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 2023

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2023	2022	
	RMB'million	*RMB'million*	Changes
Revenue	**2,087.3**	1,940.1	7.6%
Gross profit	**283.1**	209.0	35.5%
Profit from operations	**108.2**	92.8	16.6%
Profit before taxation	**65.1**	36.9	76.4%
Profit for the period	**56.8**	31.1	82.6%
Net profit margin	***2.7%***	*1.6%*	
Profit for the period attributable to equity shareholders of the Company:	**56.8**	31.1	82.6%
Earnings per share			
– Basic (RMB)	**0.04**	0.02	
– Diluted (RMB)	**0.04**	0.02	

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2023 – unaudited
*(Expressed in Renminbi ("**RMB**"))*

		Six months ended 30 June	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**2,087,283**	1,940,124
Cost of sales		**(1,804,149)**	(1,731,122)
Gross profit	*4(b)*	**283,134**	209,002
Other income		**4,700**	7,946
Selling expenses		**(86,729)**	(53,473)
Administrative expenses		**(92,875)**	(70,713)
Profit from operations		**108,230**	92,762
Finance costs	*5(a)*	**(43,180)**	(55,879)
Profit before taxation	*5*	**65,050**	36,883
Income tax	*6*	**(8,250)**	(5,758)
Profit for the period attributable to equity shareholders of the Company		**56,800**	31,125
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		**732**	(2,415)
Total comprehensive income for the period attributable to equity shareholders of the Company		**57,532**	28,710
Earnings per share	*7*		
Basic *(RMB)*		**0.04**	0.02
Diluted *(RMB)*		**0.04**	0.02

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2023 – unaudited
(Expressed in RMB)

	Note	**At 30 June 2023** *RMB'000*	At 31 December 2022 *RMB'000*
Non-current assets			
Property, plant and equipment		**1,779,006**	1,831,450
Deferred tax assets		**114**	–
		1,779,120	1,831,450
Current assets			
Derivative financial instruments		**–**	3,639
Inventories		**680,702**	753,917
Trade and bills receivables	*8*	**1,277,982**	1,095,685
Prepayments, deposits and other receivables		**41,208**	36,797
Cash and cash equivalents		**462,788**	464,892
		2,462,680	2,354,930
Current liabilities			
Derivative financial instruments		**336**	–
Trade and bills payables	*9*	**710,122**	560,730
Other payables and accruals		**194,524**	234,952
Interest-bearing borrowings		**1,128,148**	1,176,756
Lease liabilities		**3,663**	3,203
Current taxation		**6,955**	12,448
		2,043,748	1,988,089
Net current assets		**418,932**	366,841
Total assets less current liabilities		**2,198,052**	2,198,291
Non-current liabilities			
Interest-bearing borrowings		**774,900**	762,300
Lease liabilities		**6,060**	6,711
Deferred tax liabilities		**13,055**	12,438
Deferred income		**11,764**	12,542
		805,779	793,991
NET ASSETS		**1,392,273**	1,404,300
CAPITAL AND RESERVES			
Share capital		**134,245**	134,140
Reserves		**1,258,028**	1,270,160
TOTAL EQUITY		**1,392,273**	1,404,300

NOTES

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

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

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 17 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 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 "**HKICPA**").

The financial information relating to the financial year ended 31 December 2022 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

3 CHANGES IN ACCOUNTING POLICIES

(a) New and amended IFRSs

The Group has applied the following new and amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- IFRS 17, *Insurance contracts*

- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended IFRSs are discussed below:

IFRS 17, Insurance contracts

IFRS 17, which replaces IFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of IFRS 17.

Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to IAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases. For leases, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in the annual financial statements, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under IAS 12.

Amendments to IAS 12, Income taxes: International tax reform – Pillar Two model rules

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development ("**OECD**") (income tax arising from such tax laws is hereafter referred to as "**Pillar Two income taxes**"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax. The amendments are immediately effective upon issuance and require retrospective application. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

(b) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of the Hong Kong SAR (the "**Government**") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**"), which will eventually abolish the statutory right of an employer to reduce its long service payment ("**LSP**") and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund ("**MPF**") scheme (also known as the "**offsetting mechanism**"). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025 (the "**Transition Date**"). Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP. However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of IAS 19 and recognise such deemed contributions as reduction of current service cost in the period the related service is rendered, and any impact from ceasing to apply the practical expedient is recognised as a catch-up adjustment in profit or loss with a corresponding adjustment to the LSP liability during the year ended 31 December 2022.

The Group has assessed the implications of this new guidance on the above accounting policies and the guidance does not has a material impact 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.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Sales of oil and gas pipes	**1,337,357**	1,113,416
Sales of new energy pipes and special seamless steel pipes	**691,746**	801,918
Sales of other products	**58,180**	24,790
	2,087,283	1,940,124

(b) Segment reporting

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

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

(i) Segment results, assets and liabilities

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

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments during normal operations. The measure used for reporting segment result is gross profit, but excluded depreciation expenses, staff costs and utilities expenses incurred during the suspension of production as a result of the COVID-19 pandemic. No inter-segment sales have occurred for the six months ended 30 June 2023 and 2022. 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 2023 and 2022 is set out below.

	Six months ended 30 June 2023			
	Oil and gas pipes	**New energy pipes and special seamless steel pipes**	**Other products**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Revenue from external customers	**1,337,357**	**691,746**	**58,180**	**2,087,283**
Reportable segment gross profit	**210,816**	**70,942**	**1,376**	**283,134**

	Six months ended 30 June 2022			
	Oil and gas pipes	New energy pipes and special seamless steel pipes	Other products	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	1,113,416	801,918	24,790	1,940,124
Reportable segment gross profit	148,679	61,400	331	210,410

(ii) Reconciliation of reportable segment gross profit

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Reportable segment gross profit *(Note 4(b)(i))*	**283,134**	210,410
Depreciation expenses, staff costs and utilities incurred during production suspension period as a result of the COVID-19 pandemic	**–**	(1,408)
Reportable segment gross profit derived from the Group's external customers	**283,134**	209,002

(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	
	2023	2022
	RMB'000	*RMB'000*
Mainland China	**1,501,348**	1,600,938
Overseas:		
Middle East	**299,595**	183,117
Africa	**240,337**	56,643
Southeast Asia	**218**	31,587
Others	**45,785**	67,839
	585,935	339,186
	2,087,283	1,940,124

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

5 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Interest expenses on borrowings	**39,962**	48,741
Interest expenses on lease liabilities	**274**	27
Others	**2,944**	7,111
	43,180	55,879

(b) Other items

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Depreciation expenses		
– Owned property, plant and equipment	**62,917**	60,721
– Right-of-use assets	**4,600**	3,309
Impairment losses on trade receivables	**6,102**	–
Research and development costs	**22,645**	16,203
Cost of inventories	**1,804,149**	1,729,714

6 INCOME TAX

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Current taxation:		
– Provision for the period	**9,745**	–
– Over-provision in respect of prior years	**(1,998)**	–
	7,747	–
Deferred taxation		
– Origination and reversal of temporary differences	**503**	5,758
	8,250	5,758

Notes:

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

(ii) The Company and the Hong Kong incorporated subsidiaries of the Group are subject to Hong Kong Profits Tax, which is calculated at 16.5% (six months ended 30 June 2022: 16.5%) of the estimated assessable profits for the six months ended 30 June 2023, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first Hong Kong Dollar ("**HK$**") 2,000,000 of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2022.

(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 2023 (2022: 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 years ended/ending 31 December 2021, 2022 and 2023.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share for the six months ended 30 June 2023 is calculated based on the profit attributable to equity shareholders of the Company of RMB56,800,000 (six months ended 30 June 2022: RMB31,125,000) and the weighted average of 1,472,025,000 (six months ended 30 June 2022: 1,499,896,000) ordinary shares in issue during the interim period.

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

	Six months ended 30 June	
	2023	2022
	'000	*'000*
Issued ordinary shares at 1 January	**1,498,468**	1,501,200
Shares issued under share option schemes	**471**	325
Effect of shares repurchased	**–**	(1,552)
Effect of shares held for share award plans	**(26,914)**	(77)
Weighted average number of ordinary shares at 30 June	**1,472,025**	1,499,896

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2023 is based on the profit attributable to equity shareholders of the Company of RMB56,800,000 (six months ended 30 June 2022: RMB31,125,000) and the weighted average number of ordinary shares (diluted) of 1,479,573,000 (six months ended 30 June 2022: 1,505,448,000).

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

	Six months ended 30 June	
	2023	2022
	'000	*'000*
Weighted average number of ordinary shares at 30 June	**1,472,025**	1,499,896
Effect of deemed issue of shares under the Company's share option scheme	**7,548**	5,552
Weighted average number of ordinary shares (diluted) at 30 June	**1,479,573**	1,505,448

8 TRADE AND BILLS RECEIVABLES

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Trade receivables	**672,808**	501,730
Less: loss allowance	**(11,953)**	(5,851)
	660,855	495,879
Bills receivables	**617,127**	599,806
	1,277,982	1,095,685

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 2023 RMB'000	At 31 December 2022 RMB'000
Less than 1 month	**325,235**	231,423
1 to 3 months	**234,680**	208,117
3 to 6 months	**75,783**	53,695
Over 6 months	**25,157**	2,644
	660,855	495,879

9 TRADE AND BILLS PAYABLES

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
Trade payables	**684,643**	545,263
Bills payables	**25,479**	15,467
	710,122	560,730

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 2023	At 31 December 2022
	RMB'000	*RMB'000*
Less than 1 month	**439,746**	336,780
1 to 3 months	**191,514**	140,912
3 to 6 months	**46,285**	53,326
Over 6 months	**32,577**	29,712
	710,122	560,730

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 2023 (six months ended 30 June 2022: 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	
	2023	2022
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved during the following interim period, of HK$0.04 per ordinary share (six months ended 30 June 2022: HK$0.03 per ordinary share)	**53,892**	36,584

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Main Business, Business Model and Industry Overview of the Group for the Reporting Period

As a high-end, intelligent and green energy equipment manufacturer, the Group is principally engaged in the research and development, production, technical services and sales of high-end energy pipes and special seamless steel pipes. We have an extensive product mix that 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 pipes for the manufacturing of energy machineries.

The Group's products are divided into standard products and customised products that are 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 requirements of each customers according to customers' orders or contracts. 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 Reporting Period, we had a good start in the first quarter in the domestic market as epidemic faded with the general expectation of economic recovery. In the second quarter, market prices of similar products demonstrated downward fluctuations and fundamental demands for our products also trended downwards. However, from a closer look at various market segments, during the first half of 2023, we saw period-over-period growth in oil and gas production, supporting demands for oil, gas and new energy pipes. During the first half of 2023, the export markets continued the strong momentum seen in the second half of 2022. According to the General Administration of Customs' data, exports for the first half of 2023 increased by 51.27% period-over-period, where oil and gas pipes were among the major contributors. During the Reporting Period, we have also witnessed a changing landscape with increased cooperation between key players and the co-existence of key players and specialised players.

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 pipes and upscaled its featured non-API oil and gas pipe products while continuously developing pipes for oil drilling equipment, including pipes for drilling, oil tank pipes and perforator pipes, special pipes with leading technologies that are applicable to new energy and pipes for the manufacturing of high-end machineries. The Group has successively received positive results on test performed and evaluation reports prepared by well-known domestic enterprises or been enlisted as their qualified supplier. The "specialised, refined, exceptional and innovative (專、精、特、新)" business philosophy of the Group allows the Group to establish a differentiated position in the industry, greatly enhancing the competitiveness of the soft power of the Group.

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

Analysis of Core Competitiveness

During the Reporting Period, the Group built its core competitiveness around market expansion, technology research and development, intelligent manufacturing, green and low-carbon development and lean management:

(1) Market expansion – in addition to maintaining certain market share domestically, the Group has further developed a broader overseas market, and the proportion of overseas market sales has increased significantly compared with the corresponding period in the previous year, achieving excellent results and successfully optimising the market and customer base.

(2) 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 Reporting Period. The Group also owned the independent intellectual property rights in respect of innovative high-strength and tough casing which are corrosion-resistant, and has been used in large quantities in major oil and gas fields in China during the Reporting Period. Results of our research in rare earth corrosion resistant casing in collaboration with renowned universities in China were also released, which made significant improvement in corrosion resistance of our pipes without increasing the costs in production. The industry standard YB/T6068-2022 "Technical specifications of oxygen supply in steelmaking in electric arc furnace", which the Group participated in its formulation, was officially released and implemented, marking the elevation of the Company's status in the industry.

(3) Intelligent manufacturing – the Group has built intelligent production lines which are composed of smart equipment consisting of robots, computer numerical control (CNC) machine tools, logistics warehouses, testing equipment and automated production lines, thus enabling multiple "unmanned production units" and "multiple production lines with reduced manpower". With more than 12 types of intelligent manufacturing support industrial software, the Group has become the first enterprise in the industry to realise and make use of a "product process big data analysis platform (產品工藝大數據分析平台)". 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.

(4) Green development – The carbon footprint of our products from "cradle to gate (搖籃到大門)" is quantified and verified throughout the life cycle. We have deployed a layout of low-carbon product applications, obtained carbon footprint certificate for our products and continued our effort in process technology innovation, self-research and development of low-carbon processes and products, and obtained more than 12 patents in this regard. We have also successively carried out projects including industrial water recycling, waste heat recycling, refining slag recycling, and full-oxygen combustion and baking of resistant materials, effectively reducing carbon emissions, and our emission indicators such as sulfide, nitrogen oxides, and particulate matter are far below the stringent emission standards of Hebei Province. We assisted our customers in creating environmentally friendly products, customised development of low-carbon high-performance shale gas casing series, high-toughness heat-treatment free oil casing, etc., to help customers explore clean energy. Dalipal has won the title of Green Factory in Hebei Province.

(5) Lean operation – we strived to achieve maximum efficiency, improve unit operation efficiency and input-output efficiency. We continued to promote process innovation, technological reform, featured product material optimisation, cost reduction and increase in efficiency and other measures to improve product yield and reduce production costs. We also carried out activities in relation to visualisation and 6S (sort, set in order, shine, standardise, sustain and safety) to motivate employees to improve self-management, established an incubation platform for the development of employees' skillset and management innovation, collected innovative proposals extensively, and formed an encouraging innovation atmosphere within the Company. We engaged external professional instructors to establish a dual mentoring system comprising "senior mentors + middle-level mentors + high-potential management trainees". Through the lessons and experience gained from real world exposure, we cultivated people and formulated IDP on career development paths and individual characteristics. Improvement projects were formulated based on the Company's annual strategic goals. Strategy was implemented and the management awareness of middle-level management and high-potential management trainees was enhanced by way of promoting IDP and improvement projects.

OUTLOOK

The management of the Group believes that, despite the disappointing domestic demand, fundamental downtrend in demands and prices, complex and severe external environment, and persistence of the compound impact of geopolitics, energy crisis, and the Russia-Ukraine war on economy in the first half of 2023, we are set to benefit from buoyant market demand due to the nation's unwavering determination in achieving stability and progress, the call for a higher level of oil exploration, development, processing activities and increased gas production capacity to ensure energy security, and the general layout to encourage quality development of green, intelligent and innovation-related industries.

The Group will continue to promote various tasks regarding the product strategy positioning of "specific, specialised, 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, meet and guide customer demand, strengthen featured non-API products and market expansion, manufacture leading products with exclusivity, and enhance the brand effect of products. Taking lead to promote energy saving and emission reduction, leveraging on smart manufacturing and equipment upgrade, we will promote green and low-carbon transformation through automation, digitalisation, information technology, intelligence and alternative clean energy. We will serve downstream customers with process innovation, technological innovation and green product research and development, establish an ecological priority, green and low-carbon development model, and provide support for the green and low-carbon transformation of the entire energy industry. Capitalising on digital technology, we will build an efficient and intelligent manufacturing plant and business process system, continue to optimise management, and realise a low-cost, high-quality and efficient development. We also aim to speed up the certification progress from overseas oil companies and increase our market share in the international market. We will also continuously implement the management mode of "precise, refined and lean operation" to keep strengthening our 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 belonging, consciously practicing the corporate culture and synchronising with the Group to achieve steady growth in operating results.

FINANCIAL REVIEW

Revenue

The Group achieved a total revenue of RMB2,087.3 million during the Reporting Period, representing an increase of 7.6% from RMB1,940.1 million in the corresponding period of 2022. During the Reporting Period, the revenue of oil and gas pipes and other products increased, while the revenue of new energy pipes and special seamless steel pipes decreased.

	Six months ended 30 June 2023		Six months ended 30 June 2022		Changes	
	Sales	**Percentage of Sales**	Sales	Percentage of Sales	Sales	
	RMB million	**%**	*RMB million*	%	*RMB million*	%
Oil and gas pipes	**1,337.4**	**64.1%**	1,113.4	57.4%	224.0	20.1%
New energy pipes and special seamless steel pipes	**691.7**	**33.1%**	801.9	41.3%	(110.2)	(13.7%)
Other products	**58.2**	**2.8%**	24.8	1.3%	33.4	134.7%
Total	**2,087.3**	**100.0%**	1,940.1	100.0%	147.2	7.6%

The Group recorded an increase of 20.1% in the revenue of oil and gas pipes to RMB1,337.4 million (corresponding period of 2022: RMB1,113.4 million), a decrease of 13.7% in the revenue of new energy pipes and special seamless steel pipes to RMB691.7 million (corresponding period of 2022: RMB801.9 million), and an increase of 134.7% in the revenue of other products to RMB58.2 million (corresponding period of 2022: RMB24.8 million).

Oil and gas pipes are end products with high added value and profitability, so the unit selling price is relatively high. The increase in revenue of oil and gas pipes was mainly due to the increase in sales volume; the decrease in revenue of new energy pipes and special seamless steel pipes was mainly due to the decrease in sales volume.

	Six months ended 30 June 2023		Six months ended 30 June 2022		Changes	
	Sales	**Percentage of Sales**	Sales	Percentage of Sales	Sales	
	RMB million	**%**	*RMB million*	%	*RMB million*	%
Domestic Sales	**1,501.4**	**71.9%**	1,600.9	82.5%	(99.5)	(6.2%)
Overseas Sales	**585.9**	**28.1%**	339.2	17.5%	246.7	72.7%
Total	**2,087.3**	**100.0%**	1,940.1	100.0%	147.2	7.6%

During the Reporting Period, the Group recorded an increase of 72.7% in the revenue of overseas sales to RMB585.9 million (corresponding period of 2022: RMB339.2 million), which was mainly due to the increase in overall sales volume overseas as a result of the success of the Group's strategy in expanding into the overseas markets, the increase in sales volume of high-end products with high added value and the increase of exchange rate.

Cost of sales

The Group recorded a total cost of sales of RMB1,804.1 million during the Reporting Period, representing an increase of approximately 4.2% as compared to RMB1,731.1 million for the corresponding period of 2022, mainly due to the increase in sales volume and the change in product mix.

Gross profit and gross margin

The Group's total gross profit during the Reporting Period was RMB283.1 million, representing an increase of approximately 35.5% as compared to RMB209.0 million for the corresponding period of 2022. The Group's overall gross profit margin during the Reporting Period was 13.6%, representing an increase of 2.8 percentage points from 10.8% for the corresponding period of 2022. The increase in gross profit and gross profit margin was mainly due to the increase in sales volume, optimisation of product mix and increase in sales volume of high value-added products.

Other income

During the Reporting Period, the Group's other income was RMB4.7 million, representing a decrease of approximately 40.5% from RMB7.9 million for the corresponding period of 2022, mainly due to the net loss arising from forward exchange contracts.

Selling expenses

During the Reporting Period, the Group's selling expenses was RMB86.7 million, representing an increase of approximately 62.1% as compared to RMB53.5 million for the corresponding period of 2022, mainly due to the increase in revenue.

Administrative expenses

During the Reporting Period, the Group's administrative expenses was RMB92.9 million, representing an increase of approximately 31.4% as compared to RMB70.7 million for the corresponding period of 2022, mainly due to the increase in labor costs, research and development expenses, taxes and surcharges, and increase in expected credit loss of trade receivables.

Finance costs

The finance costs of the Group during the Reporting Period was RMB43.2 million, representing a decrease of approximately 22.7% as compared to RMB55.9 million for the corresponding period of 2022, mainly due to the optimisation of financing structure, the decrease of loan interest rate and the decrease of discounting cost on bills receivables.

Income tax

During the Reporting Period, the Group's income tax amounted to RMB8.3 million, representing an increase of approximately 43.1% as compared to RMB5.8 million for the corresponding period of 2022, mainly due to the increase in profit before taxation.

Profit for the period

The Group's profit for the Reporting Period was RMB56.8 million, representing an increase of approximately 82.6% as compared to RMB31.1 million for the corresponding period of 2022, mainly due to the increase in revenue and gross profit.

Capital expenditure

During the Reporting Period, the Group invested RMB15.7 million in property, plant and equipment (corresponding period of 2022: RMB17.8 million).

Liquidity, financial resources and capital structure

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

As at 30 June 2023, cash and cash equivalents amounted to RMB462.8 million (31 December 2022: RMB464.9 million) and were mainly denominated in RMB, with a small amount denominated in HKD and US dollars (31 December 2022: mainly denominated in RMB, with a small amount denominated in HKD and US dollars).

As at 30 June 2023, interest-bearing borrowings of the Group amounted to RMB1,903.0 million (31 December 2022: RMB1,939.1 million), among which RMB774.9 million (31 December 2022: RMB762.3 million) were long-term borrowings and RMB1,128.1 million (31 December 2022: RMB1,176.8 million) were short-term borrowings; and RMB1,856.9 million were denominated in RMB and HK$50.0 million (equivalent to RMB46.1 million) were denominated in HKD (31 December 2022: all denominated in RMB). As at 30 June 2023, RMB1,768.0 million (31 December 2022: RMB1,802.3 million) out of all of the interest-bearing borrowings of the Group have been charged at fixed interest rates.

Gearing 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 period end and multiplied by 100%, was 103.4%, representing a decrease of 1.6 percentage points from 105.0% at 31 December 2022, due to the decrease in interest-bearing borrowings.

Current ratio, which is calculated based on the current assets divided by the current liabilities, increased from 1.18 as at 31 December 2022 to 1.20 as at 30 June 2023.

Employees and remuneration policy

As at 30 June 2023, the Group had 1,752 employees (30 June 2022: 1,753 employees) in total, total staff costs during the Reporting Period amounted to RMB114.4 million (corresponding period of 2022: RMB105.2 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 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 30 June 2023, the Group's property, plant and equipment with carrying amount of RMB1,214.6 million (31 December 2022: RMB1,193.5 million) and other chattels with carrying amount of RMB663.5 million (31 December 2022: 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 material adverse effects arising from exchange rate fluctuation. Nevertheless, the Group will closely monitor the financial market and would consider adopting appropriate measures as and when necessary.

Significant investments held and material acquisitions and disposals

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

Save for the on-going Phase Two Expansion which is funded by the proceeds from IPO as disclosed below, the Group does not have any specific future plans for material investments or capital assets as at the date of this announcement.

Contingent liabilities

As at 30 June 2023, the Group does not have any contingent liabilities.

Interim dividends

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

USE OF PROCEEDS FROM IPO

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

	Original planned use of net proceeds *(RMB million)*	**Amount reallocated** *(RMB million)*	**Total amount utilised as at 30 June 2023** *(RMB million)*	**Unutilised proceeds as at 30 June 2023** *(RMB million)*	**Unutilised proceeds as at 31 December 2022** *(RMB million)*
To fund the Phase Two Expansion	339.2	(200.0)	122.1	17.1	29.9
To strengthen the Group's product research and development and innovation capabilities	9.2	–	3.8	5.4	5.4
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	2.1
For general replenishment of working capital and other general corporate purpose	27.6	–	27.6	–	–
For repayment of borrowings	–	200.0	200.0	–	–
Total	383.7	–	359.1	24.6	37.4

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 unutilised net proceeds as at 30 June 2023 are currently expected to be fully utilised on or before 31 December 2023. As disclosed in the annual reports of the Company for the financial year ended 31 December 2020, 2021 and 2022, 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 utilisation of the proceeds (which are expected to be fully utilised on or before 31 December 2023).

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

During the Reporting Period, the trustee(s) of the Share Award Plans had purchased Shares on the Stock Exchange or off the market for the purpose of satisfying the share awards granted or to be granted under the Share Award Plans, save as aforesaid, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

EVENT AFTER THE REPORTING PERIOD

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

CORPORATE GOVERNANCE PRACTICES

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls, risk management and financial reporting matters including a review of the unaudited interim financial statements for the Reporting Period, without disagreement. At the request of Directors, the Group's external auditors have carried out a review of the Interim Report in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by Independent Auditor of the Entity" issued by The Hong Kong Institute of Certified Public Accountants.

GLOSSARY

"Board"	the board of Directors
"CG Code"	the Corporate Governance Code contained in Part 2 of Appendix 14 to the Listing Rules
"CNPC"	China National Petroleum Corporation
"Company"	Dalipal Holdings Limited (達力普控股有限公司), an exempted company limited by shares incorporated in the Cayman Islands with limited liability, whose Shares are listed on the Main Board of the Stock Exchange
"Connected Persons' Share Award Plan"	the share award plan for directors and chief executives of the Group adopted by the Company on 31 May 2022, as amended on 19 December 2022 as disclosed in the announcement of the Company dated the same date
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IDP"	individual development plan
"IPO"	the listing of the Shares on the Main Board of the Stock Exchange by way of initial public offering
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock market (excluding the options market) operated by the Stock Exchange and which is independent from and operated in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules

"Non-Connected Persons' Share Award Plan"	the share award plan for full-time employees of the Group adopted by the Company on 31 May 2022, as amended on 19 December 2022 as disclosed in the announcement of the Company dated the same date
"Pandemic"	the COVID-19 pandemic
"Phase Two Expansion"	the construction of phase two production capacity expansion at the Group's factory located at Bohai New District
"PRC" or "China"	the People's Republic of China which, for the purposes of this announcement excludes Hong Kong, Macau and Taiwan
"Prospectus"	the prospectus of the Company dated 28 October 2019
"Reallocation"	the reallocation of part of the unutilised net proceeds from the IPO originally allocated for the Phase Two Expansion to the repayment of certain existing interest-bearing borrowings of the Group as resolved by the Board on 10 June 2020
"Reporting Period"	the six months ended 30 June 2023
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Share Award Plans"	the Non-Connected Persons' Share Award Plan and the Connected Persons' Share Award Plan
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	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, 17 August 2023

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