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 2024

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2024	2023	
	RMB'million	*RMB'million*	Changes
Revenue	**1,539.5**	2,087.3	(26.2%)
Gross profit	**124.5**	283.1	(56.0%)
(Loss)/profit from operations	**(35.7)**	108.2	(133.0%)
(Loss)/profit before taxation	**(77.2)**	65.1	(218.6%)
(Loss)/profit for the period	**(69.7)**	56.8	(222.7%)
Adjusted net (loss)/profit (non-IFRS measure) *(Note)*	**(55.1)**	57.8	(195.3%)
Net (loss)/profit margin	***(4.5%)***	*2.7%*	
Adjusted net (loss)/profit margin (non-IFRS measure) *(Note)*	**(3.6%)**	2.8%	
(Loss)/profit for the period attributable to equity shareholders of the Company	**(69.7)**	56.8	(222.7%)
(Loss)/earnings per share			
– Basic (RMB)	**(0.05)**	0.04	
– Diluted (RMB)	**(0.05)**	0.04	

Note:

For more details on the non-IFRS measures, please see the section headed "Non-IFRS Measures" in this announcement.

The Board hereby announces 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 2024 – unaudited
*(Expressed in Renminbi ("**RMB**"))*

		Six months ended 30 June	
		2024	2023
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**1,539,454**	2,087,283
Cost of sales		**(1,414,991)**	(1,804,149)
Gross profit	*4(b)*	**124,463**	283,134
Other income		**27,324**	4,700
Selling expenses		**(79,169)**	(86,729)
Administrative expenses		**(108,317)**	(92,875)
(Loss)/profit from operations		**(35,699)**	108,230
Finance costs	*5(a)*	**(41,538)**	(43,180)
(Loss)/profit before taxation	*5*	**(77,237)**	65,050
Income tax credit/(expense)	*6*	**7,557**	(8,250)
(Loss)/profit for the period attributable to equity shareholders of the Company		**(69,680)**	56,800
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		**(169)**	732
Total comprehensive income for the period attributable to equity shareholders of the Company		**(69,849)**	57,532
(Loss)/earnings per share	*7*		
Basic *(RMB)*		**(0.05)**	0.04
Diluted *(RMB)*		**(0.05)**	0.04

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2024 – unaudited
(Expressed in RMB)

	Note	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Non-current assets			
Property, plant and equipment		**1,869,542**	1,781,575
Deferred tax assets		**200**	146
		1,869,742	1,781,721
Current assets			
Inventories		**783,317**	576,105
Trade and bills receivables	*8*	**1,247,984**	1,270,182
Prepayments, deposits and other receivables		**78,582**	69,798
Cash at bank and on hand		**425,027**	432,589
		2,534,910	2,348,674
Current liabilities			
Trade and bills payables	*9*	**850,650**	724,571
Other payables and accruals		**145,974**	136,129
Interest-bearing borrowings		**1,651,376**	1,176,235
Lease liabilities		**3,802**	3,680
Current taxation		**–**	5,904
		2,651,802	2,046,519
Net current (liabilities)/assets		**(116,892)**	302,155
Total assets less current liabilities		**1,752,850**	2,083,876
Non-current liabilities			
Interest-bearing borrowings		**392,443**	591,262
Lease liabilities		**2,205**	4,107
Deferred tax liabilities		**6,767**	16,423
Deferred income		**10,207**	10,986
		411,622	622,778
NET ASSETS		**1,341,228**	1,461,098
CAPITAL AND RESERVES			
Share capital		**134,518**	134,518
Reserves		**1,206,710**	1,326,580
TOTAL EQUITY		**1,341,228**	1,461,098

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 30 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 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 2023 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 IFRS Accounting Standards as issued by the IASB.

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 2023 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

As at 30 June 2024, the Group had net current liabilities of RMB116,892,000, including bank and other borrowings of RMB1,651,376,000 which were due for repayment and renewal within the next twelve months from the end of the reporting period.

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

(i) The Group has maintained its long-term strong business relationship with its major banks to get their continuing support. The Group is actively discussing with its banks for renewal of bank borrowings, which will be due in the next twelve months ending 30 June 2025. The directors are of the opinion that the Group will be able to either renew or obtain new banking facilities to supplement liquidity of the Group at adequate level during the next twelve months; and

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

Based on a cash flow forecast of the Group for the next twelve months ending 30 June 2025 prepared by the management, which has taken into account that most of the Group's bank borrowings will be refinanced, the directors of the Company consider that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

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

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("**2020 amendments**")*

- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("**2022 amendments**")*

- Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*

- Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

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

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the development, manufacture and sale of 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	
	2024	2023
	RMB'000	*RMB'000*
Sales of oil and gas pipes	**1,004,396**	1,337,357
Sales of new energy pipes and special seamless steel pipes	**535,058**	691,746
Sales of other products	**–**	58,180
	1,539,454	2,087,283

(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. No inter-segment sales have occurred for the six months ended 30 June 2024 and 2023. 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 2024 and 2023 is set out below.

	Six months ended 30 June 2024			
	Oil and gas pipes *RMB'000*	**New energy pipes and special seamless steel pipes** *RMB'000*	**Other products** *RMB'000*	**Total** *RMB'000*
Revenue from external customers	**1,004,396**	**535,058**	**–**	**1,539,454**
Reportable segment gross profit	**106,182**	**18,281**	**–**	**124,463**

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

(ii) ***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	
	2024	2023
	RMB'000	*RMB'000*
Mainland China	**1,227,931**	1,501,348
Overseas:		
Middle East	**230,549**	299,595
Africa	**64,257**	240,337
Southeast Asia	**–**	218
Others	**16,717**	45,785
	311,523	585,935
	1,539,454	2,087,283

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	
	2024	2023
	RMB'000	*RMB'000*
Interest expenses on borrowings	**39,835**	39,962
Interest expenses on lease liabilities	**186**	274
Others	**1,517**	2,944
	41,538	43,180

(b) Other items

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Depreciation expenses		
– owned property, plant and equipment	**64,634**	62,917
– right-of-use assets	**4,912**	4,600
Impairment losses on trade and other receivables	**8,801**	6,102
Research and development costs	**16,547**	22,645
Cost of inventories	**1,414,991**	1,804,149

6 INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Current taxation:		
– Provision for the period	**1,936**	9,745
– Under/(over)-provision in respect of prior years	**217**	(1,998)
	2,153	7,747
Deferred taxation:		
– Origination and reversal of temporary differences	**(9,710)**	503
	(7,557)	8,250

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 2023: 16.5%) of the estimated assessable profits for the six months ended 30 June 2024, 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 2023.

(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 2024 (six months ended 30 June 2023: 25%). One of the subsidiaries was qualified as a High and New Technology Enterprise ("**HNTE**") and is entitled to the preferential tax rate of 15% for the years ended 31 December 2021, 2022 and 2023. As of the date of the report, the subsidiary is in the progress of renewing the HNTE qualification, and the directors of the Company are of the opinion that the subsidiary is qualified to the preferential tax rate of 15% for the six months ended 30 June 2024.

7 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The basic loss per share for the six months ended 30 June 2024 is calculated based on the loss attributable to equity shareholders of the Company of RMB69,680,000 and the weighted average of 1,468,343,000 ordinary shares in issue during the six months ended 30 June 2024. 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 and the weighted average of 1,472,025,000 ordinary shares in issue during the six months ended 30 June 2023.

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

	Six months ended 30 June	
	2024	2023
	'000	*'000*
Issued ordinary shares at 1 January	**1,502,668**	1,498,468
Shares issued under share option schemes	**–**	471
Effect of shares held for share award plans	**(34,325)**	(26,914)
Weighted average number of ordinary shares at 30 June	**1,468,343**	1,472,025

(b) Diluted (loss)/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 and the weighted average number of ordinary shares (diluted) of 1,479,573,000.

The diluted loss per share for the six months ended 30 June 2024 has not taken into account the effect of the outstanding share options and shares held for share award plans as its inclusion would have decreased the loss per share, hence anti-dilutive.

8 TRADE AND BILLS RECEIVABLES

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Trade receivables	**742,619**	584,533
Less: loss allowance	**(13,482)**	(5,429)
	729,137	579,104
Bills receivables	**518,847**	691,078
	1,247,984	1,270,182

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 2024 RMB'000	At 31 December 2023 RMB'000
Less than 1 month	**310,792**	354,972
1 to 3 months	**335,991**	126,563
3 to 6 months	**38,479**	88,731
Over 6 months	**43,875**	8,838
	729,137	579,104

9 TRADE AND BILLS PAYABLES

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Trade payables	**727,952**	597,474
Bills payables	**122,698**	127,097
	850,650	724,571

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 2024 RMB'000	At 31 December 2023 RMB'000
Less than 1 month	**595,121**	568,220
1 to 3 months	**215,049**	111,300
3 to 6 months	**21,700**	30,912
Over 6 months	**18,780**	14,139
	850,650	724,571

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 2024 (six months ended 30 June 2023: Nil).

(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	
	2024 RMB'000	2023 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 2023: HK$0.04 per ordinary share)	**54,740**	53,892

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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. The industry in which the Group operates is subject to differentiation due to factors such as energy consumption demand and industry development changes – featured enterprises have achieved high-quality development through continuous innovation and upgrading, taking the road of high-end, specialization, greenness and differentiation; while homogenized enterprises are facing greater operating pressure due to lower-than-expected demand growth.

With the deepening of PRC's supply-side structural reform, the special seamless steel pipe industry will continue to undergo transformation and upgrades. "Specialised, Refined, Exceptional and Innovative (專、精、特、新)", high value-add, intelligence, greening and digitization are the development directions. It is expected that there will be a co-existence of key enterprises and featured enterprises in the market, and a differentiation of profit between top enterprises and small and medium sized enterprises (SMEs).

During the Reporting Period, affected by the declining growth momentum of steel demand and changes in international steel demand, the prices of ferrous commodities were in a downward trend. Without exception, the price of seamless steel pipes was also in a downward trend as demonstrated by the dropping average price and declining profits, leading to the suspension of production and a decrease in output.

Main Business and Business Model of the Group for the Reporting Period

During the Reporting Period, the Group's main business was the R&D, production, technical services and sales of high-end energy pipes and special seamless steel pipes. The products are widely used in pipes for the development, extraction, transportation and energy equipment manufacturing of various types of energy such as oil, natural gas, shale gas and new energy. The main customers include domestic three-barrel oil companies and well-known international national oil companies, petrochemical companies, China's top three mechanical processing and manufacturing companies, geological exploration and coal mining companies, etc. The Group comprised national high-tech enterprise, national intellectual property advantageous enterprise, and the Company is listed in Hong Kong with the major business of the Group focusing on the production of special-purpose pipes in the PRC.

The Group's products are divided into standard products and customized products satisfying special needs of customers. The production model is "sales-oriented production (以銷定產)", and the sales model is mainly direct sales. During the Reporting Period, the Group fully leveraged its advantages in R&D and its full-process production lines to collaborate with customers in the R&D, manufactured and promoted special products and economical products, and highlighted product differentiation and customized features to enhance compatibility with customers' need. During the Reporting Period, the sales volume of the Group's customized products has increased significantly.

In line with the long-term product 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 was committed to building its core competitiveness by "adjusting structure, improving efficiency, and reducing costs (調結構、提效率、降成本)" during the Reporting Period. While strengthening and specializing in oil and gas API products and expanding the scale of oil and gas non-API pipe special products, the Group has successively developed economical coal, geological drill pipe materials and engineering machinery high-steel-grade boom pipes, oil cylinder pipes, perforating gun barrels, etc., and has been supplying them to well-known domestic enterprises. With the construction of the Group's "high-end oil drilling and energy equipment pipe production line (高端石油鑽採及能源裝備用管生產線)", the implementation of the "specialised, refined, exceptional and innovative (專、精、特、新)" business strategy will definitely drive the Group to form differentiated competitive advantages and greatly enhance the competitiveness of its products.

In the domestic market, the Group's major customers have begun to adjust their exploration investment cycles since the end of 2023. The total capital expenditures for oil, gas and new energy have declined year-on-year and investment has slowed down, The actual execution of orders has lagged behind, and the demand in the downstream steel pipe industry has been far less than expected, which has a negative impact on the Company. The Group's overall domestic sales volume and prices in the first half of 2024 were, therefore, affected.

In the international market, the global economic downturn has reduced demand for crude oil. Overseas oil companies have also reduced investment in new development blocks, and overseas orders and bidding projects have decreased. At the same time, due to international political instability and war, overseas export freight rates have further increased, reducing the competitiveness of domestic product exports. Traditional markets have also shown a reduction in large-scale tenders, and some regions even experienced a rapid decline in business volume due to shortage of US dollars. These factors all contributed to the year-on-year decline in sales volume and price of the Group's international business in the first half of 2024.

Analysis of Core Competitiveness

During the Reporting Period, the Group has built its core competitiveness around technology R&D and promotion of unique leading products, intelligent manufacturing, green, low-carbon development, lean management and talent training:

(1) In terms of technology R&D and promotion of unique leading products, (a) the Group's self-designed high-grade steel-grade hydrogen sulfide corrosion-resistant casings were supplied in batches, with a stable and reliable performance, and have been widely used in domestic high-containing hydrogen sulfide shale gas blocks; (b) the Group's self-designed economical low-Cr resistant to carbon dioxide and chlorine ion corrosion oil casing products were supplied to domestic and overseas markets and recognized by customers for their cost-effectiveness; (c) the economical special buckle developed in cooperation with the pipe research institute has completed test evaluation and achieved batch supply; (d) the Group has achieved good results in its cooperation with well-known domestic universities for the development of high-corrosion-resistant materials, research on high-precision mechanical tube rolling processes, and technological breakthroughs in high-purity special alloy smelting, which have been successfully used in the production of the Group's "double-high" products; and (e) the Group followed up on the development of new energy and carried out in-depth research and development of steel pipes for hydrogen storage and transportation pipelines, participated in the preparation of the "Steel Pipes for Hydrogen Storage and Transportation Pipelines (氫氣儲輸管道用鋼管)" standard, as well as the revision and review of various industry standards. The standardization work has enhanced the Group's industry status and role in technology leadership.

(2) In terms of intelligent manufacturing, (a) an intelligent production line composed of robots, CNC machine tools, logistics warehousing, testing equipment, automated production lines and other intelligent equipment has been built to realize multiple "unmanned production units" and multiple "production lines with reduced manpower"; (b) the Group has used more than 12 kinds of intelligent manufacturing supporting industrial software, and became the first company in the industry to implement a "product process big data analysis platform (產品工藝大數據分析平台)"; (c) the Group has been creating an intelligent grading system for raw materials through decision-making technologies, such as image recognition technology, robot visual inspection, three-dimensional scanning and deep learning computation, which would improve the accuracy and efficiency of grading; and (d) the Group has been focusing on the building of "refined control capabilities for OCTG production (石油專用管生產精細化管控能力)", continuously remodeling the production and manufacturing management system and related program control system, and gradually realized paperless on-site operational position records through the integration between systems.

(3) In terms of green development, (a) the Group's API products have passed the green product certification, and the "green content" of product manufacturing has been continuously improved; (b) the Group has once again been certified by the China Classification Society and has passed 5 product carbon footprint evaluation certificates, marking a new level of the Group's green and sustainable development operations; (c) the T4 special buckle product independently developed by the Group has obtained the first supply chain carbon footprint certification in the Southwest Oil and Gas Field, reflecting customers' recognition of the Company's green development concept; (d) the Group has been promoting substantial energy conservation and emission reduction through technological innovation and has successively carried out projects such as energy-saving transformation of hydraulic systems, industrial water recycling, and full oxygen combustion baking of refractory materials, effectively reduced emissions, resulting in the Group's emission levels of sulfur oxide, nitrogen oxides, and particulate matter being far below Hebei Province's ultra-low emission standards; and (e) the Company has been promoting photovoltaic power generation and the source-grid-load storage projects, which would help to achieve economical, efficient and safe clean energy supply.

(4) In terms of lean operations, (a) the Group integrated lean improvement with professional management such as technology R&D management, quality control, on-site management and safety management and introduced guidance from external expert, conducted in-depth promotion of on-site visualization and 6S activities, and built a lean improvement system promotion mechanism; (b) the Group incentivized employees to participate in independent improvement management, established an employee technology and management innovation incubation platform, and extensively collected innovative proposals to create a good and innovative atmosphere in the Group; (c) the Group promoted management standardization, focused on improving processing capabilities, sorted out improvement points from the perspectives of efficiency, quality, and equipment and optimized operating procedures and operating specifications; and (d) the Group continued to promote differentiated design of products and processes, and completed the implementation of a number of cost reduction and efficiency improvement measures.

(5) In terms of talent training, (a) the Company's talent management project has taken "cognitive improvement (認知提升)" as the main focus, and used the IDP self-improvement plan and key special topics as the starting point for implementation. It has successively carried out classes with Peking University's famous teachers, coaching sessions for mid-level and senior mentors, reading salons, IDP plan reviews and other training activities to enhance understanding of oneself, the others and the society, which laid a talent foundation for the Group's business and strategic goals; (b) the Group launched a technical talent management project to extract the knowledge and experience of technical talents and professionally empower personnel to build a training system for the technical talent team through the certain tasks of knowledge accumulation, hierarchical empowerment, and special projects and learning and sharing; and (c) the Group's operation team focused on improving the ability of team leaders and used the point evaluation of operation employees as the starting point. Through the development of specific businesses such as 6S, safety level management, quality level management, cost downward management, and equipment management, the Group gradually improved the management capabilities and management awareness of basic-level managers, thereby improving the execution capabilities of operational employees.

Middle East Development Strategy Progress

The Group has selected the Kingdom of Saudi Arabia as its development base in the Middle East and Africa markets, and has successfully obtained an industrial investment license issued by the Ministry of Investment of the Kingdom of Saudi Arabia. Relevant procedures, such as registration of a local company in the Kingdom of Saudi Arabia, have also been completed. At the same time, the local office address was preliminary determined, and related work on market analysis and feasibility study was completed.

Prospects

The management of the Group believes that despite the unsatisfactory domestic demand during the Reporting Period, the declining demand and downward trend in average prices, as well as the more and more complex and changeable international trade environment due to uncertainties such as geopolitics, since 2024, the Communist Party and the government has adopted a series of favourable policy initiatives, especially the Third Plenary Session of the 20th Central Committee of the Communist Party of China positioned itself to "further comprehensively deepen reforms and promote Chinese-style modernization" and clarified the core and key of economic development; and also made clear to the deployment requirements for ensuring energy security strategies and vigorously increasing oil and gas exploration and development are expected to promote market demand and increase development space for energy extraction. With the continuous strengthening of national environmental protection policies and the advancement of energy transformation, the industry will face more stringent environmental protection requirements, which will provide wider development space for green products. The Group adheres to the business philosophy of "intelligent, green and differentiated" and promotes various tasks around the creation of "specialised, refined, exceptional and innovative (專、精、特、新)".

The Group is dedicated to focusing on oil and gas pipes, new energy pipes and special seamless steel pipe products, with the goal of meeting and guiding customer needs, improving its core competitiveness as planned, firmly focusing on market product users, structural optimisation and transformational development, as well as focusing on non-API and other specialty products and market expansion, creating unique leading products and enhancing the brand effect of its products. Guided by its comprehensive green development and leveraging on smart manufacturing and equipment upgrading, the Group will promote green and low-carbon transformation through automation, digitalization, informatization, intelligence, and clean energy substitution. In addition, the Group endeavours to serve downstream customers with process innovation, technological innovation, and green product research and development, establish an ecological-first, green and low-carbon development model, and provide support for the green and low-carbon transformation of the entire energy industry. Relying on digital technology to build an efficient and intelligent manufacturing plant and operating process system, the Group will continue to optimize management and promote low-cost, high-quality and high-efficiency development, as well as obtain certification of overseas oil companies, and increase the proportion of international market share. The Group will also continue to implement the management method of "fine, precise, and lean operations (精細、精準、精益運營)" to promote the Group's high-quality development, create a management, technology, and operation team that highly recognizes the corporate culture, consciously practices the corporate culture, synchronizes with the enterprise, and develops sustainably, so as to achieve steady growth in operating performance and provide strong support for overseas market development strategies.

In March 2024, the Board has determined the strategic development plan for the Middle East, marking a step forward for the Group to expand its business in the international market. The Group believes:

1. The Middle East is an important partner of PRC's "Belt and Road Initiative" and development in the Middle East is in line with China's national policy. The Middle East is a global hub connecting the three continents of Asia, Europe and Africa. Strategic development in the Middle East is conducive to obtaining local policy, financing and other support.

2. The Middle East's oil production and reserves rank among the top in the world, and there is a considerable market demand for oil and gas pipes and new energy transmission pipes. The Middle East is rich in natural energy resources and has absolute advantages in developing green and new energy. It has great demand for new energy. The potential demand for delivery pipes is huge. Establishing production facilities in the Middle East can better develop overseas markets.

The Group plans to build production facilities in the Middle East, which will help the Group better serve local customers, provide customers with customized products and services, further enhance the Group's international brand, and be more conducive to the Group's products in the overseas market expansion.

FINANCIAL REVIEW

Revenue

The Group has achieved a total revenue of RMB1,539.5 million during the Reporting Period, representing a decrease of 26.2% from RMB2,087.3 million in the corresponding period of 2023. During Reporting Period, the revenues from sales of oil and gas pipes, new energy pipes and special seamless steel pipes have all declined, and the Group did not realize sales in other products.

	Six months ended 30 June 2024		Six months ended 30 June 2023		Changes	
Product Categories	**Sales**	**Percentage of Sales**	Sales	Percentage of Sales	Sales	*Percentage*
	RMB million	***%***	*RMB million*	*%*	*RMB million*	*%*
Oil and gas pipes	**1,004.4**	**65.2%**	1,337.4	64.1%	(333.0)	(24.9%)
New energy pipes and special seamless steel pipes	**535.1**	**34.8%**	691.7	33.1%	(156.6)	(22.6%)
Other products	**–**	**–**	58.2	2.8%	(58.2)	(100.0%)
Total	**1,539.5**	**100.0%**	2,087.3	100.0%	(547.8)	(26.2%)

During the Reporting Period, the Group recorded a decrease of 24.9% in the revenue of oil and gas pipes to RMB1,004.4 million (corresponding period of 2023: RMB1,337.4 million), a decrease of 22.6% in the revenue of new energy pipes and special seamless steel pipes to RMB535.1 million (corresponding period of 2023: RMB691.7 million), and no sales of other products (corresponding period of 2023: RMB58.2 million).

The decrease in the Group's revenue during the Reporting Period was mainly due to the slowdown in investment progress in energy exploration in both the domestic and overseas markets, which resulted in insufficient market demand and a large decline in both sales volume and sales price.

	Six months ended 30 June 2024		Six months ended 30 June 2023		Change	
	Sales	**Percentage of Sales**	Sales	Percentage of Sales	Sales	Percentage
	RMB million	*%*	*RMB million*	*%*	*RMB million*	*%*
Domestic Sales	**1,228.0**	**79.8%**	1,501.4	71.9%	(273.4)	(18.2%)
Overseas Sales	**311.5**	**20.2%**	585.9	28.1%	(274.4)	(46.8%)
Total	**1,539.5**	**100.0%**	2,087.3	100.0%	(547.8)	(26.2%)

During the Reporting Period, the Group recorded a decrease of 18.2% in the revenue of domestic sales to RMB1,228.0 million (corresponding period of 2023: RMB1,501.4 million), which was mainly due to the Group's major customers adjusting their exploration investment cycles since the end of 2023. Domestic sales during the Reporting Period was also affected as the total capital expenditures for oil, gas and new energy have declined year-on-year, the investment speed has slowed down, and the actual execution of orders has lagged behind. The demand in the downstream steel pipe industry has been far less than expected, resulting in sales volume and sales prices being affected.

In terms of overseas sales, sales decreased by 46.8% to RMB311.5 million (corresponding period of 2023: RMB585.9 million), mainly due to the global economic downturn, reduced investment in the development of new areas in overseas markets, rising sea freight rates caused by regional political instability and other impacts, resulting in significant declines in sales volume and sales prices.

Cost of sales

The Group recorded a total cost of sales of RMB1,415.0 million during the Reporting Period, representing a decrease of approximately 21.6% as compared to RMB1,804.1 million for the corresponding period of 2023, mainly due to the reduced sales volume and the lowering of raw material prices.

Gross profit and gross margin

During the Reporting Period, the Group's total gross profit was RMB124.5 million, a decrease of RMB158.6 million from RMB283.1 million for the corresponding period of 2023. During the Reporting Period, the Group's overall gross profit margin was 8.1%, representing a decrease of 5.5 percentage points from 13.6% for the corresponding period of 2023. This was mainly due to the intensification of the economic downturn, the decline in production and sales, and the simultaneous decline in product prices. However, the price of raw materials was relatively stiffened, and the decline was much less than that in product prices.

Other income

During the Reporting Period, the Group's other income was RMB27.3 million, representing an increase of RMB22.6 million from RMB4.7 million for the corresponding period of 2023, mainly due to the increase in government grants, scrap revenue and exchange gains.

Selling expenses

During the Reporting Period, the Group's selling expenses were RMB79.2 million, representing a decrease of approximately 8.7% as compared to RMB86.7 million for the corresponding period of 2023, mainly due to the decrease in sales.

Administrative expenses

During the Reporting Period, the Group's administrative expenses were RMB108.3 million, representing an increase of approximately 16.6% as compared to RMB92.9 million for the corresponding period of 2023, mainly due to the increase in labor costs and equity-settled share-based payment expenses.

Finance costs

During the Reporting Period, the Group's financial costs were RMB41.5 million, representing a decrease of 3.8% from RMB43.2 million for the corresponding period of 2023, mainly due to the optimization of the financing structure and the decrease of loan interest rates.

Income tax

During the Reporting Period, the Group's income tax credit amounted to RMB7.6 million, as compared to RMB8.3 million of income tax expenses in the corresponding period of 2023.

Loss/Profit for the period

During the Reporting Period, the Group recorded a loss of RMB69.7 million, representing a decrease of approximately RMB126.5 million from the profit of RMB56.8 million for the corresponding period of 2023, mainly due to the decrease in revenue.

Non-IFRS Measure

To supplement the Company's consolidated financial statements, which are presented in accordance with IFRS Accounting Standards, the Company also used adjusted net (loss)/profit (non-IFRS measure) and adjusted net (loss)/profit margin (non-IFRS measure) as additional non-IFRS measures, which are not required by, or presented in accordance with, IFRS Accounting Standards.

The Board believes that these non-IFRS measures will facilitate comparisons of operating performance from year to year and company to company by eliminating potential impacts of certain items, and provide useful information to investors and others in understanding and evaluating the Company's consolidated results of operations in the same manner as they did during the management's review of the results. However, the Company's presentation of adjusted net (loss)/profit (non-IFRS measure) and adjusted net (loss)/profit margin (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and Shareholders and potential investors should not consider them in isolation from, or as a substitute for an analysis of, the Group's results of operations or financial condition as reported under IFRS Accounting Standards.

The following table reconciles the Group's adjusted net (loss)/profit (non-IFRS measure) and adjusted net (loss)/profit margin (non-IFRS measure) for the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS Accounting Standards:

	Six months ended 30 June 2024 *RMB million*	Six months ended 30 June 2023 *RMB million*
(Loss)/profit for the period	**(69.7)**	56.8
Add:		
– Equity-settled share-based payment expenses	**14.6**	1.0
Adjusted net (loss)/profit (non-IFRS measure)	**(55.1)**	57.8
Adjusted net (loss)/profit margin (non-IFRS measure)	**(3.6%)**	2.8%

Capital expenditure

During the Reporting Period, the Group invested RMB158.4 million in property, plant and equipment (corresponding period of 2023: RMB15.7 million). The increase was mainly due to the increase in expenditure in relation to the Phase Two Expansion.

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 sought 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 2024, cash at bank and on hand amounted to RMB425.0 million (31 December 2023: RMB432.6 million) and were mainly denominated in RMB, with a small amount denominated in HKD and US dollars (31 December 2023: mainly denominated in RMB, with a small amount denominated in HKD and US dollars).

As of 30 June 2024, the Group's interest-bearing borrowings were RMB2,043.8 million (31 December 2023: RMB1,767.5 million), of which RMB392.4 million (31 December 2023: RMB591.3 million) are long-term borrowings and RMB1,651.4 million (31 December 2023: RMB1,176.2 million) are short-term borrowings, most of the prices are denominated in RMB, and a small part are denominated in Hong Kong dollars (31 December 2023: most of the prices are denominated in RMB, and a small part are denominated in Hong Kong dollars). As at 30 June 2024, RMB1,747.7 million (31 December 2023: RMB1,580.2 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 at bank and on hand) divided by the total equity as at the respective period end and multiplied by 100%, was 120.7%, representing an increase of 29.3 percentage points from 91.4% at the end of 2023. Such increase was due to the increase in borrowings since the beginning of 2024 and the decrease in equity due to profit distribution.

Current ratio, which is calculated based on the current assets divided by the current liabilities, decreased from 1.15 as at 31 December 2023 to 0.96 as at 30 June 2024.

Employees and remuneration policy

As at 30 June 2024, the Group had 1,774 employees (30 June 2023: 1,752 employees) in total, total staff costs (inclusive of Directors' emoluments) during the Reporting Period amounted to RMB119.1 million (corresponding period of 2023: RMB114.4 million).

The Group believes that 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 2024, the Group's property, plant and equipment with carrying amount of RMB1,178.4 million (31 December 2023: RMB1,220.8 million) and other chattels with carrying amount of RMB664.9 million (31 December 2023: RMB629.0 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 2024, 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 2024** *RMB million*	**Unutilised proceeds as at 30 June 2024** *RMB million*	**Unutilised proceeds as at 31 December 2023** *RMB million*
To fund the Phase Two Expansion	339.2	(200.0)	139.2	–	11.4
To strengthen the Group's product research and development and innovation capabilities	9.2	–	9.2	–	5.4
To strengthen the Group's product research and development and innovation capabilities	7.7	–	7.7	–	1.9
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	–	383.7	–	18.7

As at 30 June 2024, the net proceeds arising from the IPO had been fully utilised.

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 set out in part 2 of 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 financial report 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.

GLOSSARY

"Board"	the board of Directors
"CG Code"	the Corporate Governance Code contained in Appendix C1 to the Listing Rules

"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 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 C3 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
"Phase Two Expansion"	the construction of phase two production capacity expansion at the Group's factory located at Bohai New District, Cangzhou, Hebei Province, the PRC

"PRC" or "China"	the People's Republic of China which, for the purposes of this announcement excludes Hong Kong, Macau and Taiwan
"Prospectus"	the prospectus of the Company dated 28 October 2019
"R&D"	research and development
"Reallocation"	the reallocation of part of the unutilised net proceeds from the IPO originally allocated for the Phase Two Expansion to the repayment of certain existing interest-bearing borrowings of the Group as resolved by the Board on 10 June 2020
"Reporting Period"	the six months ended 30 June 2024
"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
"Share Option Scheme"	the share option scheme adopted by a resolution in writing by the then Shareholders on 19 June 2019
"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, 30 August 2024

As at the date of this announcement, the Board comprises Mr. Meng Fanyong, Mr. Zhang Hongyao, Ms. Xu Wenhong and Mr. Meng Yuxiang, 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.