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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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **FINANCIAL HIGHLIGHTS**

	<b>Year ended 31 December</b>		<b>Changes</b>
	<b>2019</b>	<b>2018</b>	
	<b>RMB'million</b>	<b>RMB'million</b>	
Revenue	<b>2,826.0</b>	3,094.8	-8.7%
Gross profit	<b>534.3</b>	591.5	-9.7%
<i>Gross profit margin</i>	<b>18.9%</b>	19.1%	
Profit from operations	<b>479.8</b>	428.5	12.0%
Profit before taxation	<b>409.7</b>	355.3	15.3%
Profit for the year	<b>337.4</b>	301.2	12.0%
<i>Net profit margin</i>	<b>11.9%</b>	9.7%	
Profit for the year attributable to equity shareholders of the Company:	<b>333.7</b>	301.2	10.8%
Earnings per share			
– Basic (RMB)	<b>0.27</b>	0.26	3.8%
– Diluted (RMB)	<b>0.27</b>	N/A	
Proposed final dividend per share (Hong Kong dollar (“ <b>HK\$</b> ”))	<b>0.10</b>	N/A	

## RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Dalipal Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018, as follows:

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

For the year ended 31 December 2019

(Expressed in Renminbi (“RMB”))

	Note	2019 RMB’000	2018 RMB’000
<b>Revenue</b>	3	<b>2,825,969</b>	3,094,823
Cost of sales		<u>(2,291,647)</u>	<u>(2,503,344)</u>
<b>Gross profit</b>		<b>534,322</b>	591,479
Other income	4	<b>134,514</b>	5,326
Selling expenses		<b>(61,584)</b>	(56,564)
Administrative expenses		<u>(127,465)</u>	<u>(111,779)</u>
<b>Profit from operations</b>		<b>479,787</b>	428,462
Finance costs		<u>(70,056)</u>	<u>(73,202)</u>
<b>Profit before taxation</b>	5	<b>409,731</b>	355,260
Income tax	6	<u>(72,321)</u>	<u>(54,062)</u>
<b>Profit for the year</b>		<b>337,410</b>	301,198
<b>Other comprehensive income for the year (after tax):</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences on translation into presentation currency		<u>867</u>	–
<b>Total comprehensive income for the year</b>		<u><b>338,277</b></u>	<u>301,198</u>
<b>Profit for the year attributable to:</b>			
Equity shareholders of the Company		<b>333,729</b>	301,198
Non-controlling interests		<u>3,681</u>	–
<b>Profit for the year</b>		<u><b>337,410</b></u>	<u>301,198</u>
<b>Total comprehensive income for the year attributable to:</b>			
Equity shareholders of the Company		<b>334,596</b>	301,198
Non-controlling interests		<u>3,681</u>	–
<b>Total comprehensive income for the year</b>		<u><b>338,277</b></u>	<u>301,198</u>
<b>Earnings per share</b>	7		
Basic (RMB)		<b>0.27</b>	0.26
Diluted (RMB)		<u><b>0.27</b></u>	<u>N/A</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

(Expressed in RMB)

	Note	2019 RMB'000	2018 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		1,972,521	1,561,050
Deferred tax assets		4,553	162
		<u>1,977,074</u>	<u>1,561,212</u>
<b>Current assets</b>			
Inventories		440,631	419,670
Trade and bills receivables	8	914,630	633,645
Prepayments, deposits and other receivables		98,725	110,349
Income tax recoverable		–	1,012
Cash at bank and on hand		810,620	391,207
		<u>2,264,606</u>	<u>1,555,883</u>
<b>Current liabilities</b>			
Trade and bills payables	9	280,744	395,798
Other payables and accruals		172,139	303,239
Interest-bearing borrowings		1,361,807	1,345,010
Lease liabilities		934	–
Current taxation		28,020	–
		<u>1,843,644</u>	<u>2,044,047</u>
<b>Net current assets/(liabilities)</b>		<u>420,962</u>	<u>(488,164)</u>
<b>Total assets less current liabilities</b>		<u>2,398,036</u>	<u>1,073,048</u>
<b>Non-current liabilities</b>			
Interest-bearing borrowings		840,900	310,000
Lease liabilities		161	–
Deferred tax liabilities		13,437	–
Deferred income		17,559	506
		<u>872,057</u>	<u>310,506</u>
<b>NET ASSETS</b>		<u>1,525,979</u>	<u>762,542</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	10	134,263	85
Reserves		1,380,638	755,060
<b>Total equity attributable to equity shareholders of the Company</b>		<u>1,514,901</u>	<u>755,145</u>
<b>Non-controlling interests</b>		<u>11,078</u>	<u>7,397</u>
<b>TOTAL EQUITY</b>		<u>1,525,979</u>	<u>762,542</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 “Listing Date”). 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 SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

The Group’s financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

#### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Group.

Prior to the incorporation of the Company, the principal activities of the Group were carried out by Dalipal Pipe Company (達力普石油專用管有限公司, “Dalipal Pipe”) which was established as a limited liability company on 18 September 1998 in the People’s Republic of China (the “PRC”). To rationalise the corporate structure in preparation of the listing of the Company’s shares on the Stock Exchange, the Group underwent a reorganisation (the “Reorganisation”), and the Company became the parent company of Dalipal Pipe and the holding company of the companies now comprising the Group. The Reorganisation only involved inserting the Company and other newly formed entities with no substantive operations as holding companies of Dalipal Pipe and there was no change in the business and operation of Dalipal Pipe. Accordingly, the consolidated financial statements for the years ended 31 December 2019 and 2018 have been prepared and presented as a continuation of the consolidated financial statements of Dalipal Pipe with the assets and liabilities of Dalipal Pipe recognised and measured at their historical carrying amounts prior to the Reorganisation.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

**(c) Changes in accounting policies**

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

In preparation of the listing of the Company's shares on the Stock Exchange, the Group has early adopted IFRS 16, *Leases*, on a fully retrospective basis, and applied IFRS 16 consistently since 1 January 2018.

**3 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:

	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Sales of OCTG	<b>1,641,353</b>	1,709,755
Sales of other oil pipes	<b>417,473</b>	345,394
Sales of pipe billets	<b>767,143</b>	1,039,674
	<b><u>2,825,969</u></b>	<u>3,094,823</u>

Revenue from customers with whom transactions have exceeded 10% of the Group's revenue is as follows:

	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Customer A	<b>547,487</b>	479,256
Customer B	<b>372,003</b>	353,732
Customer C	<b>290,341</b>	319,080
	<b><u>2,825,969</u></b>	<u>3,094,823</u>

**(b) Segment reporting**

The Group manages its businesses by products. 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. The measure used for reporting segment result is gross profit. No inter-segment sales have occurred for the years ended 31 December 2019 and 2018. 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 the years ended 31 December 2019 and 2018 is set out below.

	2019			
	OCTG	Other	Pipe billets	Total
	RMB'000	oil pipes	RMB'000	RMB'000
		RMB'000		
Revenue from external customers	<u>1,641,353</u>	<u>417,473</u>	<u>767,143</u>	<u>2,825,969</u>
Reportable segment gross profit	<u>406,771</u>	<u>73,559</u>	<u>53,992</u>	<u>534,322</u>
	2018			
	OCTG	Other	Pipe billets	Total
	RMB'000	oil pipes	RMB'000	RMB'000
		RMB'000		
Revenue from external customers	<u>1,709,755</u>	<u>345,394</u>	<u>1,039,674</u>	<u>3,094,823</u>
Reportable segment gross profit	<u>430,194</u>	<u>57,843</u>	<u>103,442</u>	<u>591,479</u>

(ii) *Geographic information*

The following tables set 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:

	<b>2019</b> <i>RMB'000</i>	2018 <i>RMB'000</i>
Mainland China	<b>2,632,105</b>	2,831,305
Overseas:		
Oman	<b>144,931</b>	130,241
Others	<b>48,933</b>	133,277
	<b>193,864</b>	263,518
	<b>2,825,969</b>	3,094,823

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.

**4 OTHER INCOME**

	<b>2019</b> <i>RMB'000</i>	2018 <i>RMB'000</i>
Government grants	<b>5,678</b>	1,304
Interest income	<b>2,001</b>	5,407
Net gain on relocation of production facilities	<b>125,501</b>	–
Net loss on disposal of other property, plant and equipment	<b>(1,676)</b>	(74)
Net foreign exchange gain/(loss)	<b>1,042</b>	(1,600)
Others	<b>1,968</b>	289
	<b>134,514</b>	5,326

## 5 PROFIT BEFORE TAXATION

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

### (a) Finance costs

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Interest expenses on borrowings	99,495	70,302
Interest expenses on lease liabilities	59	–
Others	5,904	4,864
	<u>105,458</u>	<u>75,166</u>
Less: interest expenses capitalised into construction in progress*	<u>(35,402)</u>	<u>(1,964)</u>
	<u><b>70,056</b></u>	<u><b>73,202</b></u>

\* The borrowing costs have been capitalised at a rate of 5.73% per annum (2018: 6.18%).

### (b) Staff costs#

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Salaries, wages and other benefits	155,126	134,482
Contributions to defined contribution retirement plan	10,973	9,518
Equity-settled share-based payment expenses	1,788	–
	<u>167,887</u>	<u>144,000</u>

The employees of the subsidiaries of the Group established in the PRC (other than Hong Kong) participate in a defined contribution retirement benefit plan managed by the local government authority. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the defined salaries level in the PRC (other than Hong Kong), from the above mentioned retirement plan at their normal retirement age.

The Group also operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of Hong Kong Dollar (“HK\$”) 30,000. Contributions to the MPF Scheme vest immediately.

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions.



(c) **Other items**

	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Depreciation expenses <sup>#</sup>		
– owned property, plant and equipment	<b>77,005</b>	61,765
– right-of-use assets	<b>6,733</b>	5,924
Impairment losses on trade and other receivables	<b>5,347</b>	328
Auditors' remuneration		
– audit services	<b>2,510</b>	264
– services in connection with the initial listing of the Company's shares	<b>3,647</b>	1,313
Research and development costs	<b>23,028</b>	23,279
Cost of inventories <sup>#</sup>	<b>2,291,647</b>	2,503,344

<sup>#</sup> Cost of inventories include RMB164,793,000 (2018: RMB147,942,000) relating to staff costs and depreciation expenses, which amounts are also included in the respective amounts disclosed separately above or in Note 5(b) for each of these types of expenses.

**6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

(a) **Taxation in the consolidated statement of profit or loss and other comprehensive income represents:**

	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Current taxation:</b>		
– Provision for the year	<b>64,801</b>	48,862
– Over-provision in respect of prior years ( <i>Note 6(b)(v)</i> )	<b>(1,526)</b>	–
	<b>63,275</b>	48,862
<b>Deferred taxation:</b>		
– Origination and reversal of temporary differences	<b>(4,391)</b>	5,200
– Withholding tax in connection with the retained profits to be distributed by a subsidiary of the Group	<b>13,437</b>	–
	<b>9,046</b>	5,200
	<b>72,321</b>	54,062

(b) **Reconciliation between tax expense and accounting profit at applicable tax rates:**

	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Profit before taxation	<b>409,731</b>	355,260
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (Notes (i), (ii) and (iii))	<b>104,761</b>	88,766
Tax effect of non-deductible expenses	<b>2,567</b>	862
Tax effect on preferential tax rate (Note (iv))	<b>(45,418)</b>	(35,566)
Tax effect on bonus deduction of research and development costs (Note (v))	<b>(1,500)</b>	–
Over-provision in respect of prior years (Note (v))	<b>(1,526)</b>	–
Tax effect of the withholding tax in connection with the retained profits to be distributed by a subsidiary of the Group (Note (vi))	<b>13,437</b>	–
Actual tax expense	<b>72,321</b>	54,062

*Notes:*

- (i) The Company and the subsidiaries of the Group incorporated in the Cayman Islands and British Virgin Islands (the “BVI”) 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 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%.
- (iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% for the year ended 31 December 2019 (2018: 25%).
- (iv) The PRC Corporate Income Tax Law allows enterprises to apply for certificate of “High and New Technology Enterprise” (“HNTE”), which entitles the qualified companies to a preferential income tax rate of 15%, subject to fulfilment of the recognition criteria. Dalipal Pipe was qualified as a HNTE and is entitled to the preferential tax rate of 15% for the three calendar years ended/ending 31 December 2018, 2019 and 2020.
- (v) According to the relevant tax rules in the PRC, qualified research and development costs are allowed for bonus deduction for income tax calculation purpose, i.e. an additional 75% of such costs could be utilised as additional deductible expenses. The over-provision of current taxation for the year ended 31 December 2019 was mainly attributable to Dalipal Pipe obtained approval from the relevant tax authority for bonus deduction for research and development costs incurred in 2018.
- (vi) One of the Group’s subsidiaries established in the PRC intended to distribute RMB134,367,000 to its immediate holding company outside of Mainland China in the foreseeable future. Pursuant to the Sino-Hong Kong Double Tax Arrangement, the distribution is subject to a PRC Withholding Tax rate of 10%. Accordingly, a deferred tax liability of RMB13,437,000 has been recognised at 31 December 2019.

## 7 EARNINGS PER SHARE

### (a) Basic earnings per share

The basic earnings per share for the year ended 31 December 2019 is calculated based on the profit attributable to equity shareholders of the Company of RMB333,729,000 and the weighted average of 1,244,384,000 ordinary shares, comprising:

- (i) 970,000 ordinary shares in issue at 1 January 2019;
- (ii) 30,000 shares issued to an investor on 9 January 2019 as a result of the Reorganisation, as if these ordinary shares were outstanding throughout the year ended 31 December 2019;
- (iii) 1,199,000,000 ordinary shares issued pursuant to the capitalisation issue immediately prior to the completion of the initial public offering, as if these ordinary shares were outstanding throughout the year ended 31 December 2019; and
- (iv) 300,000,000 ordinary shares issued on the Listing Date by initial public offering.

The basic earnings per share for the year ended 31 December 2018 is calculated based on the profit attributable to equity shareholders of the Company of RMB301,198,000 and the weighted average of 1,173,271,233 ordinary shares, comprising:

- (i) 1 ordinary share issued on 28 August 2018, 969,999 ordinary shares issued on 22 September 2018 and the related 1,163,030,000 ordinary shares issued pursuant to the capitalisation issue immediately prior to the completion of the initial public offering, as if the above total 1,164,000,000 ordinary shares were outstanding throughout the year ended 31 December 2018; and
- (ii) 30,000 shares issued to an investor on 9 January 2019 as a result of the Reorganisation and the related 35,970,000 ordinary shares issued pursuant to the capitalisation issue immediately prior to the completion of the initial public offering, as if the above total 36,000,000 ordinary shares were outstanding since 29 September 2018, the date in which this investor became equity holders of Dalipal Pipe.

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

	2019	2018
Issued ordinary shares at 1 January/28 August (date of incorporation)	970,000	1
Issuance of shares	–	969,999
Issuance of shares on 9 January 2019	30,000	7,726
Effect of capitalisation issue	1,199,000,000	1,172,293,507
Effect of shares issued on the initial listing of the Company's shares on the Stock Exchange	44,384,000	–
	<u>1,244,384,000</u>	<u>1,173,271,233</u>
Weighted average number of shares in issue	<u>1,244,384,000</u>	<u>1,173,271,233</u>

**(b) Diluted earnings per share**

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB333,729,000 and the weighted average number of ordinary shares (diluted) of 1,246,189,337.

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

	<b>2019</b>
Weighted average number of ordinary shares at 31 December	<b>1,244,384,000</b>
Effect of deemed issue of shares under the Company's share option scheme	<b>1,805,337</b>
	<hr/>
Weighted average number of ordinary shares (diluted) at 31 December	<b>1,246,189,337</b>

There was no difference between basic and diluted earnings per share for the year ended 31 December 2018 as the Company did not have any dilutive potential shares outstanding during the year ended 31 December 2018.

**8 TRADE AND BILLS RECEIVABLES**

	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Trade receivables	<b>453,422</b>	243,609
Less: loss allowance ( <i>Note 8(b)</i> )	<b>(8,833)</b>	(3,511)
	<hr/>	<hr/>
Bills receivables	<b>444,589</b>	240,098
	<b>470,041</b>	393,547
	<hr/>	<hr/>
	<b>914,630</b>	633,645

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.

**(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:

	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Less than 1 month	<b>231,615</b>	134,864
1 to 3 months	<b>178,652</b>	97,836
3 to 6 months	<b>34,322</b>	5,323
Over 6 months	–	2,075
	<hr/>	<hr/>
	<b>444,589</b>	240,098

The Group's customers are mainly oil and gas extractive companies in the PRC.

**(b) Impairment of trade and bills receivables**

The movements in the loss allowance account are as follows:

	<b>2019</b> <i>RMB'000</i>	2018 <i>RMB'000</i>
At 1 January	<b>3,511</b>	3,123
Credit losses recognised	<b>5,322</b>	388
	<hr/>	<hr/>
At 31 December	<b>8,833</b>	3,511
	<hr/>	<hr/>

**9 TRADE AND BILLS PAYABLES**

	<b>2019</b> <i>RMB'000</i>	2018 <i>RMB'000</i>
Trade payables	<b>259,358</b>	272,947
Bills payables	<b>21,386</b>	122,851
	<hr/>	<hr/>
	<b>280,744</b>	395,798
	<hr/>	<hr/>

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:

	<b>2019</b> <i>RMB'000</i>	2018 <i>RMB'000</i>
Less than 1 month	<b>212,193</b>	153,074
1 to 3 months	<b>21,612</b>	111,070
3 to 6 months	<b>13,611</b>	69,476
Over 6 months	<b>33,328</b>	62,178
	<hr/>	<hr/>
	<b>280,744</b>	395,798
	<hr/>	<hr/>

## 10 SHARE CAPITAL AND DISTRIBUTIONS/DIVIDENDS

### (a) Distributions/Dividends

#### (i) Dividends payable to equity shareholders of the Company attributable to the year

	2019 RMB'000	2018 RMB'000
Final dividend proposed after the end of the reporting period of HK\$0.1 per ordinary share (2018: HK\$Nil per ordinary share)	<u>134,367</u>	<u>–</u>

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

#### (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

The directors of the Company did not recommend the payment of a dividend in respect of the year ended 31 December 2018.

Prior to the completion of the Reorganisation, the equity holders of Dalipal Pipe have approved the declaration of annual and special cash distributions of RMB52,854,000 and RMB400,179,000 at Dalipal Pipe's general meeting of equity holders held in April 2018 and August 2018, respectively.

### (b) Share capital

	2019		2018	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised share capital (Note (i))	<u>20,000,000</u>	<u>2,000,000</u>	<u>3,800</u>	<u>380</u>

	2019		2018	
	Number of shares	Amount RMB'000	Number of shares	Amount RMB'000
<b>Ordinary shares, issued and fully paid:</b>				
<b>At 1 January 2019/at 28 August 2018</b> (date of incorporation)	<b>970,000</b>	<b>85</b>	1	–
Issuance of shares (Note (ii))	30,000	3	969,999	85
Capitalisation issue (Note (iii))	1,199,000,000	107,322	–	–
Issuance of shares by initial public offering (Note (iv))	<u>300,000,000</u>	<u>26,853</u>	–	–
At 31 December	<u>1,500,000,000</u>	<u>134,263</u>	<u>970,000</u>	<u>85</u>

*Notes:*

- (i) The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 28 August 2018. Its initial authorised share capital was HK\$380,000 divided into 3,800,000 shares with a par value of HK\$0.1 per share. On 19 June 2019 and 8 October 2019, the equity shareholders of the Company resolved to increase the authorised share capital of the Company from HK\$380,000 divided into 3,800,000 shares of HK\$0.1 each to HK\$2,000,000,000 divided into 20,000,000,000 shares of HK\$0.1 each.
- (ii) Upon incorporation of the Company, one share was issued at par by the Company to a subscriber which was transferred on the same day to Rosy Astral Limited at par value. On 22 September 2018, an aggregate of 969,999 shares were allotted and issued, credited as fully-paid, at par value by the Company as to 588,627 shares to Rosy Astral Limited, 348,185 shares to Polaris Swift Limited and 33,187 shares to Glorious Year Limited.

On 9 January 2019, an investor, an existing equity holder of 3% equity interests in Dalipal Pipe since 29 September 2018, agreed to subscribe for 30,000 shares at a consideration of RMB22,635,000. The consideration was satisfied by cash of RMB16,792,000 and the assumption of a shareholder's loan of RMB5,843,000 upon the acquisition of Beauty Bright from this investor as part of the Reorganisation. At the same time, this shareholder's loan was assigned to the Company. RMB3,000 and RMB22,632,000 were credited in the Company's share capital and share premium account respectively.

- (iii) Immediately prior to the completion of the initial public offering, the Company allotted and issued 1,199,000,000 ordinary shares, credited as fully paid, to the equity shareholders of the Company whose names appeared on the register of members of the Company at the close of business on 19 June 2019 by way of capitalisation of the sum of HK\$119,900,000 (equivalent to approximately RMB107,322,000) standing to the credit of the share premium account of the Company.
- (iv) 300,000,000 ordinary shares of par value of HK\$0.1 each were issued at a price of HK\$1.59 per ordinary share upon the listing of the shares of the Company on the Stock Exchange. The proceeds of HK\$30,000,000 (equivalent to approximately RMB26,853,000), representing the par value, were credited to the Company's share capital. The remaining proceeds, net of share issuance expenses, of approximately HK\$424,229,000 (equivalent to approximately RMB379,727,000) were credited to the Company's share premium account.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

2019 was a challenging year for the Group's business. Despite the decrease in revenue primarily due to the decrease in sales volume of pipe billets and OCTG, our gross profit margin remained at a similar level as last year at 18.9% as the Group's progressively strengthen its sustainable competitiveness. Profit from operations in 2019 increased by 12.0% as compared with last year to RMB479.8 million; profit before taxation amounted to RMB409.7 million, representing an increase of 15.3% over the previous year; profit for the year amounted to RMB337.4 million, representing an increase of 12.0% over the previous year. Profit for the year attributable to equity shareholders of the Company amounted to RMB333.7 million in 2019, representing an increase of 10.8% over an amount of RMB301.2 million in 2018. Basic earnings per share amounted to RMB0.27, representing an increase of 3.8% over last year.

### BUSINESS REVIEW

	2019		2018		Change	
	Sales <i>RMB million</i>	Proportion of sales %	Sales <i>RMB million</i>	Proportion of sales %	Sales <i>RMB million</i>	Percentage %
OCTG	1,641.4	58.1%	1,709.7	55.2%	(68.3)	-4.0%
Other oil pipes	417.5	14.8%	345.4	11.2%	72.1	20.9%
Pipe billets	767.1	27.1%	1,039.7	33.6%	(272.6)	-26.2%
	<u>2,826.0</u>	<u>100.0%</u>	<u>3,094.8</u>	<u>100.0%</u>	<u>(268.8)</u>	<u>-8.7%</u>

	2019		2018		Change	
	Sales	Proportion of sales %	Sales	Proportion of sales %	Sales	Percentage
Domestic sales	2,632.1	93.1%	2,831.3	91.5%	(199.2)	-7.0%
Overseas sales	193.9	6.9%	263.5	8.5%	(69.6)	-26.4%
	<u>2,826.0</u>	<u>100.0%</u>	<u>3,094.8</u>	<u>100.0%</u>	<u>(268.8)</u>	<u>-8.7%</u>

During the year, the Group recorded a decrease of 4.0% in the revenue from OCTG to RMB1,641.4 million (2018: RMB1,709.7 million), an increase of 20.9% in the revenue from other oil pipes to RMB417.5 million (2018: RMB345.4 million), and a decrease of 26.2% in the revenue from pipe billets to RMB767.1 million (2018: RMB1,039.7 million).



The decrease in the revenue from OCTG was mainly due to the lower product selling price and the slight decrease in sales volume as affected by the relocation from the urban area. The increase in the revenue from other oil pipes was mainly due to the increase in production and sales volume after the expanded production capacity in phase one was put into operation. The decrease in the revenue from pipe billets was mainly due to the decrease in sales volume of pipe billets and certain pipe billets had been utilized internally for the production of other oil pipes, as well as the decrease in product selling price.

During the year, the revenue from overseas sales of the Group decreased by 26.4% to RMB193.9 million (2018: RMB263.5 million), mainly attributable to the decrease in both overseas sales volume and product prices.

## FINANCIAL REVIEW

### Revenue

The Group recorded a revenue of RMB2,826.0 million in total for the year ended 31 December 2019, representing a decrease of 8.7% as compared to RMB3,094.8 million in 2018. During the year, the revenue from OCTG and pipe billets decreased, whilst the revenue from other oil pipes increased.

### Cost of sales

The Group recorded cost of sales of RMB2,291.6 million in total for the year ended 31 December 2019, representing a decrease of 8.5% as compared to RMB2,503.3 million in 2018 which was mainly due to the decrease in sales volume.

### Gross profit and gross profit margin

	2019		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>
OCTG	406.7	24.8%	430.3	25.2%
Other oil pipes	73.6	17.6%	57.8	16.7%
Pipe billets	54.0	7.0%	103.4	9.9%
	<u>534.3</u>	<u>18.9%</u>	<u>591.5</u>	<u>19.1%</u>

The total gross profit of the Group for the year ended 31 December 2019 was RMB534.3 million, representing a decrease of 9.7% as compared to RMB591.5 million in 2018. The Group's overall gross profit margin for the year was 18.9%, at similar level of 2018.

## **Other income**

The Group's other income for the year ended 31 December 2019 was RMB134.5 million, representing an increase of RMB129.2 million as compared to RMB5.3 million in 2018, mainly attributable to a net gain of RMB125.5 million on the relocation of production facilities as a result of compensations from local government due to zone development requirements of the area.

## **Administrative expenses**

The administrative expenses of the Group for the year ended 31 December 2019 was RMB127.5 million, representing an increase of 14.0% as compared to RMB111.8 million in 2018, mainly attributable to the increase in the listing expenses. The listing expenses for 2019 was RMB20.0 million (2018: RMB7.6 million).

## **Finance costs**

The finance costs of the Group in 2019 was RMB70.1 million, representing a decrease of 4.2% as compared to RMB73.2 million in 2018, mainly attributable to the capitalization of interest expenses on the borrowings obtained for the construction of new production lines during the year.

## **Income tax**

The income tax of the Group for the year ended 31 December 2019 was RMB72.3 million, representing an increase of 33.6% as compared to RMB54.1 million in 2018. The increase in income tax expenses was mainly because (1) 10% withholding tax is applied to dividends to be distributed by the domestic companies under the Group to companies overseas; (2) profit before taxation increased over the previous year.

## **Profit for the year and EBITDA**

The Group's profit for the year in 2019 increased by 12.0% to approximately RMB337.4 million from approximately RMB301.2 million in 2018.

The Group's EBITDA in 2019 increased by 13.6% to approximately RMB563.5 million from approximately RMB496.2 million in 2018.

## **Inventories**

The Group's inventory turnover days increased slightly from 58 days in 2018 to 69 days, which remained at normal inventory level.

## **Profit for the year attributable to equity shareholders**

The profit for the year attributable to equity shareholders of the Company in 2019 was RMB333.7 million, representing an increase of 10.8% as compared to RMB301.2 million in 2018.

## **Capital Expenditure**

During the year, the Group invested approximately RMB520.3 million (2018: approximately RMB483.7 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 31 December 2019, cash at bank and on hand amounted to RMB810.6 million in aggregate (2018: RMB391.2 million).

As at 31 December 2019, interest-bearing borrowings of the Group amounted to RMB2,202.7 million, of which RMB840.9 million were long-term borrowings and RMB1,361.8 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 year end and multiplied by 100%, was 91.2%, representing a decrease of 74.5 percentage points as compared to 165.7% in 2018, due to the increase in total equity attributable to equity shareholders given the listing of the Group and the profit from operations.

Current ratio, which is calculated based on the current assets divided by the current liabilities, further improved from 0.8 as at 31 December 2018 to 1.2 as at 31 December 2019.

## **Pledge of assets**

As at 31 December 2019, the Group's property, plant and equipment with carrying amount of RMB1,043.4 million and other chattels with carrying amount of RMB709.5 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. Nevertheless, the Group will closely monitor the financial market and would consider appropriate measures as and when necessary.

## **Material acquisitions and disposals**

The Group did not have any material acquisition as of 31 December 2019; in accordance with the government policy for relocation from the urban area, the Group relocated part of production facilities of the Xinhua District Factory in Cangzhou City with compensations received from the local government.

## Contingent liabilities

As of 31 December 2019, the Group did not have any contingent liabilities.

## Use of Proceeds from Initial Public Offering (“IPO”)

The Company’s shares were listed on the Main Board of the Stock Exchange on 8 November 2019 (“**Listing Date**”) and we received net proceeds (after deduction of underwriting commission and related costs and expenses) from the global offering of approximately HK\$426.3 million (approximately RMB383.7 million). As at 31 December 2019, we have partially utilized such proceeds in accordance with the intended use of proceeds as disclosed in the Prospectus. During the Reporting Period, the net proceeds had been applied for as follows:

	Actual net proceeds <i>RMB million</i>	Amount utilised as at 31 December 2019 <i>RMB million</i>	Unutilised net proceeds as at 31 December 2019 <i>RMB million</i>
To fund the Phase Two Expansion	339.2	18.9	320.3
To strengthen the Group’s product research and development and innovation capabilities	9.2	3.5	5.7
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	7.7	4.0	3.7
For general replenishment of working capital and other general corporate purpose.	27.6	–	27.6
	<u>383.7</u>	<u>26.4</u>	<u>357.3</u>

## Dividends

The Board recommended a final dividend of HK\$0.1 per share for the year ended 31 December 2019.

## Annual General Meeting

The annual general meeting is currently scheduled to be held on Friday, 22 May 2019 (the “**2020 AGM**”). A notice convening the 2020 AGM and other relevant documents will be published and despatched to the shareholders of the Company in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) in due course.

## **Closure of Register of Members for 2020 AGM and Final Dividend**

In order for determining the entitlement to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Monday, 18 May 2020 to Friday, 22 May 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2020 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Center, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 15 May 2020.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the 2020 AGM. The record date for the entitlement to the proposed final dividend is Friday, 19 June 2020. In order for determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 15 June 2020 to Friday, 19 June 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, not later than 4:30 p.m. on Friday, 12 June 2020.

## **Purchase, Sale or Redemption of the Company's Listed Securities**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities from the Listing Date to 31 December 2019.

## **Significant Investments Held and Material Acquisitions and Disposals**

During the year ended 31 December 2019, there were no significant investments held, nor were there any material acquisitions and disposals by the Company and its subsidiaries.

## **Employees and remuneration policy**

As at 31 December 2019, the Group had 1,888 employees (2018: 1,656 employees). The total staff costs amounted to RMB167.9 million (2018: RMB144.0 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 a competitive remuneration package, including basic salary and performance-based monthly and annual bonuses, and reviews the remuneration package annually according to industry benchmark, financial results, as well as the performance of employees.

## **Events After the Reporting Period**

Save for the impact of the new coronavirus pneumonia epidemic on the Group as disclosed in the voluntary announcements made on 11 February 2020 and 4 March 2020, the Group did not have any material subsequent event after 31 December 2019 and up to the date of this announcement.

## **Public Float**

As far as the Company is aware, as at the date of this announcement, the Company has maintained a sufficient public float with more than 25% of the issued shares of the Company being held by the public.

## **CORPORATE GOVERNANCE CODE**

The Company has adopted the code provisions set out in Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules. From the Listing Date to 31 December 2019, the Company was in compliance with all relevant code provisions set out in the CG Code except for code provision A.2.7 of the CG Code which provides that the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. As the Company was listed in November 2019, the independent non-executive directors did not have any matters that need to be discussed with the Chairman during the short period of time after listing. In the year ending 31 December 2020, the Company will comply with code provision A.2.7 of the CG Code.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a model code for securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiry to the Directors of the Company, all Directors confirmed that they have complied with the required standards set out in the Model Code and the Company’s code of conduct regarding Directors’ securities transactions since the Listing Date and up to 31 December 2019.

## **AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS**

As at the date of this announcement, the audit committee of the Board (the “**Audit Committee**”) comprises three independent non-executive Directors, namely Mr. Wong Jovi Chi Wing (chairman of the Audit Committee), Mr. Guo Kaiqi and Mr. Cheng Haitao.

The Group’s consolidated financial statements for the year ended 31 December 2019 have been reviewed and approved by the Audit Committee, and the Audit Committee is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and all other applicable legal requirements. The Audit Committee therefore recommended the Board to approve the Group’s consolidated financial statements for the year ended 31 December 2019.

## **SCOPE OF WORK OF THE AUDITOR**

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2019 have been agreed by the Group's auditor, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Group's auditor in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Group's auditor on the preliminary announcement.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

The results announcement for the year ended 31 December 2019 is published on the Company's website at [www.dalipal.com](http://www.dalipal.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). The 2019 annual report of the Company will be despatched to the shareholders of the Company and available on the above websites in due course.

## **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.

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

Hong Kong, 20 March 2020

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