Note 10(b))	1,351,572	879,343

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

7 Income tax

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Current taxation:		
– Provision for the period	–	6,482
– Over-provision in respect of prior periods	–	(5,505)
	–	977
Deferred taxation (Note 17(a)):		
– Origination and reversal of temporary differences	2,709	(13,045)
– Change in applicable withholding tax rate in connection with the retained profits to be distributed by a subsidiary of the Group	–	(6,719)
	2,709	(19,764)
	2,709	(18,787)

Notes:

- (i) The Company and the subsidiaries of the Group incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.
- (ii) The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax according to the two-tiered profits tax rates regime from the year of assessment 2018/19 onwards. The profits tax rate for the first Hong Kong Dollar (“HK\$”) 2,000,000 of profits will be taxed at 8.25%, and profits above that amount will be subject to a tax rate of 16.5%. These companies have no assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2021 and 2020.
- (iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong SAR) are subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2021 (2020: 25%). Dalipal Pipe Company (達力普石油專用管有限公司, “Dalipal Pipe”) was qualified as a High and New Technology Enterprise’ and is entitled to the preferential tax rate of 15% for the three calendar years ended 31 December 2018, 2019 and 2020. As of the date of this report, Dalipal Pipe is in the progress of renewing the HNTE qualification, and the directors of the Company are of the opinion that Dalipal Pipe is qualified to the preferential tax rate of 15% for the six months ended 30 June 2021.

8 Earnings/(loss) per share**(a) Basic earnings/(loss) per share**

The basic earnings per share for the six months ended 30 June 2021 is calculated based on the profit attributable to equity shareholders of the Company of RMB17,436,000 and the weighted average of 1,500,000,000 ordinary shares in issue during the interim period.

The basic loss per share for the six months ended 30 June 2020 is calculated based on the loss attributable to equity shareholders of the Company of RMB33,212,000 and the weighted average of 1,500,000,000 ordinary shares in issue during the interim period.

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB17,436,000 and the weighted average number of ordinary shares of 1,504,565,619.

The diluted loss per share for the six months ended 30 June 2020 has not taken into account the effect of the outstanding share options as its inclusion would have decreased the loss per share, hence anti-dilutive.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

9 Property, plant and equipment

During the six months ended 30 June 2021, the Group incurred capital expenditure on property, plant and equipment with a cost of RMB29,852,000 (six months ended 30 June 2020: RMB22,548,000).

Items of property, plant and equipment with net book value of RMB943,000 were disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: RMBNil), resulting in a loss on disposal of RMB234,000 (six months ended 30 June 2020: RMBNil).

10 Inventories**(a) Inventories in the consolidated statement of financial position comprise:**

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Raw materials	135,647	145,214
Work in progress	227,658	138,586
Finished goods	294,033	221,474
	657,338	505,274
Less: write-down of inventories	(1,392)	(10,323)
	655,946	494,951

(b) The analysis of the amount of inventories recognised as expense and included in the consolidated statement of profit or loss is as follows:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Carrying amount of inventories sold	1,360,503	878,394
(Reversal of write-down)/write-down of inventories	(8,931)	949
	1,351,572	879,343

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

11 Trade and bills receivables

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Trade receivables	548,006	261,258
Less: loss allowance	(4,191)	(5,838)
	543,815	255,420
Bills receivables	740,032	497,275
	1,283,847	752,695

All of the trade and bills receivables, net of loss allowance, are expected to be recovered within one year.

The balance of bills receivables represents bank and trade acceptance notes received from customers with maturity dates of less than one year.

Trade receivables are generally due immediately and up to 90 days from the date of billings. Normally, the Group does not obtain collateral from customers.

(a) Ageing analysis

The ageing analysis of the trade receivables, based on the invoice date and net of loss allowance, of the Group is as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Less than 1 month	494,819	143,007
1 to 3 months	30,568	88,151
3 to 6 months	15,998	16,632
Over 6 months	2,430	7,630
	543,815	255,420

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

11 Trade and bills receivables (CONTINUED)**(b) Transfer of financial assets**

The Group has discounted certain of the bank acceptance notes it received from customers at banks and endorsed certain of the bank acceptance notes it received from customers to its suppliers and other creditors for settlement of the Group's trade and other payables on a full recourse basis. Upon the above discounting or endorsement, the Group has derecognised the bills receivables in their entirety. These derecognised bank acceptance notes have maturity dates of less than six months from the end of the reporting period. In the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these notes and has discharged its obligation of the payables to its suppliers and other creditors. The Group considered the issuing banks of these notes are reputable banks in China and of good credit quality therefore non-settlement of these notes by the issuing banks on maturity is highly unlikely. At 30 June 2021, the Group's maximum exposure to loss and undiscounted cash outflow should the issuing banks fail to settle the bills on maturity dates amounted to RMB250,557,000 (31 December 2020: RMB131,303,000).

Bills receivables include bank acceptance notes discounted at banks or endorsed to suppliers with recourse totaling RMB72,094,000 (31 December 2020: RMB47,358,000) at 30 June 2021, which were not derecognised as the Group remains to have significant exposure to the credit risk of these bills receivables. The aggregate carrying amount of the associated bank loans and trade payables amounted to RMB72,094,000 (31 December 2020: RMB47,358,000) at 30 June 2021.

- (c) At 30 June 2021, trade and bills receivables with an aggregate carrying amount of RMB230,641,000 (31 December 2020: RMB180,476,000) have been pledged for the Group's interest-bearing borrowings (see Note 16).

12 Prepayments, deposits and other receivables

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Prepayments for purchase of raw materials	64,920	9,733
Prepayments for transportation and other miscellaneous expenses	12,784	9,705
VAT recoverable	685	9,983
Receivable in connection with compensation for relocation of production facilities from local government	55,554	55,554
Others	1,424	1,025
	135,367	86,000
Less: loss allowance	(2,983)	(2,983)
	132,384	83,017

All of the prepayments, deposits and other receivables are expected to be recovered or recognised as expenses within one year.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

13 Cash at bank and on hand

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Cash at bank	419,773	416,112
Cash on hand	46	61
Cash and cash equivalents included in the consolidated statement of financial position	419,819	416,173
Less: restricted deposits (Note (i))	(94,508)	(103,953)
Cash and cash equivalents included in the condensed consolidated cash flow statement	325,311	312,220

The Group's operations in the PRC (excluding Hong Kong SAR) conducted its business in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC (excluding Hong Kong SAR) is subject to the exchange restrictions imposed by the PRC government.

Note:

- (i) Restricted deposits mainly represent deposits placed at banks as collaterals for interest-bearing bank borrowings of (see Note 16), letters of credit and bank acceptance notes issued by the Group (see Note 14).

14 Trade and bills payables

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Trade payables	497,440	288,797
Bills payable	-	30,449
	497,440	319,246

All of the trade and bills payables are expected to be settled within one year or are repayable on demand.

The ageing analysis of trade and bills payables, based on the invoice date, is as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Less than 1 month	366,355	239,028
1 to 3 months	81,083	52,553
3 to 6 months	43,738	18,440
Over 6 months	6,264	9,225
	497,440	319,246

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

15 Other payables and accruals

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Payables for construction of property, plant and equipment	55,005	72,007
Payables for other taxes	14,361	2,472
Payables for staff related costs	1,992	3,199
Interest payables	7,426	3,517
Payables for transportation and utilities expenses	10,223	10,014
Others	4,411	4,051
Financial liabilities measured at amortised cost	93,418	95,260
Receipts in advance	254,444	64,075
	347,862	159,335

All of the other payables and accruals are expected to be settled or recognised as income within one year or are repayable on demand.

16 Interest-bearing borrowings**(a) The Group's short-term borrowings comprise:**

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Bank loans:		
– Secured by the Group's property, plant and equipment	289,680	304,680
– Secured by the Group's trade and bills receivables and/or restricted deposits	269,380	182,300
– Unguaranteed and unsecured	803,447	547,072
	1,362,507	1,034,052
Add: current portion of long-term borrowings (Note 16(b))	630,700	445,000
	1,993,207	1,479,052

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

16 Interest-bearing borrowings (CONTINUED)

(b) The Group's long-term borrowings comprise:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Bank loans:		
– Secured by the Group's property, plant and equipment	612,650	628,400
– Secured by the Group's inventories	143,750	145,000
– Unguaranteed and unsecured	85,750	65,500
	842,150	838,900
Other borrowings from a related party (Note 21(b)):		
– Unguaranteed and unsecured	44,300	49,300
	886,450	888,200
Less: current portion of long-term borrowings (Note 16(a))	(630,700)	(445,000)
	255,750	443,200

(c) Certain of the Group's borrowings are secured by the following assets of the Group:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Property, plant and equipment	1,142,547	1,179,018
Inventories	250,150	250,150
Trade and bills receivables (Note 11(c))	230,641	180,476
Cash at bank and on hand – restricted deposits	90,119	10,305
	1,713,457	1,619,949

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

17 Deferred tax assets and liabilities**(a) Movements of each component of deferred tax assets and liabilities**

The deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year/period are as follows:

Deferred tax arising from:	Assets					Liabilities				
	Unused tax losses	Credit losses on trade and other receivables	Write- down of inventories	Deferred income	Unrealised gains	Sub-total	Retained profits to be distributed	Accelerated tax allowance for depreciation expenses	Sub-total	Net
At 1 January 2020	-	2,282	125	4,155	-	6,562	(13,437)	(2,009)	(15,446)	(8,884)
Charged/(credited) to the consolidated statement of profit or loss	22,091	(960)	1,423	(1,779)	-	20,775	13,437	(6,074)	7,363	28,138
At 31 December 2020 and 1 January 2021	22,091	1,322	1,548	2,376	-	27,337	-	(8,083)	(8,083)	19,254
Credited/(charged) to the consolidated statement of profit or loss (Note 7)	(570)	(246)	(1,339)	(145)	348	(1,952)	-	(757)	(757)	(2,709)
At 30 June 2021	21,521	1,076	209	2,231	348	25,385	-	(8,840)	(8,840)	16,545

18 Capital, reserves and dividends**(a) Dividends****(i) Dividends payable to equity shareholders of the Company attributable to the interim period**

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: RMBNil).

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of HK\$Nil per ordinary share (six months ended 30 June 2020: HK\$0.1 per ordinary share)	-	135,907

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

18 Capital, reserves and dividends (CONTINUED)**(b) Equity settled share-based transactions**

On 19 June 2019, the Company has adopted pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and share option scheme (the "Share Option Scheme"). Pursuant to the Pre-IPO Share Option Scheme, the directors of the Company are authorised, at their discretion, to invite certain directors and senior management of the Group, to take up share options to subscribe for ordinary shares in the Company.

On 8 October 2019, share options to subscribe for an aggregate of 45,000,000 shares in the Company were granted to directors and senior management under the Pre-IPO Share Option Scheme which became effective upon the Listing Date. A consideration of HK\$1 had been paid by each grantee on acceptance of the share options granted. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

The number and weighted average exercise price of share options are as follows:

	Six months ended 30 June 2021		Year ended 31 December 2020	
	Weighted average exercise price	Number of share options	Weighted average exercise price	Number of share options
Outstanding at the beginning of the period/year	HK\$0.477	42,300,000	HK\$0.477	45,000,000
Forfeited during the period/year	HK\$0.477	(8,400,000)	HK\$0.477	(2,700,000)
Outstanding at the end of the period/year	HK\$0.477	33,900,000	HK\$0.477	42,300,000
Exercisable at the end of the period/year	HK\$0.477	3,300,000	HK\$0.477	3,300,000

19 Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 30 June 2021 and 31 December 2020.

20 Commitments

Capital commitments outstanding at 30 June 2021 not provided for in the interim financial report were as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Commitments in respect of property, plant and equipment: – Contracted for	96,112	117,865

21 Material related party transactions**(a) Transactions with a company controlled by the equity shareholders of the Company**

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Borrowings received from a related company	8,000	100,000
Borrowings repaid to a related company	13,000	–
Interest expenses on borrowings from a related company	920	2,047

The borrowings from a related company are unsecured, bear interest at 4.15% per annum and are repayable after one year.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

21 Material related party transactions (CONTINUED)**(b) Balances with a company controlled by the equity shareholders of the Company**

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Borrowings from a related company (Note 16(b))	44,300	49,300
Interest payable to a related company	1,668	–

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group is as follows:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Short-term employee benefits	3,766	3,286
Contributions to defined contribution retirement plan	121	63
Equity settled share-based payments	1,357	3,286
	5,244	6,635

22 Impacts of COVID-19 Pandemic

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position in 2020 and 2021.

The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures. The directors of the Company confirm that these contingency measures include but not limited to reassessing the fluctuation (if any) to the demand and selling price of OCTG products in light of the changes in demand of refined oil in the market and the fluctuations in the price of crude oil, reassessing the sustainability of existing suppliers where necessary expanding the supplier base of raw materials in ensuring the Group is able to meet customers' demands, negotiating with customers on possible delay in delivery timetables, improving the Group's cash management by expediting debtor settlements, and negotiating with suppliers an extension of payment terms. The Group will keep the contingency measures under review as COVID-19 Pandemic situation evolves.

As far as the Group's businesses are concerned, COVID-19 Pandemic and the volatility in the crude and refined oil markets have caused the decrease in both the sales volume and selling price of the Group's OCTG products, and the Group had temporarily suspended its production activities in 2020 and 2021. The gradual easing of the COVID-19 pandemic situation in the mainland China and stabilisation of the global crude and refined oil markets have led to the recovery of the demand and selling price of OCTG products and the Group had recommenced its production activities since then. The directors of the Company is optimistic that the COVID-19 pandemic will eventually be under full control, and the Group will continue to closely monitor the situation and implement contingency measures, where necessary in a view to reduce the impacts from the COVID-19 pandemic.

REVIEW REPORT TO THE BOARD OF DIRECTORS OF DALIPAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 19 to 39 which comprises the consolidated statement of financial position of Dalipal Holdings Limited (the “**Company**”) as of 30 June 2021 and the related consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion 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.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

26 August 2021