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Dalipal Holdings Limited

達力普控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1921)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Changes
	2022	2021	
	RMB'million	RMB'million	
Revenue	1,940.1	1,505.7	28.9%
Gross profit	209.0	145.2	43.9%
Profit from operations	92.8	71.0	30.7%
Profit before taxation	36.9	20.1	83.6%
Profit for the period	31.1	17.4	78.7%
<i>Net profit margin</i>	1.6%	1.2%	
Profit for the period attributable to equity shareholders of the Company:	31.1	17.4	78.7%
Earnings per share			
– Basic (RMB)	0.02	0.01	
– Diluted (RMB)	0.02	0.01	

The Board is pleased to announce the unaudited consolidated interim results of the Group for the Reporting Period, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2022 – unaudited

(Expressed in Renminbi (“RMB”))

	Note	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Revenue	4	1,940,124	1,505,671
Cost of sales		(1,731,122)	(1,360,460)
Gross profit	4(b)	209,002	145,211
Other income		7,946	9,800
Selling expenses		(53,473)	(34,740)
Administrative expenses		(70,713)	(49,265)
Profit from operations		92,762	71,006
Finance costs	5(a)	(55,879)	(50,861)
Profit before taxation	5	36,883	20,145
Income tax	6	(5,758)	(2,709)
Profit for the period		31,125	17,436
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		(2,415)	(1,094)
Total comprehensive income for the period		28,710	16,342
Profit for the period attributable to:			
Equity shareholders of the Company		31,125	17,436
Profit for the period		31,125	17,436
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company		28,710	16,342
Total comprehensive income for the period		28,710	16,342
Earnings per share	7		
Basic (RMB)		0.02	0.01
Diluted (RMB)		0.02	0.01

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2022 – unaudited

(Expressed in RMB)

		At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Non-current assets			
Property, plant and equipment		1,827,529	1,873,900
		<u>1,827,529</u>	<u>1,873,900</u>
Current assets			
Inventories		832,737	779,594
Trade and bills receivables	8	1,389,691	1,518,690
Prepayments, deposits and other receivables		19,939	27,690
Tax recoverable		763	–
Cash at bank and on hand		572,382	551,612
		<u>2,815,512</u>	<u>2,877,586</u>
Current liabilities			
Trade payable	9	699,844	693,313
Other payables and accruals		250,905	223,357
Interest-bearing borrowings		1,561,466	1,816,926
Lease liabilities		745	962
		<u>2,512,960</u>	<u>2,734,558</u>
Net current assets		<u>302,552</u>	<u>143,028</u>
Total assets less current liabilities		<u>2,130,081</u>	<u>2,016,928</u>
Non-current liabilities			
Interest-bearing borrowings		774,500	650,300
Lease liabilities		16	241
Deferred tax liabilities		11,481	5,723
Deferred income		13,321	14,125
		<u>799,318</u>	<u>670,389</u>
NET ASSETS		<u>1,330,763</u>	<u>1,346,539</u>
CAPITAL AND RESERVES			
Share capital		134,140	134,362
Reserves		1,196,623	1,212,177
TOTAL EQUITY		<u>1,330,763</u>	<u>1,346,539</u>

NOTES

(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 and gas pipes (previously known as oil country tubular goods), new energy pipes and special seamless steel pipes (previously known as special seamless steel pipes) and other products (previously known as pipe billets).

2 BASIS OF PREPARATION

The 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 24 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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.

The 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 2021 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.

The financial information relating to the financial year ended 31 December 2021 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.

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 IAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

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 the 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 oil and gas pipes, new energy pipes and special seamless steel pipes and other products. 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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of oil and gas pipes	1,113,416	442,531
Sales of new energy pipes and special seamless steel pipes	801,918	961,394
Sales of other products	24,790	101,746
	<u>1,940,124</u>	<u>1,505,671</u>

(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.

- Oil and gas pipes: this segment includes primarily the manufacture and sale of oil and gas pipes.
- New energy pipes and special seamless steel pipes: this segment includes primarily the manufacture and sale of new energy pipes and special seamless steel pipes.
- Other products: this segment includes primarily the manufacture and sale of other products.

(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 2022 and 2021. 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 2022 and 2021 is set out below.

	Six months ended 30 June 2022			
	Oil and gas pipes RMB'000	New energy pipes and special seamless steel pipes RMB'000	Other products RMB'000	Total RMB'000
Revenue from external customers	<u>1,113,416</u>	<u>801,918</u>	<u>24,790</u>	<u>1,940,124</u>
Reportable segment gross profit	<u>148,679</u>	<u>61,400</u>	<u>331</u>	<u>210,410</u>
	Six months ended 30 June 2021			
	Oil and gas pipes RMB'000	New energy pipes and special seamless steel pipes RMB'000	Other products RMB'000	Total RMB'000
Revenue from external customers	<u>442,531</u>	<u>961,394</u>	<u>101,746</u>	<u>1,505,671</u>
Reportable segment gross profit	<u>84,441</u>	<u>63,219</u>	<u>6,439</u>	<u>154,099</u>

(ii) **Reconciliation of reportable segment gross profit**

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Reportable segment gross profit (<i>Note 4(b)(i)</i>)	210,410	154,099
Depreciation expenses, staff costs and utilities incurred during production suspension period as a result of the COVID-19 pandemic	<u>(1,408)</u>	<u>(8,888)</u>
Reportable segment gross profit derived from the Group's external customers	<u>209,002</u>	<u>145,211</u>

(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	
	2022	2021
	RMB'000	RMB'000
Mainland China	1,600,938	1,365,601
Overseas:		
Middle East	183,117	22,583
Africa	56,643	5,409
Southeast Asia	31,587	103,474
Others	67,839	8,604
	<u>339,186</u>	<u>140,070</u>
	<u>1,940,124</u>	<u>1,505,671</u>

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.

5 PROFIT BEFORE TAXATION

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

(a) **Finance costs**

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Interest expenses on borrowings	48,741	47,699
Interest expenses on lease liabilities	27	23
Others	7,111	3,139
	<u>55,879</u>	<u>50,861</u>

(b) Other items

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Depreciation expenses		
– owned property, plant and equipment	60,721	57,981
– right-of-use assets	3,309	3,269
Impairment losses reversed on trade receivables	–	(1,647)
Research and development costs	16,203	12,271
Cost of inventories	1,729,714	1,351,572

6 INCOME TAX

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Current taxation:		
– Provision for the period	–	–
Deferred taxation:		
– Origination and reversal of temporary differences	5,758	2,709
	<u>5,758</u>	<u>2,709</u>

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 Hong Kong incorporated subsidiaries of the Group are subject to Hong Kong Profits Tax, which is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first Hong Kong Dollar (“HK\$”) 2,000,000 of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2021.

- (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 2022 (2021: 25%). One of the subsidiaries 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/ending 31 December 2021, 2022 and 2023.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share for the six months ended 30 June 2022 is calculated based on the profit attributable to equity shareholders of the Company of RMB31,125,000 (six months ended 30 June 2021: RMB17,436,000) and the weighted average of 1,499,896,000 (six months ended 30 June 2021: 1,500,000,000) ordinary shares in issue during the interim period.

The calculation of the weighted average number of ordinary shares is as follows:

	Six months ended 30 June	
	2022 '000	2021 '000
Issued ordinary shares at 1 January	1,501,200	1,500,000
Shares issued under share option schemes	325	–
Effect of purchase of own shares	(1,552)	–
Effect of shares held for share award plans	(77)	–
	<u>1,499,896</u>	<u>1,500,000</u>
Weighted average number of ordinary shares at 30 June	<u>1,499,896</u>	<u>1,500,000</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2022 is based on the profit attributable to equity shareholders of the Company of RMB31,125,000 (six months ended 30 June 2021: RMB17,436,000) and the weighted average number of ordinary shares (diluted) of 1,505,448,000 (six months ended 30 June 2021: 1,504,566,000).

The calculation of the weighted average number of ordinary shares (diluted) is as follows:

	Six months ended 30 June	
	2022 '000	2021 '000
Weighted average number of ordinary shares at 30 June	1,499,896	1,500,000
Effect of deemed issue of shares under the Company's share option scheme	<u>5,552</u>	<u>4,566</u>
Weighted average number of ordinary shares (diluted) at 30 June	<u>1,505,448</u>	<u>1,504,566</u>

8 TRADE AND BILLS RECEIVABLES

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Trade receivables	476,727	335,993
Less: loss allowance	<u>(4,092)</u>	<u>(4,092)</u>
	472,635	331,901
Bills receivables	<u>917,056</u>	<u>1,186,789</u>
	<u>1,389,691</u>	<u>1,518,690</u>

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.

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 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Less than 1 month	300,891	160,062
1 to 3 months	103,063	129,647
3 to 6 months	64,588	39,642
Over 6 months	<u>4,093</u>	<u>2,550</u>
	<u>472,635</u>	<u>331,901</u>

9 TRADE PAYABLE

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Trade payable	<u>699,844</u>	<u>693,313</u>

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

The ageing analysis of trade payable, based on the invoice date, is as follows:

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Less than 1 month	512,949	460,570
1 to 3 months	132,123	216,620
3 to 6 months	39,790	8,591
Over 6 months	<u>14,982</u>	<u>7,532</u>
	<u>699,844</u>	<u>693,313</u>

10 DIVIDENDS

(a) **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 2022 (six months ended 30 June 2021: RMBNil).

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

	Six months ended 30 June 2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved during the following interim period, of HK\$0.03 per ordinary share (six months ended 30 June 2021: HK\$Nil per ordinary share)	<u>36,584</u>	<u>–</u>

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

The Group is mainly engaged in the research and development, production and sales of oil and gas pipes, new energy pipes and special seamless steel pipes and other products. The industry in which the Group's steel pipe products are located is a stable and mature market with relatively stable market demand, characterized by high market concentration, high technological barriers and high industry standards.

During the Reporting Period, the demand for seamless steel pipes steadily improved in terms of market segmentation despite the aggregating impact of multiple factors such as the Pandemic and overseas geopolitics on the steel pipe industry. However, the demand for seamless steel pipes is still steadily increasing in terms of market segmentation. As one of the main types of seamless steel pipes for oil and gas drilling and new energy, the market demand was strong during the Reporting Period. In terms of the domestic aspect, the energy development strategy of the PRC and high international crude oil prices have led to relevant increased investment in exploration and development, with demand in the mainstream market increasing by more than 40% as compared with the corresponding period in the previous year. In terms of the export aspect, according to the data of the General Administration of Customs of the PRC, in the first half of 2022, the export of seamless pipes increased by 34% as compared with the corresponding period in the previous year, among which the export of oil and gas drilling pipes increased by 84% as compared with the corresponding period in the previous year.

During the Reporting Period, the Group seized market opportunities, dynamically adjusted its business strategies, stabilized the domestic market, expanded overseas markets, fully utilized its competitive advantages of independent research and development and fast and flexible customer service throughout the process, and implemented the concept of lean operation, its operating results improved significantly as compared with the corresponding period in the previous year.

BUSINESS REVIEW

During the Reporting Period, the Group's revenue was mainly generated from oil and gas pipes, new energy pipes and special seamless steel pipes. The revenue of the oil and gas pipes business accounted for 57.4% of the revenue for the Reporting Period, while the revenue of the new energy pipes and special seamless steel pipes business accounted for 41.3% of the revenue for the Reporting Period.

The Group's products are divided into standard products and products with special requirements from customers. The production mode is mainly "sales-based production", which means that customers will propose product specifications, performance and quantity requirements, and the relevant production units of the Group will organize production, inspection and delivery according to the orders or contracts. The raw materials for the Group's products are mainly scrap metals, which are procured by entering into purchase contracts with suppliers and the Group shall then determine the purchase price according to market conditions and production requirements. In respect of the sales mode of the products, the domestic market is dominated by direct sales, while the international market uses both direct sales and distribution modes concurrently.

During the Reporting Period, as affected by the Pandemic, the place where the Group's production areas are located were subject to temporary lockdown control measures from time to time from March to May 2022, resulting in restrictions on the procurement of raw materials, the shipment of products and the transportation of raw materials for the Group's internal production lines. In addition, due to changes in the economic environment, scrap metal and energy prices increased significantly. Although the Group has a cost locking mechanism with its customers, the Group was still affected, resulting in an increase in the production cost of products. However, during the Reporting Period, the Group has been awarded the bids for the 2022 annual centralized procurement bidding project for oil and gas pipes of CNPC and also the 2022 tender for the entering into of framework agreements with Sinopec for procurement of the Group's oil and gas pipes, as well as the smooth implementation of the strategy to expand overseas markets and broaden the product range. During the Reporting Period, the Group has been able to achieve an increase in revenue by approximately 28.9% as compared with the corresponding period of last year, and an increase in gross profit margin from approximately 9.6% in the corresponding period last year to approximately 10.8% during the Reporting Period. The Group's profit for the period amounted to RMB31.1 million, representing an increase of 78.7% as compared to RMB17.4 million for the corresponding period of the previous year; basic earnings per share reached RMB0.02, representing an increase of 100% as compared with the corresponding period of the previous year.

During the Reporting Period, the Group was able to continuously improve its core competitive capabilities from multiple aspects, including:

- (1) In terms of technology research and development – DLP-T4, an innovative corrosion resistant, high-strength and high-toughness oil casing, which was independently designed by the Group and passed the evaluation API 5C5 2017 of the United States. The Group has registered patent for DLP-T4. Such product was used in batches in the southwest oil and gas field of CNPC during the Reporting Period for shale gas exploration in ultra-deep wells, the depth of which exceeded 6,000m, and the maximum depth of 7,014.14 meters, which once again set a new record of depth of application of the Group's products.
- (2) In terms of manufacturing capability – the Group's intelligent manufacturing system is equipped with product identification, information collection and statistical analysis functions during the production process, which improves the traceability of product quality; the unmanned intelligent warehouse, the first of its kind in the PRC, which realizes automatic circulation and information tracking among the rolling, heat treatment and pipe processing processes, providing all-round support for efficient operation.

- (3) In terms of green development – the Group’s short-process electric arc furnace production technology using renewable resources as raw materials has reduced carbon emissions by more than 50% compared with the long-process. At the same time, in order to promote low-carbon development, the Group has launched waste heat utilization, equipment energy-saving transformation and new energy introduction projects; the self-developed shale gas casing series is an energy-saving and carbon-reducing product, which helps the development of clean energy. The Group has been awarded the title of Green Factory in Hebei Province in June 2020.
- (4) In terms of market expansion – the Group’s product quality and brand have continued to improve in the domestic market. The Group received recognitions from mainstream market customers such as CNPC and Sinopec. In respect of the international market, the Group received certifications from well-known oil companies, and has continuously increased substantial business cooperations with them.
- (5) In terms of management improvement – the Group promotes a financial-oriented management concept and forms a data-oriented atmosphere of “precise, meticulous and lean operation”. The Group has engaged a training organization to provide training to middle-level managers and high potential staff on the implementation of the IDP programme to enhance the management capacity of its core content, in order to meet the needs of the Group’s rapid development.

OUTLOOK

The management of the Group is of the view that the Pandemic is still at the status of sporadic breakout at various locations, and the industry that the Group operates in will still face the influence of greater fluctuations in raw materials and energy prices, and international inflation is not improving for the time being, the economic development is not optimistic, and the sluggishness of the international economic situation is still relatively prominent. However, with the continuous changes in the global economic environment and the adjustment of the supply chain pattern due to the Russo-Ukrainian war, as well as the stimulation of the continuous high global energy prices, the investment in energy extraction will continue to grow, and such factors are expected to have a positive impact on the demand for the Group’s products.

In the second half of 2022, the Group will facilitate various projects around the operational strategic positioning of “Specialized, Refinement, Differential, Innovation”. The Group will continue to (a) focus on oil and gas pipes products, new energy pipes and special seamless steel pipes, and focus on product innovation, customer innovation and market innovation; (b) continue to strengthen the competitive awareness of employees, and continue to promote IDP training for middle-level managers to build a learning-style organization and improve management capabilities; (c) build an efficient and intelligent manufacturing plant and operation process system based on digital technology to facilitate low-cost, high-quality and high-efficiency development; (d) push forward the certification of overseas oil companies and increase the proportion of the Group’s product in international market; (e) implement the management methods of “Meticulous, Precise and Refined Operation”, continuously improve our financial structure and promote the high-quality development of the Group; and (f) build a management, technical and operation team that highly recognizes the corporate culture, consciously practices the corporate culture, and keeps pace with the Group for sustainable development, so as to achieve steady growth in annual operating results.

FINANCIAL REVIEW

Revenue

The Group achieved a total revenue of RMB1,940.1 million during the Reporting Period, representing an increase of 28.9% from RMB1,505.7 million in the corresponding period of 2021. During the Reporting Period, the revenue of new energy pipes and special seamless steel pipes and other products decreased, while the revenue of oil and gas pipes increased.

	Six months ended 30 June 2022		Six months ended 30 June 2021		Changes	
	Sales <i>RMB million</i>	Percentage of Sales %	Sales <i>RMB million</i>	Percentage of Sales %	Sales <i>RMB million</i>	%
Oil and gas pipes	1,113.4	57.4%	442.5	29.4%	670.9	151.6%
New energy pipes and special seamless steel pipes	801.9	41.3%	961.4	63.9%	(159.5)	(16.6%)
Other products	24.8	1.3%	101.8	6.7%	(77.0)	(75.6%)
Total	<u>1,940.1</u>	<u>100.0%</u>	<u>1,505.7</u>	<u>100.0%</u>	<u>434.4</u>	<u>28.9%</u>

The Group recorded an increase of 151.6% in the revenue of oil and gas pipes to RMB1,113.4 million (corresponding period of 2021: RMB442.5 million), a decrease of 16.6% in the revenue of new energy pipes and special seamless steel pipes to RMB801.9 million (corresponding period of 2021: RMB961.4 million), and a decrease of 75.6% in the revenue of other products to RMB24.8 million (2021: RMB101.8 million).

The increase in revenue of oil and gas pipes was mainly due to the increase in sales volume as a result of the successful bidding in the domestic oil and gas field market and the successful expansion in the international market, as well as the increase in sales price due to the change in product structure and the change in market conditions. The decrease in revenue of new energy pipes and special seamless steel pipes was mainly due to the increase in consumption of other products and special seamless steel pipes as a result of the increase in sales of oil and gas pipes, and the corresponding decrease in sales volume.

	Six months ended 30 June 2022		Six months ended 30 June 2021		Change	
	Sales <i>RMB million</i>	Percentage of Sales %	Sales <i>RMB million</i>	Percentage of Sales %	Sales <i>RMB million</i>	%
Domestic Sales	1,600.9	82.5%	1,365.6	90.7%	235.3	17.2%
Overseas Sales	339.2	17.5%	140.1	9.3%	199.1	142.1%
Total	<u>1,940.1</u>	<u>100.0%</u>	<u>1,505.7</u>	<u>100.0%</u>	<u>434.4</u>	<u>28.9%</u>

During the Reporting Period, the Group recorded an increase of 142.1% in the revenue of overseas sales to RMB339.2 million (corresponding period of 2021: RMB140.1 million), which is mainly due to the recovery in overseas demand, the increase in sales volume as a result of the success of the Group's strategy to expand into the overseas markets, and the increase in market sales prices.

Cost of sales

The Group recorded a total cost of sales of RMB1,731.1 million during the Reporting Period, representing an increase of 27.2% as compared to RMB1,360.5 million for the corresponding period of 2021, mainly due to the increase in sales volume and the increase in prices of raw materials and energy.

Gross profit and gross margin

The Group's total gross profit during the Reporting Period was RMB209.0 million, representing an increase of RMB63.8 million as compared to RMB145.2 million for the corresponding period of 2021. The Group's overall gross profit margin during the Reporting Period was 10.8%, representing an increase of 1.2 percentage points from 9.6% for the corresponding period of 2021. The increase in gross profit and gross profit margin was mainly due to the period-on-period increase in sales volume and selling prices.

Other income

During the Reporting Period, the Group's other income was RMB7.9 million, representing a decrease of RMB1.9 million from RMB9.8 million for the corresponding period of 2021, mainly due to the decrease in government subsidies.

Selling expenses

During the Reporting Period, the Group's selling expenses was RMB53.5 million, representing an increase of 54.2% as compared to RMB34.7 million for the corresponding period of 2021, mainly due to the increase in revenue.

Administrative expenses

During the Reporting Period, the Group's administrative expenses was RMB70.7 million, representing an increase of 43.4% as compared to RMB49.3 million for the corresponding period of 2021, mainly due to the increase in labor costs, research and development expenses, taxes and surcharges.

Finance costs

The finance costs of the Group during the Reporting Period was RMB55.9 million, representing an increase of 9.8% as compared to RMB50.9 million for the corresponding period of 2021, mainly due to the increase in discounting cost on bills receivables.

Income tax

During the Reporting Period, the Group's income tax amounted to RMB5.8 million, representing an increase of RMB3.1 million as compared to RMB2.7 million for the corresponding period of 2021, mainly due to the increase in profit before taxation.

Profit for the period

The Group's profit for the Reporting Period was RMB31.1 million, representing an increase of RMB13.7 million as compared to RMB17.4 million for the corresponding period of 2021, mainly due to the increase in revenue and gross profit.

Capital expenditure

During the Reporting Period, the Group invested RMB17.8 million in property, plant and equipment (first half of 2021: RMB29.9 million).

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 2022, cash at bank and on hand amounted to RMB572.4 million (31 December 2021: RMB551.6 million).

As at 30 June 2022, interest-bearing borrowings of the Group amounted to RMB2,336.0 million, among which RMB774.5 million were long-term borrowings and RMB1,561.5 million were short-term borrowings.

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 period end and multiplied by 100%, was 132.5%, representing a decrease of 9.8 percentage points from 142.3% at 31 December 2021, due to the decrease in short-term borrowings.

Current ratio, which is calculated based on the current assets divided by the current liabilities, increased from 1.05 as at 31 December 2021 to 1.12 as at 30 June 2022.

Employees and remuneration policy

As at 30 June 2022, the Group had 1,753 employees (30 June 2021: 1,476 employees) in total, total staff costs during the Reporting Period amounted to RMB105.2 million (corresponding period of 2021: RMB83.7 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 share option schemes and a share award plan for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, who have contributions to the Group.

Pledge of assets

As at 30 June 2022, the Group's property, plant and equipment with carrying amount of RMB1,280.4 million and other chattels with carrying amount of RMB1,224.4 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. With the growth of its export business, the Group hedges its exposure to exchange rate fluctuations through forward foreign exchange settlement and it is expected that the Group will not be subject to any materially adverse effects arising from exchange rate fluctuation. 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

During the Reporting Period, the Group did not hold any significant investments or have any material acquisitions or disposals of subsidiaries, associates or joint ventures of the Company.

Contingent liabilities

As at 30 June 2022, the Group does not have any contingent liabilities.

Interim dividends

The Board does not recommend the payment of interim dividend for the Reporting Period.

USE OF PROCEEDS FROM IPO

The shares of the Group were listed on the Main Board of the Stock Exchange on the 8 November 2019 by way of IPO. 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, 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. For details of the Reallocation, please refer to the Company's announcement dated 10 June 2020. During the Reporting Period, the net proceeds were utilised as follows:

	Original planned use of net proceeds (RMB million)	Amount of Reallocation (RMB million)	Amount utilised as at 30 June 2022 (RMB million)	Unutilised proceeds as at 30 June 2022 (RMB million)	Unutilised proceeds as at 31 December 2021 (RMB million)
To fund the Phase Two Expansion	339.2	(200.0)	87.5	51.7	60.9
To strengthen the Group's product research and development and innovation capabilities	9.2	-	3.8	5.4	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	-	5.5	2.2	2.4
For general replenishment of working capital and other general corporate purpose	27.6	-	27.6	-	-
For repayment of borrowings	-	200.0	200.0	-	-
Total	<u>383.7</u>	<u>-</u>	<u>324.4</u>	<u>59.3</u>	<u>68.8</u>

The unutilised net proceeds are kept in banks and approved financial institutions in Hong Kong and the PRC. As at the date of this announcement, the Company does not anticipate any further change in the planned use of the reallocated proceeds as described above. The remaining unutilized net proceeds as at 30 June 2022 are currently expected to be fully utilized on or before 31 December 2022. As disclosed in the Company's 2020 Annual Report, due to the impact of the Pandemic, the progress of the Phase Two Expansion has been delayed and therefore there will be a delay in the timing of the utilization of the proceeds (which are expected to be fully utilized on or before 31 December 2022).

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

During the Reporting Period, the Company has made the below repurchase of Shares on the Stock Exchange. As at 30 June 2022, all 3,932,000 Shares have been cancelled. The repurchases were made by the Board for the purpose of enhancing shareholders' value in the long run. Details of the repurchase of Shares are as follows:

Month of repurchase	Total number of shares repurchased	Highest price paid per share (HK\$)	Lowest price paid per share (HK\$)	Total consideration (HK\$ '000)
March 2022	670,000	1.78	1.59	1,144
April 2022	1,964,000	2.10	1.83	3,913
May 2022	1,298,000	2.00	1.87	2,507
	<u>3,932,000</u>			<u>7,564</u>

Save as disclosed above, neither the Company nor its any other subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

There was no significant event from the end of the Reporting Period up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the provisions in the CG Code, and has complied with all the code provisions as set out in the CG Code during the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions in terms no less exacting than the required standard set out in the Model Code. 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 Reporting Period.

REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed and discussed with the management of the Group on the unaudited consolidated interim financial statements of the Group for the Reporting Period, including the accounting treatment, principles and practices adopted by the Group, and discussed financial related matters, with no disagreement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The results announcement for the Reporting Period is published on the Company's website at www.dalipal.com and the website of the Stock Exchange at www.hkexnews.hk. The 2022 interim report of the Company will be despatched to the shareholders of the Company and available on the above websites in due course in compliance with the Listing Rules.

APPRECIATION

On behalf of the Board, the Board would like to take this opportunity to express its sincere gratitude to all staff of the Group for their dedication and cooperation and to all shareholders for their support.

DEFINITIONS

“Board”	the board of Directors
“CG Code”	the Corporate Governance Code contained in Part 2 of Appendix 14 to the Listing Rules
“CNPC”	China National Petroleum Corporation
“Company”	Dalipal Holdings Limited (達力普控股有限公司), an exempted company limited by shares incorporated in the Cayman Islands with limited liability, whose Shares are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IDP”	individual development plan
“IPO”	the listing of the Shares on the Main Board of the Stock Exchange by way of initial public offering
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock market (excluding the options market) operated by the Stock Exchange and which is independent from and operated in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Pandemic”	the COVID-19 pandemic
“Phase Two Expansion”	the construction of phase two production capacity expansion at the Group’s factory located at Bohai New District
“PRC” or “China”	the People’s Republic of China which, for the purposes of this announcement excludes Hong Kong, Macau and Taiwan
“Prospectus”	the prospectus of the Company dated 28 October 2019
“Reallocation”	the reallocation of part of the unutilised net proceeds from the IPO originally allocated for the Phase Two Expansion to the repayment of certain existing interest-bearing borrowings of the Group as resolved by the Board on 10 June 2020
“Reporting Period”	the six months ended 30 June 2022
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company

“Sinopec” China Petrochemical Corporation
“Stock Exchange” The Stock Exchange of Hong Kong Limited
“%” per cent

By Order of the Board
Dalipal Holdings Limited
Meng Fanyong
Chairman and Executive Director

Hong Kong, 24 August 2022

As at the date of this announcement, the Board comprises Mr. Meng Fanyong, Mr. Zhang Hongyao, Ms. Xu Wenhong, Mr. Meng Yuxiang, and Ms. Gan Shuya, as the executive Directors; Mr. Yin Zhixiang, as the non-executive Director; and Mr. Guo Kaiqi, Mr. Wong Jovi Chi Wing and Mr. Cheng Haitao as the independent non-executive Directors.