**Dalipal Holdings Limited**

**達力普控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1921)**

# ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

**FINANCIAL HIGHLIGHTS**

| | **Six months ended 30 June** | | |
|---|---|---|---|
| | **2021** | 2020 | |
| | ***RMB'million*** | *RMB'million* | Changes |
| Revenue | **1,505.7** | 989.4 | 52.2% |
| Gross profit | **145.2** | 72.6 | 100% |
| Profit/(loss) from operations | **71.0** | (5.3) | N/A |
| Profit/(loss) before taxation | **20.1** | (53.5) | N/A |
| Profit/(loss) for the period | **17.4** | (34.7) | N/A |
| *Net profit margin* | ***1.2%*** | *(3.5%)* | |
| Profit/(loss) for the period attributable to equity shareholders of the Company: | **17.4** | (33.2) | N/A |
| Earnings/(loss) per share | | | |
| – Basic (RMB) | **0.01** | (0.02) | |
| – Diluted (RMB) | **0.01** | (0.02) | |
| Proposed interim dividend per share (Hong Kong dollar ("**HK$**")) | **N/A** | N/A | |

The board (the "**Board**") of directors (the "**Directors**") of Dalipal Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2021 (the "**Period**"), as follows:

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

*for the six months ended 30 June 2021 – unaudited*
*(Expressed in Renminbi ("**RMB**"))*

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*at 30 June 2021 – unaudited*
*(Expressed in RMB)*

| | Note | At 30 June 2021 RMB'000 | At 31 December 2020 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **1,890,251** | 1,922,593 |
| Deferred tax assets | | **16,545** | 19,254 |
| | | **1,906,796** | 1,941,847 |
| **Current assets** | | | |
| Inventories | | **655,946** | 494,951 |
| Trade and bills receivables | *8* | **1,283,847** | 752,695 |
| Prepayments, deposits and other receivables | | **132,384** | 83,017 |
| Cash at bank and on hand | | **419,819** | 416,173 |
| | | **2,491,996** | 1,746,836 |
| **Current liabilities** | | | |
| Trade and bills payables | *9* | **497,440** | 319,246 |
| Other payables and accruals | | **347,862** | 159,335 |
| Interest-bearing borrowings | | **1,993,207** | 1,479,052 |
| Lease liabilities | | **781** | 151 |
| Current taxation | | **7,947** | 9,276 |
| | | **2,847,237** | 1,967,060 |
| **Net current liabilities** | | **(355,241)** | (220,224) |
| **Total assets less current liabilities** | | **1,551,555** | 1,721,623 |
| **Non-current liabilities** | | | |
| Interest-bearing borrowings | | **255,750** | 443,200 |
| Lease liabilities | | **541** | – |
| Deferred income | | **14,984** | 15,842 |
| | | **271,275** | 459,042 |
| **NET ASSETS** | | **1,280,280** | 1,262,581 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **134,263** | 134,263 |
| Reserves | | **1,146,017** | 1,128,318 |
| **TOTAL EQUITY** | | **1,280,280** | 1,262,581 |

# NOTES

*(Expressed in RMB unless otherwise indicated)*

## 1 CORPORATE INFORMATION

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

## 2 BASIS OF PREPARATION

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

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

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

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

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

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

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

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

(i) The Group has maintained its long-term strong business relationship with its major banks to get their continuing support. The Group is actively discussing with its banks for renewal of bank borrowings, which will be due in the next twelve months ending 30 June 2022. The directors are of the opinion that the Group will be able to either renew or obtain new banking facilities to supplement liquidity of the Group at adequate level during the next twelve months; and

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

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

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

## 3 CHANGES IN ACCOUNTING POLICIES

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

- Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform – phase 2*

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

## 4 REVENUE AND SEGMENT REPORTING

### (a) Revenue

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

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

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

### (b) Segment reporting

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

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

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

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

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

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

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

| | **Six months ended 30 June 2021** | | | |
|---|---|---|---|---|
| | **OCTG** | **Other oil pipes** | **Pipe billets** | **Total** |
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** |
| Revenue from external customers | **442,531** | **961,394** | **101,746** | **1,505,671** |
| Reportable segment gross profit | **84,441** | **63,219** | **6,439** | **154,099** |

| | Six months ended 30 June 2020 | | | |
|---|---|---|---|---|
| | OCTG | Other oil pipes | Pipe billets | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Revenue from external customers | 535,904 | 211,144 | 242,391 | 989,439 |
| Reportable segment gross profit | 87,084 | 9,752 | 13,260 | 110,096 |

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

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

*(iii)* ***Geographic information***

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

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

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

## 5 PROFIT/(LOSS) BEFORE TAXATION

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

**(a) Finance costs**

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

**(b) Other items**

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

## 6 INCOME TAX

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

*Notes:*

(i) The Company and the subsidiaries of the Group incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

(ii) The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax according to the two-tiered profits tax rates regime from the year of assessment 2018/19 onwards. The profits tax rate for the first Hong Kong Dollar ("**HK$**") 2,000,000 of profits will be taxed at 8.25%, and profits above that amount will be subject to a tax rate of 16.5%. These companies have no assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2021 and 2020.

(iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong SAR) are subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2021 (2020: 25%). Dalipal Pipe Company (達力普石油專用管有限公司, "**Dalipal Pipe**") was qualified as a High and New Technology Enterprise and is entitled to the preferential tax rate of 15% for the three calendar years ended 31 December 2018, 2019 and 2020. As of the date of this report, Dalipal Pipe is in the progress of renewing the HNTE qualification, and the directors of the Company are of the opinion that Dalipal Pipe is qualified to the preferential tax rate of 15% for the six months ended 30 June 2021.

## 7 EARNINGS/(LOSS) PER SHARE

### (a) Basic earnings/(loss) per share

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

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

### (b) Diluted earnings/(loss) per share

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

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

## 8 TRADE AND BILLS RECEIVABLES

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

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

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

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

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

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

## 9 TRADE AND BILLS PAYABLES

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

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

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

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

## 10 DIVIDENDS

### (a) Dividends payable to equity shareholders of the Company attributable to the interim period

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

In the first half of 2021, under the challenging operating environment due to the impact of the COVID-19 pandemic (the "**Pandemic**") and changes in the domestic and foreign economic situations, the Group has taken effective measures such as adopting flexible strategies to respond to market changes, expanding new products and new customers, and exploiting internal potential to increase production efficiency to improve its performance during the Period as compared with the corresponding period in the previous year. With the gradual control of the Pandemic, the rebound of international oil prices, and the strengthening of domestic energy policies to promote oil and gas exploration, development and investment, market demand and prices for OCTG have increased. The Group's production operation has also resumed to normal throughout the Period. The Group has been able to achieve an increase in revenue by approximately 52.2% for the Period as compared with the corresponding period of last year, and an increase in gross profit margin from approximately 7.3% in the corresponding period last year to approximately 9.6% for the Period. Although the Group has achieved a turnaround from loss recorded in the first half of the previous year to profit for the Period, the Group is yet to fully recover its performance to the level before the outbreak of the Pandemic due to the challenging operating environment post-Pandemic and uncertain global economic environment which has increased the operating costs of the Group. Yet, the Group is gradually recovering and improving its overall performance and results to bring positive return to the Company's shareholders. The Group recorded a net profit of approximately RMB17.4 million for the first half of the year as compared with a net loss of approximately RMB34.7 million for the corresponding period in 2020. For the first half of 2021, the profit for the period attributable to equity shareholders of the company was approximately RMB17.4 million; basic earnings per share reached RMB0.01.

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

| | **January to June 2021** | | January to June 2020 | | Change | |
|---|---|---|---|---|---|---|
| | **Sales** | **Proportion of sales** | Sales | Proportion of sales | Sales | Percentage |
| | ***RMB million*** | **%** | *RMB million* | % | *RMB million* | % |
| OCTG | **442.5** | **29.4%** | 535.9 | 54.2% | (93.4) | -17.4% |
| Other oil pipes | **961.4** | **63.9%** | 211.1 | 21.3% | 750.3 | 355.3% |
| Pipe billets | **101.8** | **6.7%** | 242.4 | 24.5% | (140.6) | -58.0% |
| | **1,505.7** | **100.0%** | 989.4 | 100.0% | 516.2 | 52.2% |

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

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

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

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

## PROSPECTS

During the Period, despite the rebound in international oil prices and increased efforts in oil and gas exploration and development, the aftermath of the Pandemic, intermittent outbreaks and the impact of many changes in the domestic and international economic situation have added uncertainties to the operating environment of the Group.

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

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

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

## FINANCIAL REVIEW

### Revenue

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

### Cost of sales

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

### Gross profit and gross profit margin

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

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

### Other income

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

### Administrative expenses

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

**Finance costs**

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

**Income tax**

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

**Profit/(loss) for the Period and EBITDA**

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

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

**Inventories**

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

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

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

**Capital expenditure**

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

**Liquidity, financial resources and capital structure**

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

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

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

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

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

**Employees and remuneration policy**

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

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

**Pledge of assets**

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

**Foreign exchange risk**

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

**Material acquisitions and disposals**

During the Period, the Group did not have any material acquisition or disposal.

**Contingent liabilities**

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

**Use of Proceeds from Initial Public Offering ("IPO")**

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

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

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

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

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

The unutilised net proceeds are kept in banks and approved financial institutions in Hong Kong and the PRC. As at the date of this 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 30 June 2021 are currently expected to be fully utilised on or before 30 June 2022.

### Dividends

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

## EVENTS AFTER THE PERIOD UNDER REVIEW

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

## CORPORATE GOVERNANCE PRACTICES

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

## MODEL CODE SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions 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 Period.

## REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "**Audit Committee**") has reviewed the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2021. Based on this review and based on discussions with the management, the Audit Committee was satisfied that the financial information was prepared in accordance with applicable accounting standards and fairly presented the Group's financial position and results for the Period.

## PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

## APPRECIATION

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

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

Hong Kong, 26 August 2021

*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.*