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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 2022

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Changes
	2022	2021	
	RMB'million	RMB'million	
Revenue	4,227.8	3,762.6	12.4%
Gross profit	610.9	417.5	46.3%
<i>Gross profit margin</i>	14.5%	11.1%	
Profit from operations	285.8	218.6	30.7%
EBITDA	414.6	342.6	21.0%
Profit before taxation	176.9	99.8	77.3%
Profit for the year	151.6	82.9	82.9%
<i>Net profit margin</i>	3.6%	2.2%	
Profit for the year attributable to equity shareholders of the Company:	151.6	82.9	82.9%
Earnings per share			
– Basic and diluted (RMB)	0.10	0.06	66.7%

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 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

(Expressed in Renminbi (“RMB”))

	Note	2022 RMB'000	2021 RMB'000
Revenue	3	4,227,802	3,762,629
Cost of sales		<u>(3,616,874)</u>	<u>(3,345,114)</u>
Gross profit		610,928	417,515
Other income	4	33,209	21,232
Selling expenses		(186,864)	(98,518)
Administrative expenses		<u>(171,499)</u>	<u>(121,635)</u>
Profit from operations		285,774	218,594
Finance costs		<u>(108,828)</u>	<u>(118,839)</u>
Profit before taxation	5	176,946	99,755
Income tax	6	<u>(25,362)</u>	<u>(16,816)</u>
Profit for the year attributable to equity shareholders of the Company		151,584	82,939
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		<u>(5,090)</u>	<u>(1,555)</u>
Total comprehensive income for the year attributable to equity shareholders of the Company		<u>146,494</u>	<u>81,384</u>
Earnings per share	7		
Basic (RMB)		0.10	0.06
Diluted (RMB)		<u>0.10</u>	<u>0.06</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

(Expressed in RMB)

	Note	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment		<u>1,831,450</u>	<u>1,873,900</u>
		<u>1,831,450</u>	<u>1,873,900</u>
Current assets			
Derivative financial instruments		3,639	–
Inventories		753,917	779,594
Trade and bills receivables	8	1,095,685	1,518,690
Prepayments, deposits and other receivables		36,797	27,690
Cash and cash equivalents		<u>464,892</u>	<u>551,612</u>
		<u>2,354,930</u>	<u>2,877,586</u>
Current liabilities			
Trade and bills payables	9	560,730	693,313
Other payables and accruals		234,952	223,357
Interest-bearing borrowings		1,176,756	1,816,926
Lease liabilities		3,203	962
Current taxation		<u>12,448</u>	<u>–</u>
		<u>1,988,089</u>	<u>2,734,558</u>
Net current assets		<u>366,841</u>	<u>143,028</u>
Total assets less current liabilities		<u>2,198,291</u>	<u>2,016,928</u>
Non-current liabilities			
Interest-bearing borrowings		762,300	650,300
Lease liabilities		6,711	241
Deferred tax liabilities		12,438	5,723
Deferred income		<u>12,542</u>	<u>14,125</u>
		<u>793,991</u>	<u>670,389</u>
NET ASSETS		<u>1,404,300</u>	<u>1,346,539</u>
CAPITAL AND RESERVES	10		
Share capital		134,140	134,362
Reserves		<u>1,270,160</u>	<u>1,212,177</u>
TOTAL EQUITY		<u>1,404,300</u>	<u>1,346,539</u>

NOTES

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

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

2 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 to 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 these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 comprise the Group.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that derivative financial instruments are stated at their fair value.

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:

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

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. 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 oil and gas pipes, new energy pipes and special seamless steel pipes and other products. All of the revenue of the Group is recognised at a point in time. The customers obtain control of the products when they are delivered to and have been accepted at premises determined by the customers. Acceptance notes are generated and revenue is recognised at that point in time.

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

	2022	2021
	RMB'000	RMB'000
Sales of oil and gas pipes	2,635,098	1,674,047
Sales of new energy pipes and special seamless steel pipes	1,567,886	1,896,426
Sales of other products	24,818	192,156
	<u>4,227,802</u>	<u>3,762,629</u>

No revenue amounting to 10% or more of the Group's total revenue was derived from sales to a single customer for the year ended 31 December 2022.

Revenue from customers with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2021 is as follows:

	2021
	RMB'000
Customer A	483,588
Customer B	<u>472,524</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.

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

(i) *Segment results, assets and liabilities*

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

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments during normal operations. The measure used for reporting segment result is gross profit, but excluded depreciation expenses, staff costs and utilities expenses incurred during the suspension of production as a result of the COVID-19 pandemic. No inter-segment sales have occurred for the years ended 31 December 2022 and 2021. Assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2022 and 2021 is set out below.

	2022			
	Oil and gas pipes RMB'000	New energy pipes and special seamless steel pipes RMB'000	Other products RMB'000	Total RMB'000
Revenue from external customers	<u>2,635,098</u>	<u>1,567,886</u>	<u>24,818</u>	<u>4,227,802</u>
Reportable segment gross profit	<u>442,159</u>	<u>169,849</u>	<u>328</u>	<u>612,336</u>
	2021			
	Oil and gas pipes RMB'000	New energy pipes and special seamless steel pipes RMB'000	Other products RMB'000	Total RMB'000
Revenue from external customers	<u>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>
(ii) Reconciliation of reportable segment gross profit				
		2022	2021	
		RMB'000	RMB'000	
Reportable segment gross profit		612,336	426,403	
Depreciation expenses, staff costs and utilities incurred during production suspension period as a result of the COVID-19 pandemic		<u>(1,408)</u>	<u>(8,888)</u>	
Reportable segment gross profit derived from the Group's external customers		<u>610,928</u>	<u>417,515</u>	

(iii) *Geographic information*

The following table 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:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	3,077,736	3,401,670
Overseas:		
The Middle East	663,745	43,261
Africa	278,034	31,204
Southeast Asia	117,268	245,263
Others	91,019	41,231
	1,150,066	360,959
	4,227,802	3,762,629

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants (including amortisation of deferred income)	6,885	5,175
Interest income	3,359	2,097
Net gain/(loss) on disposal of other property, plant and equipment	174	(308)
Net foreign exchange gain/(loss)	7,619	(277)
Net gains on sale of scraps raw materials	8,712	15,110
Rental income	2,826	–
Change in fair value of derivative financial instruments	3,639	–
Others	(5)	(565)
	33,209	21,232

5 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest expenses on borrowings	90,756	98,427
Interest expenses on lease liabilities	88	55
Others	17,984	20,357
	<u>108,828</u>	<u>118,839</u>

(b) Staff costs[#]

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Salaries, wages and other benefits	216,714	178,820
Contributions to defined contribution retirement plan	11,811	10,513
Equity-settled share-based payment expenses	2,875	2,105
	<u>231,400</u>	<u>191,438</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**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Depreciation expenses#		
– owned property, plant and equipment	121,771	117,522
– right-of-use assets	7,096	6,600
Impairment losses recognised/(reversed) on trade receivables	1,759	(1,746)
Impairment losses on prepayments and other receivables	66	106
Auditors' remuneration		
– audit services	2,200	2,200
– non-audit services	1,025	800
Research and development costs	39,792	25,223
Cost of inventories#	3,615,466	3,336,226

Cost of inventories include RMB232,860,000 (2021: RMB207,623,000) 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:**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current taxation:		
– Provision for the year	18,647	200
– Over-provision in respect of prior years	–	(8,361)
	18,647	(8,161)
Deferred taxation:		
– Origination and reversal of temporary differences	6,715	23,136
– Withholding tax in connection with the retained profits to be distributed by a subsidiary of the Group	–	1,841
	6,715	24,977
	25,362	16,816

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

	2022	2021
	RMB'000	RMB'000
Profit before taxation	176,946	99,755
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (Notes (i), (ii) and (iii))	46,112	26,384
Tax effect on preferential tax rate	(19,506)	(3,055)
Tax effect of non-deductible expenses	2,206	2,065
Tax effect on bonus deduction of research and development costs	(3,450)	(2,058)
Over-provision in respect of prior years	–	(8,361)
Tax effect of the withholding tax in connection with the retained profits to be distributed by a subsidiary of the Group	–	1,841
Actual tax expense	25,362	16,816

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% (2021: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

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

- (iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong SAR) are subject to PRC Corporate Income Tax rate of 25% for the year ended 31 December 2022 (2021: 25%). One of the subsidiaries was qualified as a High and New Technology Enterprise’ and is entitled to the preferential tax rate of 15% for the three calendar years ended/ending 31 December 2021, 2022 and 2023.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share for the year ended 31 December 2022 is calculated based on the profit attributable to equity shareholders of the Company of RMB151,584,000 (2021: RMB82,939,000) and the weighted average of 1,494,269,000 (2021: 1,500,273,000) ordinary shares in issue during the year.

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

	2022	2021
	'000	'000
Issued ordinary shares at 1 January	1,501,200	1,500,000
Shares issued under share option scheme	766	273
Effect of shares repurchased	(2,752)	–
Effect of shares held for share award plans	(4,945)	–
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 December	<u>1,494,269</u>	<u>1,500,273</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2022 is based on the profit attributable to equity shareholders of the Company of RMB151,584,000 (2021: RMB82,939,000) and the weighted average 1,503,200,000 (2021: 1,500,487,000) ordinary shares (diluted).

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

	2022	2021
	'000	'000
Weighted average number of ordinary shares at 31 December	1,494,269	1,500,273
Effect of deemed issue of shares under the Company's share option scheme	8,931	214
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) at 31 December	<u>1,503,200</u>	<u>1,500,487</u>

8 TRADE AND BILLS RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	501,730	335,993
Less: loss allowance (<i>Note 8(b)</i>)	<u>(5,851)</u>	<u>(4,092)</u>
	495,879	331,901
Bills receivable	<u>599,806</u>	<u>1,186,789</u>
	<u>1,095,685</u>	<u>1,518,690</u>

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

The balance of bills 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Less than 1 month	231,423	160,062
1 to 3 months	208,117	129,647
3 to 6 months	53,695	39,642
Over 6 months	<u>2,644</u>	<u>2,550</u>
	<u>495,879</u>	<u>331,901</u>

(b) Impairment of trade and bills receivables

The movements in the loss allowance account are as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At 1 January	4,092	5,838
Recognition/(reversal) of credit losses	<u>1,759</u>	<u>(1,746)</u>
At 31 December	<u>5,851</u>	<u>4,092</u>

9 TRADE AND BILLS PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	545,263	693,313
Bills payable	15,467	–
	<u>560,730</u>	<u>693,313</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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Less than 1 month	336,780	460,570
1 to 3 months	140,912	216,620
3 to 6 months	53,326	8,591
Over 6 months	29,712	7,532
	<u>560,730</u>	<u>693,313</u>

10 SHARE CAPITAL AND DIVIDENDS

(a) Dividends

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Final dividend proposed after the end of the reporting of HK\$0.04 per ordinary share (2021: HK\$0.03)	<u>53,541</u>	<u>36,821</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*

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year of HK\$0.03 per ordinary share (2021: Nil)	<u>36,584</u>	<u>–</u>

(b) Share capital

	2022		2021	
	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>

	2022		2021	
	Number of shares	Amount RMB'000	Number of shares	Amount RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	1,501,200,000	134,362	1,500,000,000	134,263
Shares issued under share option scheme	1,200,000	104	1,200,000	99
Cancellation of treasury shares	<u>(3,932,000)</u>	<u>(326)</u>	<u>–</u>	<u>–</u>
At 31 December	<u>1,498,468,000</u>	<u>134,140</u>	<u>1,501,200,000</u>	<u>134,362</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Main Business, Business Model and Industry Overview of the Group for the Year

The Group is principally a supplier of application equipment for energy development, mainly providing oil and gas pipes for companies engaged in the oil and gas industry and providing high-end pipes for new energy as well as special seamless steel pipes for the exploration and development of energy industry and the manufacturing of energy related equipment. The Group has an extensive product mix, and is suitable for use in the development, mining and transmission of various categories of energy sources, including oil, natural gas, shale gas and new energy as well as for the manufacturing of energy related equipment.

The Group's products are divided into standard products and customised products made according to customers' special requirements. The production model adopted by the Group is "sales-oriented". That is, relevant manufacturing units of the Group will coordinate the production, inspection and delivery of products based on the specifications, performance, quantity and special requirements on the working environment of each customers according to customers' orders or contracts. The clientele of the Group are mainly sizable oil and gas companies and high-end energy equipment companies. The raw materials of the Group's products are mainly scrap metals purchased by entering into procurement contracts with suppliers with the procurement price determined by the Group upon negotiation with the suppliers with reference to market conditions and production needs. In terms of product sales models, domestic markets are mainly direct sales while both direct sales and distributorship are applicable to international markets.

During the Year, adhering to the business strategy of "strengthening oil and gas pipes, diversifying moderately and manufacturing leading products with exclusivity (一管做強，適度多元，形成獨有領先產品)", the Group strengthened its business of oil and gas drilling pipes while continuously developing pipes for oil and gas drilling equipment according to needs, including pipes for drilling, oil tank pipes and perforator pipes, as well as special pipes with leading technologies, including special pipes applicable to new energy and pipes for the manufacturing of high-end machineries. The Group has successively received positive results and feedbacks on test performed and evaluation reports prepared by well-known domestic enterprises or been enlisted as their qualified supplier. The extensive product mix of the Group has further enhanced the soft competitiveness of the Company.

Although the industry was affected by the accumulating impact arising from multiple factors, including the conflict between Russia-Ukraine, the energy crisis and the tightening monetary policy of overseas economies during the Year, and faced the problem of declining average prices and shrinking demand, the demand for seamless steel pipes was still steadily increasing from the perspective of individual market segments. Pipes for oil and gas drilling and pipes for new energy are the main categories of seamless steel pipes, which witnessed a stable market demand during the Year. In particular, demand for pipes for oil and natural gas drilling, especially special product series, recorded an increase. In respect of export, according to the General Administration of Customs of the PRC, the cumulative export of seamless pipes increased by 44% year on year, among which the export of pipes for oil and gas drilling increased by 96% year on year.

The industry in which the Group's products are operating is a mature market with stable and rising demand. It is characterised by high market concentration, high technical barriers and high industry standards. During the Year, the Group leveraged on market opportunities, adjusted its business strategy in a dynamic way, stabilised its domestic market and tapped into the overseas market. The Group gave full play to its advantages in terms of independent R&D and fast and flexible customer service, and implemented the concept of lean operation. The operating results of the Group for the Year improved significantly when compared with the previous financial year.

Analysis of Core Competitiveness

During the Year, the Group's core competitiveness were enhanced:

- (1) Technical R&D – DLP-T4, a product solely designed by the Group, passed the level 4 evaluation test of API 5C5 2017 in the United States. It has been used in large quantities for shale gas mining in wells with extraordinary depth of more than 6,000 meters of CNPC's southwest oil and gas field during the Year. The Group also owned the independent intellectual property rights in respect of innovative high-strength and tough oil casing which are corrosion-resistant, and has been used in large quantities in major oil and gas fields in China, such as the CNPC's southwest oil and gas field during the Year. The Group successfully developed affordable CO₂-resistant series products and completed the actual well conditions corrosion test in Dagang Oil Field and coalbed methane wells in Shanxi, and they have entered the actual well service period.
- (2) I-Smart manufacturing – the Group has built intelligent production lines which are composed of smart equipments consisting of robots, computer numerical control (CNC) machine tools, logistics warehouses, testing equipment and automated production lines, thus enabling product functions like identity recognition, information collection and statistical analysis within the production process and enhancing the tracking of product quality. The Group's unmanned smart intelligent warehouse, which is the first of its kind in China, realised the automatic circulation and information tracking of products in the complete manufacturing process, thereby providing support for efficient operation.

- (3) Green development – being system oriented, quality, environment, occupational health and safety and energy management systems are integrated with green development. Green factory management is facilitated in all aspects. At the same time, suppliers/partners are driven to participate in the establishment of standard systems guiding the formation and promotion of a low-carbon green environment from an evaluation perspective of the supplier/partner. The carbon footprint of products from “cradle to grave” is quantified and verified throughout the life cycle, and multiple measures are taken to reduce carbon emissions. As a result, emission levels in terms of sulfur oxides, nitrogen oxides and particulate matters are far below the ultra-low emission standards set by Hebei Provincial Government. Projects such as waste heat utilisation, equipment modification for energy saving, research and cooperation on energy-saving new processes and introduction of new energy have been launched. The shale gas series casing solely developed by the Group is an energy-saving and emission-reduction product that helps the exploration of clean energy. Dalipal has won the title of Green Factory in Hebei Province.
- (4) Market expansion – given the Group’s achievements in recent bids for the projects of CNPC and SINOPEC and the mass supply of non-API products have been acknowledged by the mainstream customers like CNPC and SINOPEC, thus strengthening the relationship between the Group and its customers. The Group has obtained certifications and recognitions from well-known oil companies in the international market and started substantive business cooperation with them, contributing greatly to the growth of international business. The Group’s integrated full-industry-chain production line and its consistent product quality management system have been able to flexibly and promptly respond to changes according to market conditions, thus satisfying customers’ demands for high-quality products and enabling the Company to respond to customers’ personalised and urgent needs quickly. All these provided the Company with plenty room for further development.
- (5) Management enhancement – the Group promoted the philosophy of business management with financial attributes as the focus and built a “precise, refined and lean operation (精準、精細、精益運營)” culture oriented by data for efficiency improvement, cost reduction and efficiency enhancement, quality improvement, and technological and management innovation. In respect of the capability enhancement of personnel management, the Group engaged training institutions to conduct management capability improvement training programs focusing on the implementation of individual development plans for members of middle management and employees with high-potential to meet the needs of rapid development.

OUTLOOK

Looking forward, the management of the Group believes that the industry in which the Group is operating will still face the impact of, among others, the Russia-Ukraine war, the energy crisis and the geopolitical influence on economies. The prices of raw and auxiliary materials and energy supply will fluctuate to some extent, and the product demand may shrink due to the intensified competition with other industry players. However, with the continuous changes in the global economic development and the adjustment of the supply chain pattern brought about by the Russia-Ukraine war, as well as the unwavering theme of maintaining steady economic growth in China, it is expected that the investment in energy mining and infrastructure construction will increase steadily, which will have positive impact on the demand for the Group's products.

The Group will continue to promote various tasks regarding the product strategy positioning of “specific, specialized, innovative and new products (專精特新)”. The Group will focus on oil and gas pipes, new energy pipes and special seamless steel pipes, strengthen product, customer and market innovation, meet and guide customer demand, manufacture leading products with exclusivity, and enhance the brand effect of products. Taking lead to promote energy saving and emission reduction, the Group will take comprehensive green development in its production and operation segments, to develop environmental friendly products through technological innovation, and to establish a low-carbon green development mode prioritising ecological elements. Based on digital technologies, the Group will build an efficient and smart manufacturing factory and a business process system, continuously optimise management and promote low-cost, high-quality and high-efficiency development. It will strive for the certification and recognitions of overseas oil companies and enlarge its share in the international market. It will also continuously implement the management mode of “precise, refined and lean operation”, keep strengthening its financial structure and promote the high-quality development of the Company. The Company will build a sustainable management, technology and operation team with a strong sense of identity, consciously practicing the corporate culture and synchronizing with the Group to achieve steady growth in operating results.

In the future, we will take the comprehensive implementation of digitalisation, intelligence, technological leadership and green development as opportunities to accelerate the expansion plan of high-end manufacturing, strengthen internal management with continuous optimisation, identify appropriate opportunities for mergers and acquisitions to expand the Group's market share and enhance its market competitiveness as key strategies for further development.

FINANCIAL REVIEW

Revenue

The Group recorded a total revenue of RMB4,227.8 million for the Year, representing an increase of 12.4% from RMB3,762.6 million recorded for the year ended 31 December 2021. For the Year, the revenue of new energy pipes and special seamless steel pipes and other products decreased, while the revenue of oil and gas pipes increased.

	For the Year ended 31 December 2022		For the Year ended 31 December 2021		Changes	
	Sales <i>RMB million</i>	Percentage of Sales %	Sales <i>RMB million</i>	Percentage of Sales %	Sales <i>RMB million</i>	%
Sale of:						
Oil and gas pipes	2,635.1	62.3	1,674.0	44.5	961.1	57.4
New energy pipes and special seamless steel pipes	1,567.9	37.1	1,896.4	50.4	(328.5)	(17.3)
Other products	24.8	0.6	192.2	5.1	(167.4)	(87.1)
Total	<u>4,227.8</u>	<u>100.0</u>	<u>3,762.6</u>	<u>100.0</u>	<u>465.2</u>	<u>12.4</u>

The Group recorded an increase of 57.4% in the revenue of oil and gas pipes to RMB2,635.1 million (2021: RMB1,674.0 million), a decrease of 17.3% in the revenue of new energy pipes and special seamless steel pipes to RMB1,567.9 million (2021: RMB1,896.4 million), and a decrease of 87.1% in the revenue of other products to RMB24.8 million (2021: RMB192.2 million).

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

	For the Year ended 31 December 2022		For the Year ended 31 December 2021		Change	
	Sales <i>RMB million</i>	Percentage of Sales %	Sales <i>RMB million</i>	Percentage of Sales %	Sales <i>RMB million</i>	%
Domestic Sales	3,077.7	72.8	3,401.7	90.4	(324.0)	(9.5)
Overseas Sales	1,150.1	27.2	360.9	9.6	789.2	218.7
Total	<u>4,227.8</u>	<u>100.0</u>	<u>3,762.6</u>	<u>100.0</u>	<u>465.2</u>	<u>12.4</u>

For the Year, the Group recorded an increase of 218.7% in the revenue of overseas sales to RMB1,150.1 million (2021: RMB360.9 million), which is mainly due to the recovery in overseas demand, the increase in sales volume as a result of the success of the Group's strategy to expand into the overseas markets, and the increase in market sales prices and exchange rate.

Cost of sales

The Group recorded a total cost of sales of RMB3,616.9 million for the Year, representing an increase of 8.1% as compared to RMB3,345.1 million recorded for the year ended 31 December 2021, mainly due to the increase in sales volume and the increase in prices of raw materials and energy.

Gross profit and gross margin

The Group's total gross profit for the Year was RMB610.9 million, representing an increase of RMB193.4 million as compared to RMB417.5 million recorded for the year ended 31 December 2021. The Group's overall gross profit margin for the Year was 14.5%, representing an increase of 3.4 percentage points from 11.1% for the year ended 31 December 2021. The increase in gross profit and gross profit margin was mainly due to the increase in selling prices.

Other income

For the Year, the Group's other income was RMB33.2 million, representing an increase of RMB12.0 million from RMB21.2 million recorded for the year ended 31 December 2021, mainly due to the exchange gain and the income from derivative financial instruments.

Selling expenses

For the year, the Group's selling expenses was RMB186.9 million, representing an increase of 89.7% as compared to RMB98.5 million recorded for the year ended 31 December 2021, mainly due to the increase in revenue.

Administrative expenses

For the Year, the Group's administrative expenses was RMB171.5 million, representing an increase of 41.0% as compared to RMB121.6 million recorded for the year ended 31 December 2021, mainly due to the increase in labor costs, research and development expenses, taxes and surcharges.

Finance costs

For the Year, the finance costs of the Group was RMB108.8 million, representing a decrease of 8.4% as compared to RMB118.8 million recorded for the year ended 31 December 2021, mainly due to the average interest rate decreased and the interest expense decreased, accordingly.

Income tax

For the Year, the Group's income tax amounted to RMB25.4 million, representing an increase of RMB8.6 million as compared to RMB16.8 million recorded for the year ended 31 December 2021, mainly due to the increase in profit before taxation.

Profit for the Year

The Group's profit for the year was RMB151.6 million, representing an increase of RMB68.7 million as compared to RMB82.9 million recorded for the year ended 31 December 2021, mainly due to the increase in revenue and gross profit.

Capital expenditure

For the Year, the Group invested RMB86.7 million in property, plant and equipment (2021: RMB76.4 million).

Liquidity, financial resources and capital structure

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

As at 31 December 2022, cash and cash equivalents amounted to RMB464.9 million (31 December 2021: RMB551.6 million) and were mainly denominated in RMB, with certain amount denominated in Hong Kong dollars and US dollars (31 December 2021: mainly denominated in RMB, with certain amount denominated in Hong Kong dollars and US dollars).

As at 31 December 2022, interest-bearing borrowings of the Group amounted to RMB1,939.1 million, among which RMB762.3 million were long-term borrowings and RMB1,176.8 million were short-term borrowings and all of which were denominated in RMB (31 December 2021: all denominated in RMB). As at 31 December 2022, RMB1,802.3 million (31 December 2021: RMB2,372.2 million) out of all of the interest-bearing borrowings of the Group have been charged at fixed interest rates.

Debt to equity ratio, which is calculated by the net liabilities (interest-bearing borrowings net of cash and cash equivalents) divided by the total equity as at the respective year end and multiplied by 100%, was 105.0%, representing a decrease of 37.3 percentage points from 142.3% at 31 December 2021, due to the decrease in short-term borrowings.

Current ratio, which is calculated based on the current assets divided by the current liabilities, increased from 1.05 as at 31 December 2021 to 1.18 as at 31 December 2022.

Employees and remuneration policy

As at 31 December 2022, the Group had 1,777 employees (31 December 2021: 1,592 employees) in total, total staff costs (inclusive of Directors' emoluments) for the Year amounted to RMB231.4 million (2021: RMB191.4 million).

The Group believes its success depends on its employees' provision of consistent, high quality and reliable services. In order to attract, retain and enrich the knowledge, skill level and qualifications of its employees, the Group places a strong emphasis on training for employees. In addition, the Group offers competitive remuneration packages, including basic salary and performance-based monthly and annual bonuses, and reviews the remuneration packages annually according to industry benchmark, financial results, as well as the performance of employees. The Company has also adopted share option schemes and share award plans for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, who have contributions to the Group.

Pledge of assets

As at 31 December 2022, the Group's property, plant and equipment with carrying amount of RMB1,193.5 million and other chattels with carrying amount of RMB759.9 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. With the growth of its export business, the Group hedges its exposure to exchange rate fluctuations through forward foreign exchange settlement and it is expected that the Group will not be subject to any materially adverse effects arising from exchange rate fluctuation. Nevertheless, the Group will closely monitor the financial market and would consider appropriate measures as and when necessary.

Significant investments held and material acquisitions and disposals

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

Contingent liabilities

As at 31 December 2022, the Group does not have any contingent liabilities.

USE OF PROCEEDS FROM IPO

The shares of the Group were listed on the Main Board of the Stock Exchange on 8 November 2019 by way of IPO. The net proceeds after deducting the underwriting commission and other costs and expenses arising from the IPO were approximately HK\$426.3 million (approximately RMB383.7 million). As stated in the Prospectus, the Company intended to use the proceeds (i) to fund the Phase Two Expansion; (ii) to strengthen the Group's product research and development and innovation capabilities; (iii) to strengthen the Group's relationships with key customers, expand the Group's customer base and further expand the Group's sales to overseas markets; and (iv) for general replenishment of working capital and other general corporate purpose. On 10 June 2020, the Board resolved to allocate part of the unutilised net proceeds of the Phase Two Expansion for the repayment of certain existing interest-bearing borrowings of the Group. For details of the Reallocation, please refer to the Company's announcement dated 10 June 2020. During the Year, the net proceeds were utilised as follows:

	Original planned use of net proceeds (RMB million)	Amount of Reallocation (RMB million)	Total amount utilised as at 31 December 2022 (RMB million)	Unutilised proceeds as at 31 December 2022 (RMB million)	Unutilised proceeds as at 31 December 2021 (RMB million)
To fund the Phase Two Expansion	339.2	(200.0)	109.3	29.9	60.9
To strengthen the Group's product research and development and innovation capabilities	9.2	-	3.8	5.4	5.5
To strengthen the Group's relationships with key customers, enlarge the Group's customer base and further expand the Group's sales to overseas markets	7.7	-	5.6	2.1	2.4
For general replenishment of working capital and other general corporate purpose	27.6	-	27.6	-	-
For repayment of borrowings	-	200.0	200.0	-	-
Total	<u>383.7</u>	<u>-</u>	<u>346.3</u>	<u>37.4</u>	<u>68.8</u>

The unutilised net proceeds are kept in banks and approved financial institutions in Hong Kong and the PRC. As at the date of this announcement, the Company does not anticipate any further change in the planned use of the reallocated proceeds as described above. The remaining unutilized net proceeds as at 31 December 2022 are currently expected to be fully utilized on or before 31 December 2023. As disclosed in the Company's 2020 Annual Report, due to the impact of the Pandemic, the progress of the Phase Two Expansion has been delayed and therefore there will be a delay in the timing of the utilization of the proceeds (which are expected to be fully utilized on or before 31 December 2023).

DIVIDENDS

The Board recommended the payment of a final dividend of HK\$0.04 per Share for the year (2021: HK\$0.03), amounting to approximately HK\$59.9 million (2021: approximately HK\$45.0 million), to the shareholders of the Company whose names appear on the register of members of the Company on 1 June 2023 subject to the approval by the shareholders of the Company at the forthcoming AGM to be held on 23 May 2023.

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

During the Year, the Company has made the below repurchase of Shares on the Stock Exchange. As at 31 December 2022, all 3,932,000 Shares have been cancelled. The repurchases were made by the Board for the purpose of enhancing shareholders' value in the long run. Details of the repurchase of Shares are as follows:

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

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

EVENTS AFTER THE YEAR UNDER REVIEW

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

CORPORATE GOVERNANCE PRACTICES

The Company has applied the provisions as set out in part 2 of the CG Code, and has complied with all the code provisions as set out in part 2 of the CG Code during the Year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions in terms no less exacting than the required standard set out in the Model Code. Having made specific enquiries with each of the Directors, all Directors have confirmed to the Company that they have complied with the required standards set out in the Model Code during the Year.

REVIEW OF ANNUAL RESULTS

The Group's annual results and 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 annual results and consolidated financial statements for the Year.

ANNUAL GENERAL MEETING

The annual general meeting is currently scheduled to be held on Tuesday, 23 May 2023. 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 Thursday, 18 May 2023 to Tuesday, 23 May 2023, 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 2023 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 17 Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 17 May 2023.

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 Tuesday, 30 May 2023 to Thursday, 1 June 2023 (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 Monday, 12 June 2023) 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 17 Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Monday, 29 May 2023.

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 2022 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 2022 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 23 May 2023
“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
“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
“CNPC”	China National Petroleum Corporation (中國石油天然氣有限公司)
“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
“Director(s)”	the director(s) of our Company
“Group” or “our Group” or “we” or “our” or “us” or “Dalipal”	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”	initial public offering
“Listing Date”	8 November 2019
“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
“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
“SINOPEC”	China Petroleum and Chemical Corporation (中國石油化工集團公司)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“US dollars”	United states dollars, the lawful currency of the united sates of America
“Year”	the year ended 31 December 2022
“%”	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 2023

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.