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 2020

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2020	2019	
	RMB'million	*RMB'million*	Changes
Revenue	**989.4**	1,444.0	-31.5%
Gross profit	**72.6**	266.8	-72.8%
(Loss)/profit from operations	**(5.3)**	178.9	-103.0%
(Loss)/profit before taxation	**(53.5)**	143.8	-137.2%
(Loss)/profit for the period	**(34.7)**	117.0	-129.7%
Net profit margin	***(3.5%)***	*8.1%*	
(Loss)/profit for the period attributable to equity shareholders of the Company:	**(33.2)**	115.8	-128.7%
(Loss)/earnings per share			
Basic and Diluted (RMB)	**(0.02)**	0.10	
Proposed interim dividend per share (Hong Kong dollar ("**HK$**"))	**N/A**	N/A	

RESULTS

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 2020 (the "**Period**"), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the six months ended 30 June 2020 – unaudited
*(Expressed in Renminbi ("**RMB**"))*

		Six months ended 30 June	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**989,439**	1,444,000
Cost of sales		**(916,840)**	(1,177,200)
Gross profit	*4(b)*	**72,599**	266,800
Other income		**10,280**	4,480
Selling expenses		**(22,976)**	(30,690)
Administrative expenses		**(65,186)**	(61,728)
(Loss)/profit from operations		**(5,283)**	178,862
Finance costs	*5(a)*	**(48,203)**	(35,038)
(Loss)/profit before taxation	*5*	**(53,486)**	143,824
Income tax	*6*	**18,787**	(26,792)
(Loss)/profit for the period		**(34,699)**	117,032
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		**(919)**	–
Total comprehensive income for the period		**(35,618)**	117,032
(Loss)/profit for the period attributable to:			
Equity shareholders of the Company		**(33,212)**	115,758
Non-controlling interests		**(1,487)**	1,274
(Loss)/profit for the period		**(34,699)**	117,032
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company		**(34,131)**	115,758
Non-controlling interests		**(1,487)**	1,274
Total comprehensive income for the period		**(35,618)**	117,032
(Loss)/earnings per share	*7*		
Basic and diluted *(RMB)*		**(0.02)**	0.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2020 – unaudited
(Expressed in RMB)

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Non-current assets			
Property, plant and equipment		**1,937,239**	1,972,521
Deferred tax assets		**10,880**	4,553
		1,948,119	1,977,074
Current assets			
Inventories		**411,484**	440,631
Trade and bills receivables	8	**647,857**	914,630
Prepayments, deposits and other receivables		**89,143**	98,725
Cash at bank and on hand		**611,664**	810,620
		1,760,148	2,264,606
Current liabilities			
Trade and bills payables	9	**241,329**	280,744
Other payables and accruals		**278,001**	172,139
Interest-bearing borrowings		**920,267**	1,361,807
Lease liabilities		**646**	934
Current taxation		**6,182**	28,020
		1,446,425	1,843,644
Net current assets		**313,723**	420,962
Total assets less current liabilities		**2,261,842**	2,398,036
Non-current liabilities			
Interest-bearing borrowings		**888,650**	840,900
Lease liabilities		**–**	161
Deferred tax liabilities		**–**	13,437
Deferred income		**16,700**	17,559
		905,350	872,057
NET ASSETS		**1,356,492**	1,525,979
CAPITAL AND RESERVES			
Share capital		**134,263**	134,263
Reserves		**1,213,886**	1,380,638
Total equity attributable to equity shareholders of the Company		**1,348,149**	1,514,901
Non-controlling interests		**8,343**	11,078
TOTAL EQUITY		**1,356,492**	1,525,979

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

Prior to the incorporation of the Company, the principal activities of the Group were carried out by Dalipal Pipe Company (達力普石油專用管有限公司, "**Dalipal Pipe**") which was established as a limited liability company on 18 September 1998 in the People's Republic of China (the "**PRC**"). To rationalise the corporate structure in preparation of the listing of the Company's shares on the Stock Exchange, the Group underwent a reorganisation (the "**Reorganisation**"), and the Company became the parent company of Dalipal Pipe and the holding company of the companies now comprising the Group. The Reorganisation only involved inserting the Company and other newly formed entities with no substantive operations as holding companies of Dalipal Pipe and there was no change in the business and operation of Dalipal Pipe. Accordingly, the consolidated financial statement for the six months ended 30 June 2019 in the interim financial report has been prepared and presented as a continuation of the consolidated financial statements of Dalipal Pipe with the assets and liabilities of Dalipal Pipe recognised and measured at their historical carrying amounts prior to the Reorganisation.

The 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 21 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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 2019 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 2019 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

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

- Amendments to IFRS 3, *Definition of a Business*
- Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*
- Amendments to IAS 1 and IAS 8, *Definition of material*

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 the interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendment to IFRS 16, Covid-19-Related Rent Concessions, which provides a practical expedient that allows lessees to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying Covid-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred.

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	
	2020	2019
	RMB'000	*RMB'000*
Sales of OCTG	**535,904**	877,062
Sales of other oil pipes	**211,144**	181,307
Sales of pipe billets	**242,391**	385,631
	989,439	1,444,000

(b) Segment reporting

The Group manages its businesses by products. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

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

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

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments 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 (the "**Pandemic**"). No inter-segment sales have occurred for the six months ended 30 June 2020 and 2019. 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 2020 and 2019 is set out below.

	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**

	Six months ended 30 June 2019			
	OCTG	Other oil pipes	Pipe billets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	877,062	181,307	385,631	1,444,000
Reportable segment gross profit	208,548	31,595	26,657	266,800

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Reportable segment gross profit *(Note 4(b)(i))*	**110,096**	266,800
Depreciation expenses, staff costs and utilities incurred during production suspension period as a result of the Pandemic	**(37,497)**	–
Reportable segment gross profit derived from the Group's external customers	**72,599**	266,800

(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	
	2020	2019
	RMB'000	*RMB'000*
Mainland China	**904,721**	1,336,726
Overseas:		
Turkmenistan	**48,302**	1,477
Oman	**1,181**	88,298
Others	**35,235**	17,499
	84,718	107,274
	989,439	1,444,000

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 (LOSS)/PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Interest expenses on borrowings	**46,975**	49,821
Interest expenses on lease liabilities	**37**	22
Others	**1,191**	2,673
	48,203	52,516
Less: interest expenses capitalised into construction in progress	**–**	(17,478)
	48,203	35,038

(b) Other items

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Depreciation expenses		
– owned property, plant and equipment	**55,066**	35,808
– right-of-use assets	**3,314**	3,327
Impairment losses on trade and other receivables	**5,394**	2,359
Research and development costs	**11,261**	12,432
Cost of inventories	**879,343**	1,177,200

6 INCOME TAX

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Current taxation:		
– Provision for the period	**6,482**	24,249
– Over-provision in respect of prior periods	**(5,505)**	(1,526)
	977	22,723
Deferred taxation:		
– Origination and reversal of temporary differences	**(13,045)**	(1,137)
– (Change in applicable withholding tax rate)/ withholding tax in connection with the retained profits to be distributed by a subsidiary of the Group *(Note (v))*	**(6,719)**	5,206
	(19,764)	4,069
	(18,787)	26,792

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 2020 and 2019.

(iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2020 (2019: 25%).

(iv) The PRC Corporate Income Tax Law allows enterprises to apply for certificate of "High and New Technology Enterprise" ("**HNTE**"), which entitles the qualified companies to a preferential income tax rate of 15%, subject to fulfilment of the recognition criteria. Dalipal Pipe was qualified as a HNTE and is entitled to the preferential tax rate of 15% for the three calendar years ended/ending 31 December 2018, 2019 and 2020.

(v) Pursuant to the Sino-Hong Kong Double Tax Arrangement, one of the Group's subsidiaries, Dalipal Hong Kong Company Limited, has obtained approval from the relevant tax authorities and is eligible for a preferential PRC Withholding Tax rate of 5% instead of 10% for dividends received from the PRC subsidiaries of the Group. As a result of the change in tax rate, the related deferred tax liabilities balance was adjusted accordingly.

7 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

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.

The basic earnings per share for the six months ended 30 June 2019 was calculated based on the profit attributable to equity shareholders of the Company of RMB115,758,000 and the weighted average of 1,200,000,000 ordinary shares, which comprised 970,000 ordinary shares issued as at 1 January 2019, 30,000 ordinary shares issued on 9 January 2019 as a result of the Reorganisation, and the related 1,199,000,000 ordinary shares issued pursuant to the capitalisation issue immediately prior to the completion of the initial public offering of the Company as if the above total 1,200,000,000 ordinary shares were outstanding throughout the six months ended 30 June 2019.

	Six months ended 30 June	
	2020	2019
Issued ordinary shares at 1 January	**1,500,000,000**	970,000
Issuance of shares in January 2019	**–**	30,000
Effect of capitalisation issue	**–**	1,199,000,000
Weighted average number of shares in issue	**1,500,000,000**	1,200,000,000

(b) Diluted (loss)/earnings per share

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.

There was no difference between basic and diluted earnings per share for the six months ended 30 June 2019 as the Company did not have any dilutive potential shares outstanding during the six months ended 30 June 2019.

8 TRADE AND BILLS RECEIVABLES

	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Trade receivables	**405,437**	453,422
Less: loss allowance	**(11,386)**	(8,833)
	394,051	444,589
Bills receivables	**253,806**	470,041
	647,857	914,630

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 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Less than 1 month	**144,842**	231,615
1 to 3 months	**170,900**	178,652
3 to 6 months	**72,246**	34,322
Over 6 months	**6,063**	–
	394,051	444,589

9 TRADE AND BILLS PAYABLES

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Trade payables	**211,645**	259,358
Bills payables	**29,684**	21,386
	241,329	280,744

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 2020 RMB'000	At 31 December 2019 RMB'000
Less than 1 month	**136,407**	212,193
1 to 3 months	**46,148**	21,612
3 to 6 months	**29,733**	13,611
Over 6 months	**29,041**	33,328
	241,329	280,744

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 any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: 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 2020 RMB'000	2019 RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of HK$0.1 per ordinary share (six months ended 30 June 2019: HK$Nil per ordinary share)	**135,907**	–

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group faced lots of challenges in conducting its business in the first half of 2020. Due to the impact of the Pandemic, the Group suspended production for a long period of time during the first quarter, and its production was interrupted intermittently during the second quarter because of various factors, such as postponed resumption of work by its customers and supply of raw materials being affected by the Pandemic, which resulted in a period-to-period decrease in the production and sales volume and deterioration in the overall financial performance of the Group in the first half of the year. The loss from operations recorded in the first half of 2020 decreased by approximately 103.0% as compared to the profit of approximately RMB178.9 million recorded for the corresponding period in 2019; the net loss for the Period was approximately RMB34.7 million, as compared to the net profit of approximately RMB117.0 million recorded for the corresponding period in 2019; the loss attributable to equity shareholders of the Company for the Period amounted to RMB33.2 million in the first half of 2020 as compared to the profit attributable to equity shareholders of the Company of approximately RMB115.8 million record for the corresponding period in 2019.

BUSINESS REVIEW AND PROSPECTS

	January to June 2020		January to June 2019		Change	
	Sales	**Proportion of sales**	Sales	Proportion of sales	Sales	Percentage
	RMB million	**%**	*RMB million*	%	*RMB million*	%
OCTG	**535.9**	**54.2%**	877.1	60.7%	(341.2)	-38.9%
Other oil pipes	**211.1**	**21.3%**	181.3	12.6%	29.8	16.4%
Pipe billets	**242.4**	**24.5%**	385.6	26.7%	(143.2)	-37.1%
	989.4	**100.0%**	1,444.0	100.0%	(454.6)	-31.5%

	January to June 2020		January to June 2019		Change	
	Sales	**Proportion of sales**	Sales	Proportion of sales	Sales	Percentage
	RMB million	**%**	*RMB million*	%	*RMB million*	%
Domestic sales	**904.7**	**91.4%**	1,336.7	92.6%	(432.0)	-32.3%
Overseas sales	**84.7**	**8.6%**	107.3	7.4%	(22.6)	-21.1%
Total	**989.4**	**100.0%**	1,444.0	100.0%	(454.6)	-31.5%

During the Period, the Group recorded a decrease of approximately 38.9% in the revenue from OCTG to approximately RMB535.9 million (corresponding period of 2019: RMB877.1 million), an increase of approximately 16.4% in the revenue from other oil pipes to approximately RMB211.1 million (corresponding period of 2019: RMB181.3 million), and a decrease of approximately 37.1% in the revenue from pipe billets to approximately RMB242.4 million (corresponding period of 2019: RMB385.6 million).

The decrease in the revenue from OCTG was mainly due to the more conservative exploration and development of oil companies as affected by the Pandemic, resulting in a decrease in both of the sales volume and selling price. The sales price of other oil pipes has been reduced affected by the OCTG market. After the first phase expansion project was put into production, while stabilizing existing customers, the Group also introduced new customers, and the corresponding production and sales increased; the decrease in the revenue from pipe billets was mainly due to the stagnant market demand of pipe billets in the first half of the year as affected by the Pandemic, resulting in a decrease in both of the sales volume and selling price.

During the Period, the revenue from overseas sales of the Group decreased by approximately 21.1% to RMB84.7 million (corresponding period of 2019: RMB107.3 million), mainly attributable to the decrease in the Group's product prices as affected by the Pandemic.

The outbreak of the Pandemic in early 2020 has affected the business and economic activities around the world and has brought about additional uncertainties to the Group's operating environment and has impacted the Group's operations and financial position.

The Group has been closely monitoring the impact from the Pandemic on the Group's business and has put in place various contingency measures. These contingency measures include but not limited to carrying out reassessment on the demand and selling price of OCTG products in order to make the necessary adjustments to its production activities in light of the changes in demand of refined oil in the market and the fluctuations in the price of crude oil, 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 Pandemic situation evolves.

As far as the Group's businesses are concerned, the Pandemic and the volatility in the crude and refined oil markets have caused the decrease in both the sales volume and selling price of the Group's OCTG products, and the Group had temporarily suspended its production activities during the Period. The gradual easing of the Pandemic situation in the PRC and stabilisation of the global crude and refined oil markets have led to the recovery of the demand and selling price of OCTG products.

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

EVENTS AFTER THE REPORTING PERIOD

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

FINANCIAL REVIEW

Revenue

The Group recorded a revenue of approximately RMB989.4 million for the Period, representing a decrease of approximately 31.5% as compared to approximately RMB1,444.0 million for the corresponding period in 2019. During the Period, the revenue from OCTG and pipe billets decreased, whilst the revenue from other oil pipes increased.

Cost of sales

The Group recorded cost of sales of approximately RMB916.8 million in total for the Period, representing a decrease of approximately 22.1% as compared to approximately RMB1,177.2 million for the corresponding period in 2019, mainly due to the decrease in sales volume of the Group's products.

Gross profit and gross profit margin

	January to June 2020		January to June 2019	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB million	*%*	*RMB million*	*%*
OCTG	**87.0**	**16.2%**	208.5	23.8%
Other oil pipes	**9.8**	**4.6%**	31.6	17.4%
Pipe billets	**13.3**	**5.5%**	26.7	6.9%

The total gross profit of the Group for the Period was approximately RMB72.6 million, representing a decrease of approximately 72.8% as compared to approximately RMB266.8 million in the first half of 2019. The decrease in total gross profit and overall gross profit margin for the Period compared to that for the corresponding period in 2019 was mainly due to the decrease in the selling price of the Group's products whilst the costs of raw materials remained relatively stable.

Other income

The Group's other income for the Period was approximately RMB10.3 million, representing an increase of approximately RMB5.8 million as compared to RMB4.5 million for the corresponding period in 2019, attributable to an increase in government grants.

Administrative expenses

The administrative expenses of the Group for the Period was approximately RMB65.2 million, representing an increase of approximately 5.7% as compared to approximately RMB61.7 million in the first half of 2019.

Finance costs

The finance costs of the Group during the Period was approximately RMB48.2 million, representing an increase of approximately 37.7% as compared to approximately RMB35.0 million for the corresponding period in 2019, mainly because the originally capitalized loan interests of the Phase One expansion project were accounted for as finance costs after the project was put into operation.

Income tax

During the Period, the Group received income tax credit of approximately RMB18.8 million, as compared to RMB26.8 million of income tax expenses in the first half of 2019. The Group recorded income tax credit for the Period was mainly because (1) the Group recorded a loss during the Period, which gave rise to deductible deferred income tax expenses in accordance with the PRC tax law; and (2) in 2020, Dalipal Hong Kong Company Limited, one of the Group's subsidiaries, which was identified as tax residents in Hong Kong, was subject to tax calculated at the reduced 5% tax rate in respect of the Group's overseas distribution pursuant to the regulation between the Mainland China and the Hong Kong Special Administrative Region for the avoidance of double taxation with respect to taxes on income, and the difference from the tax calculated at the original 10% tax rate was written back.

Loss for the Period and EBITDA

The Group recorded a loss of approximately RMB34.7 million for the Period as compared with the profit of approximately RMB117.0 million recorded in the first half of 2019.

The Group's EBITDA for the Period decreased by approximately 75.6% to approximately RMB53.1 million from approximately RMB217.9 million in the first half of 2019.

Inventories

The Group's inventory turnover days increased from 69 days in 2019 to 84 days for the Period, mainly attributable to slower inventory turnover as affected by the Pandemic.

Loss attributable to equity shareholders for the Period

The loss attributable to equity shareholders of the Company for the Period was RMB33.2 million, as compared to the profit attributable to the shareholders of the Company of approximately RMB115.8 million recorded in the first half of 2019.

Capital expenditure

During the Period, the Group invested approximately RMB22.5 million (first half of 2019: approximately RMB269.1 million) in property, plant and equipment, representing a decrease of RMB246.6 million as compared to the corresponding period in 2019, mainly attributable to the investment in the construction of Phase One expansion project in the corresponding period in the previous year.

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 2020, cash at bank and on hand amounted to approximately RMB611.7 million in aggregate (31 December 2019: RMB810.6 million).

As at 30 June 2020, interest-bearing borrowings of the Group with fixed/floating interest rate amounted to approximately RMB1,809.0 million, of which approximately RMB888.7 million were long-term borrowings and approximately RMB920.3 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 88.3% as at 30 June 2020, representing a decrease of 2.9 percentage points as compared to approximately 91.2% at the end of 2019, attributable to a decrease in the total borrowings of the Group.

Current ratio, which is calculated based on the current assets divided by the current liabilities, as at 30 June 2020 remained basically the same as 31 December 2019 at 1.2.

Employees and remuneration policy

As of 30 June 2020, the Group had 1,859 employees (30 June 2019: 1,739 employees) in total. The total staff costs amounted to approximately RMB82.0 million (first half of 2019: RMB80.4 million).

The Group believes its success depends on its employees' provision of consistent, high quality and reliable services. In order to attract, retain and enrich the knowledge, skill level and qualifications of its employees, the Group places a strong emphasis on training for employees. In addition, the Group offers a competitive remuneration package, including basic salary and performance-based monthly and annual bonuses, and reviews the remuneration package annually according to industry benchmark, financial results, as well as the performance of employees.

Pledge of assets

As at 30 June 2020, the Group's property, plant and equipment with carrying amount of RMB1,225.3 million and other chattels with carrying amount of RMB535.6 million were pledged as collateral for the Group's bank borrowings.

Foreign exchange risk

A majority of the Group's businesses are operated in the PRC and are denominated in RMB. It is expected that the Group will not be subject to any materially adverse effects arising from exchange rate fluctuation. Nevertheless, the Group will closely monitor the financial market and would consider appropriate measures as and when necessary.

Significant investments

During the Period, the Group did not hold any material investments.

Material acquisitions and disposals

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

Contingent liabilities

As at 30 June 2020, the Group did not have any contingent liabilities.

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

On 8 November 2019, the Company issued 300,000,000 new ordinary 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 as at 30 June 2020** *(RMB million)*	**Unutilised proceeds as at 30 June 2020** *(RMB million)*
To fund the Phase Two Expansion	339.2	(200.0)	30.8	108.4
To strengthen the Group's product research and development and innovation capabilities	9.2	–	3.7	5.5
To strengthen the Group's relationships with key customers, enlarge the Group's customer base and further expand the Group's sales to overseas markets	7.7	–	4.2	3.5
For general replenishment of working capital and other general corporate purpose	27.6	–	7.6	20.0
For repayment of borrowings	–	200.0	100.0	100.0
	383.7	–	146.3	237.4

The remaining balance of such net proceeds was 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 2020 are currently expected to be fully utilised on or before 30 June 2022. There is delay to the timeline for the use of proceeds as disclosed in the Company's 2019 annual report (originally expected to be fully utilised on or before 31 March 2021), as the commencement of the Phase Two Expansion plan has been postponed in light of the impact of the Pandemic.

Dividends

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

The Board recommended a final dividend of HK$0.1 per share for the year ended 31 December 2019, and the dividend was paid on 3 July 2020.

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 first half of 2020.

MODEL CODE SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules. We have made specific enquiries with each of the Directors, and they have confirmed that during the Period, they have complied with the required standards set out in the Model Code.

BOARD COMMITTEES

Five Board Committees, namely the Audit Committee, the Remuneration Committee the Nomination Committee, the Corporate Governance Committee and the Risk Management Committee, are established for them to oversee particular aspects of the Group under defined terms of reference. The terms of reference align with the CG Code and have been uploaded onto the websites of the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Wong Jovi Chi Wing (as committee chairman), Mr. Guo Kaiqi and Mr. Cheng Haitao.

The terms of reference of the Audit Committee adopted by the Board align with the CG Code, and have been uploaded onto the websites of the Stock Exchange and the Company.

The Audit Committee is mainly responsible for (i) making recommendations to the Board on the appointment, re-appointment, or removal of external auditors; (ii) reviewing interim report and, annual report drafts, and financial statements (including any significant financial reporting judgements mentioned in them); and (iii) overseeing the Company's financial reporting, risk management, and internal control systems.

The Audit Committee has reviewed the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2020. 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 six months ended 30 June 2020.

NOMINATION COMMITTEE

The Nomination Committee comprises one executive Director and two independent non-executive Directors, namely Mr. Meng Fanyong (as committee chairman), Mr. Guo KaiQi and Mr. Cheng Haitao.

The terms of reference of the Nomination Committee adopted by the Board are aligned with the code provisions set out in the CG Code and have been uploaded onto the websites of the Stock Exchange and the Company.

The Nomination Committee is mainly responsible for (i) reviewing the Board's composition, structure, size, and diversity of the Board; (ii) assessing the independence of the Independent Non-executive Directors; (iii) making recommendations to the Board on the nomination, appointment or re-appointment of Directors; and (iv) succession-planning for especially the Chairman and the CEO.

REMUNERATION COMMITTEE

The Remuneration Committee consists of two independent non-executive Directors and one executive Director, namely Mr. Guo Kaiqi (as committee chairman), Mr. Cheng Haitao and Mr. Meng Yuxiang.

The terms of reference of the Remuneration Committee adopted by the Board are aligned with the code provisions set out in the CG Code, and have been uploaded onto the websites of the Stock Exchange and the Company.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure on the remuneration packages for all directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy.

The Remuneration Committee has adopted the approach under code provision B.1.2(c)(ii) of the CG Code to make recommendations to the Board on remuneration packages of the directors and the senior management.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee consists of one executive Director and two independent non-executive Directors, namely Ms. Xu Wenhong (as committee chairlady), Mr. Guo Kaiqi, and Mr. Wong Jovi Chi Wing.

The terms of reference of the Corporate Governance Committee adopted by the Board are aligned with the code provisions set out in the CG Code and are currently made available on the websites of the Stock Exchange and the Company. The Corporate Governance Committee is responsible for performing, and has performed, the functions set out in the code provision D.3.1 of the CG Code.

The Corporate Governance Committee is mainly responsible for proposing applicable principles of corporate governance and reviewing and determining corporate governance policies to maintain the effectiveness of the Group's corporate governance and non-financial internal control systems, thereby improving and ensuring the Group's corporate Governance practices meet high standards.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee consists of one executive Director and two independent non-executive Directors, namely Ms. Xu Wenhong (as committee chairlady), Mr. Guo Kaiqi, and Mr. Cheng Haitao.

The terms of reference of the Risk Management Committee adopted by the Board are aligned with the code provisions set out in the CG Code and are currently made available on the websites of the Stock Exchange and the Company.

The Risk Management Committee is mainly responsible for determining the overall objectives of risk management, approving strategies and monitoring and evaluating the effectiveness of the construction and operation of the risk management system, understanding and grasping the major risks and risk management status, and approving major risk response plans and risks manage organization structure and its responsibility plan, and approve the annual report of risk management and the audit report of annual risk management supervision and evaluation.

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 2020 interim report of the Company will be despatched to the shareholders of the Company and available on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 21 August 2020

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