

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.



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 2021

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Changes
	2021	2020	
	RMB'million	RMB'million	
Revenue	3,762.6	2,259.4	66.5%
Gross profit	417.5	104.4	299.9%
<i>Gross profit margin</i>	11.1%	4.6%	
Profit/(loss) from operations	218.6	(47.1)	-564.1%
EBITDA	342.6	72.8	370.6%
Profit/(loss) before taxation	99.8	(144.1)	-169.3%
Profit/(loss) for the year	82.9	(117.9)	-170.3%
<i>Net profit margin</i>	2.2%	(5.2%)	
Profit/(loss) for the year attributable to equity shareholders of the Company:	82.9	(116.4)	-171.2%
Earnings/(loss) per share			
– Basic and diluted (RMB)	0.06	(0.08)	-175.0%

RESULTS

The Board is pleased to announce the audited consolidated results of the Group for the Year, together with the comparative figures for the year ended 31 December 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

(Expressed in RMB)

	Note	2021 RMB'000	2020 RMB'000
Revenue	3	3,762,629	2,259,402
Cost of sales		(3,345,114)	(2,155,002)
Gross profit		417,515	104,400
Other income	4	21,232	16,733
Selling expenses		(98,518)	(51,580)
Administrative expenses		(121,635)	(116,639)
Profit/(loss) from operations		218,594	(47,086)
Finance costs		(118,839)	(97,044)
Profit/(loss) before taxation	5	99,755	(144,130)
Income tax	6	(16,816)	26,226
Profit/(loss) for the year		82,939	(117,904)
Other comprehensive income for the year (after tax):			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences on translation into presentation currency		(1,555)	(985)
Total comprehensive income for the year		81,384	(118,889)
Profit/(loss) for the year attributable to:			
Equity shareholders of the Company		82,939	(116,417)
Non-controlling interests		–	(1,487)
Profit/(loss) for the year		82,939	(117,904)
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		81,384	(117,402)
Non-controlling interests		–	(1,487)
Total comprehensive income for the year		81,384	(118,889)
Earnings/(loss) per share	7		
Basic		0.06	(0.08)
Diluted		0.06	(0.08)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

(Expressed in RMB)

	Note	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		1,873,900	1,922,593
Deferred tax assets		–	19,254
		<u>1,873,900</u>	<u>1,941,847</u>
Current assets			
Inventories		779,594	494,951
Trade and bills receivables	8	1,518,690	752,695
Prepayments, deposits and other receivables		27,690	83,017
Cash at bank and on hand		551,612	416,173
		<u>2,877,586</u>	<u>1,746,836</u>
Current liabilities			
Trade and bills payables	9	693,313	319,246
Other payables and accruals		223,357	159,335
Interest-bearing borrowings		1,816,926	1,479,052
Lease liabilities		962	151
Current taxation		–	9,276
		<u>2,734,558</u>	<u>1,967,060</u>
Net current assets/(liabilities)		<u>143,028</u>	<u>(220,224)</u>
Total assets less current liabilities		<u>2,016,928</u>	<u>1,721,623</u>
Non-current liabilities			
Interest-bearing borrowings		650,300	443,200
Lease liabilities		241	–
Deferred tax liabilities		5,723	–
Deferred income		14,125	15,842
		<u>670,389</u>	<u>459,042</u>
NET ASSETS		<u>1,346,539</u>	<u>1,262,581</u>
CAPITAL AND RESERVES			
Share capital	10	134,362	134,263
Reserves		1,212,177	1,128,318
Total equity attributable to equity shareholders of the Company		<u>1,346,539</u>	<u>1,262,581</u>
Non-controlling interests		–	–
TOTAL EQUITY		<u>1,346,539</u>	<u>1,262,581</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”), special seamless steel 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 amendments 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 accounting period reflected in the Group’s financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Group.

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

The Group recorded a net operating cash outflow of RMB286,306,000 for the year ended 31 December 2021. As at 31 December 2021, the Group has outstanding interest-bearing borrowings of RMB1,816,926,000, which were due within the next twelve months. In view of the volatility of operating environment, the Group has been closely monitoring its liquidity requirements and financial position to ensure that it maintains ability to continue as a going concern.

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

- (i) The Group has maintained its long-term strong business relationship with its major banks to get their continuing support. The Group is actively discussing with its banks for renewal of bank borrowings, which will be due in the year ending 31 December 2022. From 1 January 2022 to the date of authorisation of the financial statements, the Group has renewed bank borrowings of RMB150,800,000. The directors are of the opinion that the Group will be able to either renew or obtain new banking facilities to supplement liquidity of the Group at adequate level during the year ending 31 December 2022; and

- (ii) The Group has been implementing various strategies to develop new market while maintaining strong relationship with current principal customers to generate additional operating cash inflows and putting extra efforts on the collection of trade debtors to improve the Group's operating cash flows.

Based on a cash flow forecast of the Group for the next twelve months ending 31 December 2022 prepared by management, which has taken into account the fact that most of the Group's bank borrowings will be refinanced, the directors of the Company consider that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

Accordingly, the directors of the Company consider it is appropriate to prepare the consolidated financial statements on a going concern 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 the following amendments to IFRSs that are first effective for the current accounting period to the Group:

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

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the development, manufacture and sale of OCTG, special seamless steel 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:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of OCTG	1,674,047	1,060,130
Sales of special seamless steel pipes	1,896,426	714,910
Sales of pipe billets	192,156	484,362
	<u>3,762,629</u>	<u>2,259,402</u>

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	483,588	245,528
Customer B	472,524	485,283
Customer C	*	236,500
	<u> </u>	<u> </u>

* Transactions with these customers did not exceed 10% of the Group's revenue in the respective year.

(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.
- Special seamless steel pipes: this segment includes primarily the manufacture and sale of special seamless steel pipes.
- Pipe billets: this segment includes primarily the manufacture and sale of pipe billets.

(i) **Segment results, assets and liabilities**

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

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments during normal operations. The measure used for reporting segment result is gross profit, but excluded depreciation expenses, staff costs and utilities expenses incurred during the suspension of production as a result of the COVID-19 pandemic. No inter-segment sales have occurred for the years ended 31 December 2021 and 2020. Assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance the years ended 31 December 2021 and 2020 is set out below:

	2021			
	OCTG RMB'000	Special seamless steel pipes RMB'000	Pipe billets RMB'000	Total RMB'000
Revenue from external customers	<u>1,674,047</u>	<u>1,896,426</u>	<u>192,156</u>	<u>3,762,629</u>
Reportable segment gross profit	<u>251,308</u>	<u>167,500</u>	<u>7,595</u>	<u>426,403</u>
	2020			
	OCTG RMB'000	Special seamless steel pipes RMB'000	Pipe billets RMB'000	Total RMB'000
Revenue from external customers	<u>1,060,130</u>	<u>714,910</u>	<u>484,362</u>	<u>2,259,402</u>
Reportable segment gross profit	<u>139,351</u>	<u>9,127</u>	<u>17,874</u>	<u>166,352</u>

(ii) *Reconciliation of reportable segment gross profit*

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Reportable segment gross profit (<i>Note 3(b)(i)</i>)	426,403	166,352
Depreciation expenses, staff costs and utilities incurred during production suspension period as a result of the COVID-19 pandemic	<u>(8,888)</u>	<u>(61,952)</u>
Reportable segment gross profit derived from the Group's external customers	<u>417,515</u>	<u>104,400</u>

(iii) *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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Mainland China	<u>3,401,670</u>	<u>2,070,767</u>
Overseas:		
Thailand	245,263	8,234
Oman	39,927	19,183
Australia	31,710	8,924
Gabon	16,690	35,788
Egypt	11,562	48,266
Turkmenistan	–	48,302
Others	<u>15,807</u>	<u>19,938</u>
	<u>360,959</u>	<u>188,635</u>
	<u>3,762,629</u>	<u>2,259,402</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.

4 **OTHER INCOME**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Government grants (including amortisation of deferred income)	5,175	18,154
Interest income	2,097	5,141
Net loss on disposal of other property, plant and equipment	(308)	(2,123)
Net foreign exchange loss	(277)	(3,244)
Net gains on sale of scraps raw materials	15,110	85
Others	<u>(565)</u>	<u>(1,280)</u>
	<u>21,232</u>	<u>16,733</u>

5 PROFIT/(LOSS) BEFORE TAXATION

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

(a) Finance costs

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest expenses on borrowings	98,427	90,060
Interest expenses on lease liabilities	55	36
Cash discounts	1,685	–
Others	18,672	6,948
	<u>118,839</u>	<u>97,044</u>

(b) Staff costs[#]

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Salaries, wages and other benefits	178,820	153,923
Contributions to defined contribution retirement plan	10,513	7,604
Equity-settled share-based payment expenses	2,105	4,078
	<u>191,438</u>	<u>165,605</u>

The employees of the subsidiaries of the Group established in the PRC (excluding Hong Kong SAR) 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 (excluding Hong Kong SAR), 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**

	2021	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Depreciation expenses [#]		
– owned property, plant and equipment	117,522	113,228
– right-of-use assets	6,600	6,655
Impairment losses reversed on trade receivables	(1,746)	(2,995)
Impairment losses on prepayments and other receivables	106	2,689
Auditors’ remuneration		
– audit services	2,200	2,242
– non-audit services	800	800
Research and development costs	25,223	24,983
Cost of inventories [#]	<u>3,336,226</u>	<u>2,093,050</u>

[#] Cost of inventories include RMB207,623,000 (2020: RMB150,398,000) 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current taxation:		
– Provision for the year	200	7,182
– Over-provision in respect of prior years	<u>(8,361)</u>	<u>(5,270)</u>
	(8,161)	1,912
Deferred taxation:		
– Origination and reversal of temporary differences	23,136	(21,259)
– Withholding tax in connection with the retained profits to be distributed by a subsidiary of the Group/(change in applicable withholding tax rate)	<u>1,841</u>	<u>(6,879)</u>
	24,977	(28,138)
	<u>16,816</u>	<u>(26,226)</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit/(loss) before taxation	<u>99,755</u>	<u>(144,130)</u>
Expected tax on profit/(loss) before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (Notes (i), (ii) and (iii))	26,384	(29,800)
Tax effect of non-deductible expenses	2,065	951
Tax effect on preferential tax rate	(3,055)	16,272
Tax effect on bonus deduction of research and development costs	(2,058)	(1,500)
Over-provision in respect of prior years	(8,361)	(5,270)
Tax effect of the withholding tax in connection with the retained profits to be distributed by a subsidiary of the Group (Note (iv))	<u>1,841</u>	<u>(6,879)</u>
Actual tax expense	<u>16,816</u>	<u>(26,226)</u>

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 Hong Kong incorporated subsidiaries of the Group are subject to Hong Kong Profits Tax, which is calculated at 16.5% (2020: 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 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 2020.

- (iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong SAR) are subject to PRC Corporate Income Tax rate of 25% for the year ended 31 December 2021 (2020: 25%). Dalipal Pipe was qualified as a “High and New Technology Enterprise” and is entitled to the preferential tax rate of 15% for the three calendar years ended/ending 31 December 2021, 2022 and 2023.
- (iv) One of the Group’s subsidiaries established in the PRC intended to distribute RMB36,821,000 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 5%. Accordingly, a deferred tax liability of RMB1,841,000 has been recognised at 31 December 2021.

7 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The basic earnings per share for the year ended 31 December 2021 is calculated based on the profit attributable to equity shareholders of the Company of RMB82,939,000 and the weighted average of 1,500,273,000 ordinary shares in issue.

The basic loss per share for the year ended 31 December 2020 is calculated based on the loss attributable to equity shareholders of the Company of RMB116,417,000 and the weighted average of 1,500,000,000 ordinary shares in issue.

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

	2021 '000	2020 '000
Issued ordinary shares at 1 January	1,500,000	1,500,000
Shares issued under share option scheme	273	–
Weighted average number of shares in issue	<u>1,500,273</u>	<u>1,500,000</u>

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share for the year ended 31 December 2021 is based on the profit attributable to equity shareholders of the Company of RMB82,939,000 and the weighted average number of ordinary shares (diluted) of 1,500,487,000.

The weighted average number of ordinary shares (diluted) for the year ended 31 December 2021 is calculated as follows:

	2021 '000
Weighted average number of ordinary shares at 31 December	1,500,273
Effect of deemed issue of shares under the Company's share option scheme	214
	<hr/>
Weighted average number of ordinary shares (diluted) at 31 December	1,500,487

The diluted loss per share for the year ended 31 December 2020 has not taken into account the effect of the outstanding share options as its inclusion would have decreased the loss per share, hence anti-dilutive.

8 TRADE AND BILLS RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	335,993	261,258
Less: loss allowance (<i>Note 8(b)</i>)	(4,092)	(5,838)
	<hr/>	<hr/>
Bills receivable	331,901 1,186,789	255,420 497,275
	<hr/>	<hr/>
	1,518,690	752,695

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

The balance of bills receivable 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Less than 1 month	160,062	143,007
1 to 3 months	129,647	88,151
3 to 6 months	39,642	16,632
Over 6 months	2,550	7,630
	<u>331,901</u>	<u>255,420</u>

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At 1 January	5,838	8,833
Credit losses reversed	<u>(1,746)</u>	<u>(2,995)</u>
At 31 December	<u>4,092</u>	<u>5,838</u>

9 TRADE AND BILLS PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	693,313	288,797
Bills payable	<u>–</u>	<u>30,449</u>
	<u>693,313</u>	<u>319,246</u>

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Less than 1 month	460,570	239,028
1 to 3 months	216,620	52,553
3 to 6 months	8,591	18,440
Over 6 months	7,532	9,225
	<u>693,313</u>	<u>319,246</u>

10 SHARE CAPITAL AND DIVIDENDS

(a) Dividends

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

	2021 RMB'000	2020 RMB'000
Final dividend proposed after the end of the reporting of HK\$0.03 per ordinary share (2020: HK\$ Nil)	<u>36,821</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

	2021 RMB'000	2020 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year of HK\$Nil per ordinary share (2020: HK\$0.1 per ordinary share)	<u>–</u>	<u>135,907</u>

(b) Share capital

	2021		2020	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised share capital	<u>20,000,000</u>	<u>2,000,000</u>	<u>20,000,000</u>	<u>2,000,000</u>

	2021		2020	
	Number of shares	Amount RMB'000	Number of shares	Amount RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	1,500,000,000	134,263	1,500,000,000	134,263
Shares issued under share option scheme	<u>1,200,000</u>	<u>99</u>	<u>–</u>	<u>–</u>
At 31 December	<u>1,501,200,000</u>	<u>134,362</u>	<u>1,500,000,000</u>	<u>134,263</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the light of the impact of various factors, such as the repercussions of the COVID-19 pandemic, the increase in number of factors that may affect domestic and foreign economic positions, higher price of raw materials, the adjustment of export tax rebate policies and the depreciation of the US Dollar, the Group has proactively adopted effective counter-measures during the Year. Such measures include the entering into bids in the oilfield market, the expansion of export market and the expansion of product structure to achieve relatively remarkable results. During the Year, the Group has received purchase orders with total purchase quantity of approximately 310,000 tonnes and total purchase amount of approximately RMB2,100 million from its first participation in the annual CNPC's Centralized Procurement Bidding Project, and the Group has also been awarded the bid for the Sinopec's Centralized Procurement Bidding Project. DLP-T4, the self-developed new product by the Company's research and development team for the purpose of shale gas exploration, has gained significant recognition by customers during its trials and promotions stage, with batch application for the CNPC's development project of shale gas in southern Sichuan, opening up a market of high-end product line for the Group.

The proactive counter-measures by the Group for challenges in various aspects have led to the increase in annual revenue by 66.5% for the Year as compared with the previous year, the increase in gross profit margin from 4.6% of the previous year to 11.1% for the Year. The profit for the Year was RMB82.9 million, representing an increase of 170.3% as compared with the previous year; the profit attributable to the equity shareholders of the Company increased to RMB82.9 million for the Year from loss of RMB116.4 million for the previous year; the basic earnings per share was RMB0.06 for the Year, representing an increase of 175.0% from the previous year.

PROSPECTS

While it is difficult to foresee whether foreign countries are able to prevent and control the COVID-19 pandemic, the management of the Group is of the view that the domestic market has entered the dynamic clearing phase for regular epidemic prevention and control, with speedy economic recovery and the gradual formation of economic development pattern in which the domestic circle is the mainstay and with the domestic and international double circles. Under such economic background, along with the issuance of the national policy for energy safety, recovery of international oil prices and the turnaround from dropping in international oil production, and with the investment needs of domestic and international exploration companies maintaining on a reasonable level, it is expected that the inelastic and structural demands of oil pipes will increase. With the Group's research and development capabilities, the various intellectual property rights and patents and the world-leading intelligent automated production facilities, the Board believes the competitiveness of the Group's high-end products will further increase.

In 2022, the Group will facilitate various projects around the operational strategic positioning of “Specialized, Refinement, Differential, Innovation”, endeavouring the expansion of new products and markets while focusing on the OCTG products; with the capability to research and develop patents to improving product structure, increase the proportion of high-end productions, and raise the profitability of our products; relying on digitized technology to build effective and intellectual manufacturing plants and operation flow system, which in turn assisting the development with low cost, high quality and high effectiveness; facilitating the implementation of energy-saving and reducing consumption and emission, building low-carbon and environmental-friendly ”Green Factories”; conducting the certification as an oversea oil company and increasing the proportion in international market; implementing the management methods of “Meticulous, Precise and Refined Operation”, to continuously improve our financial structure and promoting healthy and sustainable development of the Company

EVENTS AFTER THE YEAR UNDER REVIEW

There was no significant event after the end of the Year up to the date of this announcement.

FINANCIAL REVIEW

Revenue

For the Year, the Group has recorded a total revenue of approximately RMB3,762.6 million, representing a significant increase by approximately 66.5% as compared to approximately RMB2,259.4 million for the year ended 31 December 2020, which was mainly due to the increase in selling prices and sales volume of the Group’s products. Further, in addition to the development of new customer bases, the Group’s adjustment in product structure has also achieved remarkable success and hence the revenue has increased significantly. During the Year, the Group’s revenue has also increased significantly due to the substantial increase in export sales by the Group.

Cost of sales

The Group recorded cost of sales of approximately RMB3,345.1 million for the Year, representing an increase by 55.2% as compared to approximately RMB2,155.0 million for the year ended 31 December 2020, which was mainly due to the increase in sales volume and the price of raw material and energy.

Gross profit and gross profit margin

The total gross profit of the Group for the Year was approximately RMB417.5 million, representing an increase by 299.9% as compared to RMB104.4 million in the previous year. The Group’s overall gross profit margin for the Year was 11.1%, representing an increase of 6.5 percentage points as compared to the gross profit margin of 4.6% for the previous year, which was mainly due to the increase in selling price and sales volume of the Group’s products on a year-on-year basis. Further, the application of the Group’s technological enhancement and innovation results in the Group’s production process has offset the impact in the cost of raw materials caused by the increase in the price of bulk commodities, thereby allowing the Group to achieve higher profit margin.

Other income

For the Year, the Group's other income was approximately RMB21.2 million, representing an increase by approximately RMB4.5 million as compared to RMB16.7 million for the previous year, mainly due to the increase in gains on sale of scraps raw materials.

Administrative expenses

For the Year, the administrative expenses of the Group was approximately RMB121.6 million, representing an increase by 4.3%, as compared to approximately RMB116.6 million for the preceding year, mainly attributable to the increase in the cost of labour, R&D, tax and surcharges.

Finance costs

The finance costs of the Group for the Year was approximately RMB118.8 million, representing an increase by 22.5%, as compared to approximately RMB97.0 million for the preceding year, mainly attributable to the increase in discount expense of acceptance bills.

Income tax

For the Year, the Group recorded income tax of approximately RMB16.8 million representing an increase by approximately RMB43.0 million, as compared to the income tax credit of RMB26.2 million for the preceding year. There was an increase in income tax expense was mainly because the Group experienced a turnaround from loss to profit for the Year.

Profit for the year

The profit of the Group increased to approximately RMB82.9 million for 2021 from loss of approximately RMB117.9 million for 2020, which was mainly attributed to the significant increase in revenue.

Capital Expenditure

In 2021, the Group invested approximately RMB76.4 million (2020: approximately RMB72.1 million) in property, plant and equipment.

Liquidity, financial resources and capital structure

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

As at 31 December 2021, cash at bank and on hand amounted to approximately RMB551.6 million in aggregate (2020: RMB416.2 million).

As at 31 December 2021, interest-bearing borrowings of the Group amounted to approximately RMB2,467.2 million, of which RMB650.3 million were long-term borrowings and RMB1,816.9 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 142.3%, representing an increase by 23.0 percentage points as compared to 119.3% in 2020, due to the increase in the interest-bearing borrowings.

Current ratio, which is calculated based on the current assets divided by the current liabilities, increased from 0.9 as at 31 December 2020 to 1.05 as at 31 December 2021.

Employees and remuneration policy

As at 31 December 2021, the Group had 1,592 employees (2020: 1,453 employees). During the year, the total staff costs amounted to approximately RMB191.4 million (2020: RMB165.6 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 quality 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.

Pledge of assets

As at 31 December 2021, the Group's property, plant and equipment with carrying amount of RMB1,103.6 million and other chattels with carrying amount of RMB744.9 million were pledged as collateral for the Group's bank borrowings.

Foreign exchange risk

A majority of the Group's businesses are operated in the PRC and are denominated in RMB. It is expected that the Group will not be subject to any materially adverse effects arising from exchange rate fluctuation. 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 Year, the Group did not have any significant investments held, nor were there any material acquisitions or disposals.

Contingent liabilities

As of 31 December 2021, the Group did not have any contingent liabilities.

Use of proceeds from IPO

The Group's Shares were listed on the Stock Exchange on Listing Date by way of IPO. From the IPO, the Company raised net proceeds (after deduction of underwriting commission and related costs and expenses) of 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 detailed information of the Reallocation, please refer to the Company's announcement dated 10 June 2020. During the Year, the net proceeds had been applied for as follows:

	Original planned use of net proceeds (RMB million)	Amount of Reallocation (RMB million)	Amount utilised (RMB million)	Unutilised net proceeds as at 31 December 2021 (RMB million)
To fund the Phase Two Expansion	339.2	(200.0)	78.3	60.9
To strengthen the Group's product research and development and innovation capabilities	9.2	–	3.7	5.5
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	–	5.3	2.4
For general replenishment of working capital and other general corporate purpose	27.6	–	27.6	–
For loan repayment	–	200.0	200.0	–
Total	383.7	–	314.9	68.8

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 to the above planned use of proceeds after the Reallocation. The remaining unutilised net proceeds as at 31 December 2021 are currently expected to be fully utilised on or before 31 December 2022. There is delay to the timeline for the use of proceeds as disclosed in the Company's 2020 annual report (originally expected to be fully utilised on or before 30 June 2022), as the commencement of the Phase Two Expansion plan has been postponed due to the impact of the pandemic.

DIVIDENDS

The Board recommended the payment of a final dividend of HK\$0.03 per Share (2020: HK\$Nil) for the Year, amounting to approximately HK\$45.0 million, to the shareholders of the Company whose names appear on the register of members of the Company on 7 July 2022 subject to the approval by the shareholders of the Company at the forthcoming AGM to be held on 27 June 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the CG Code in Appendix 14 of the Listing Rules, and has complied with all the code provisions as set out in the CG Code during the Year.

MODEL CODE 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 for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules. Having made specific enquiries with each of the Directors, all Directors have confirmed to the Company that they have complied with the required standards set out in the Model Code during the Year.

REVIEW OF ANNUAL RESULTS

The Group's consolidated financial statements for the Year 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.

ANNUAL GENERAL MEETING

The annual general meeting is currently scheduled to be held on Monday, 27 June 2022. A notice convening the AGM and other relevant documents will be published and despatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS FOR AGM

In order for determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 22 June 2022 to Monday, 27 June 2022, 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 2022 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 no later than 4:30 p.m. on Tuesday, 21 June 2022.

For the purpose of determining members who are qualified for the proposed final dividend for the Year, and conditional on the passing of the resolution approving the declaration of the final dividend by the shareholders of the Company in the AGM, the register of members of the Company will also be closed from 5 July 2022 to 7 July 2022 (both days inclusive), during which no transfer of shares can be registered. To qualify for the final dividend (which will be payable on or about 15 July 2022) to be approved at the AGM, shareholders of the Company must ensure that all transfer documents accompanied by the relevant share certificates must be lodged 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 no later than 4:30 p.m. on 4 July 2022.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The results announcement for the Year is published on the Company's website at www.dalipal.com and the website of the Stock Exchange at www.hkexnews.hk. The 2021 annual report of the Company will be despatched to the shareholders of the Company and available on the above websites in due course in accordance 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

“AGM”	the forthcoming annual general meeting of the Company to be held on 27 June 2022
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Cayman Islands Companies Law” or “Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CG Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Company” or “our Company”	Dalipal Holdings Limited (達力普控股有限公司), an exempted company limited by shares incorporated in the Cayman Islands on 28 August 2018 under the Companies Law
“Dalipal Pipe”	Dalipal Pipe Company* (達力普石油專用管有限公司) (formerly known as Cangzhou Huabei Petroleum OCTG Co., Ltd* 滄州華北石油專用管材有限公司 and Huabei China Petroleum Cangzhou OCTG Co., Ltd.* 華北石油滄州專用管材有限公司), a limited liability company established under the laws of the PRC on 18 September 1998 and an indirect non-wholly owned subsidiary of our Company
“Director(s)”	the director(s) of our Company
“Group” or “our Group” or “we” or “our” or “us”	our Company and its subsidiaries, or where the context refers to any time prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses operated by such subsidiaries or their predecessors (as the case may be)
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC

“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“IPO”	the Company’s ordinary Shares of HK\$0.1 each were listed on the Stock Exchange on Listing Date by way of initial public offering
“Listing Date”	the Company’s Shares were listed on the Main Board of the Stock Exchange on 8 November 2019 by way of IPO
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macao Special Administrative Region of the PRC
“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 set out in Appendix 10 to the Listing Rules
“OCTG”	oil country tubular goods
“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
“R&D”	research and development
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of our Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary(ies)” has the meaning ascribed to it under the Listing Rules
“Year” the year ended 31 December 2021
“%” per cent

By order of the Board
Dalipal Holdings Limited
達力普控股有限公司
Meng Fanyong
Chairman and executive Director

Hong Kong, 21 March 2022

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.