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Dalipal Holdings Limited

達力普控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1921)

CHANGE OF USE OF PROCEEDS

Reference is made to the prospectus of Dalipal Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) dated 28 October 2019 (the “**Prospectus**”) and the announcement of the Company dated 7 November 2019 in relation to the Global Offering. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Prospectus.

The net proceeds (“**Net Proceeds**”) from the Global Offering was approximately HK\$426.3 million (equivalent to approximately RMB383.7 million), and it was intended to be used by the Group for the following purposes: (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.

As disclosed in the Prospectus, approximately 88.4%, or approximately HK\$376.9 million (equivalent to approximately RMB339.2 million) was intended to be used to fund the Phase Two Expansion. Given the reasons as set out in the paragraph headed “Reasons for the Change in Use of Proceeds”, 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. As such, the unutilized Net Proceeds will be revised as follows:

	Original planned use of Net Proceeds <i>RMB' million (approximately)</i>	Utilised Net Proceeds up to the date of this announcement <i>RMB' million (approximately)</i>	Unutilised Net Proceeds up to the date of this announcement <i>RMB' million (approximately)</i>	Proposed change of allocation of unutilised Net Proceeds <i>RMB' million (approximately)</i>	Revised allocation of the unutilised Net Proceeds <i>RMB' million (approximately)</i>
(i) Fund the Phase Two Expansion	339.2	24.5	314.7	(200.0)	114.7
(ii) Strengthen the Group's product research and development and innovation capabilities	9.2	3.7	5.5	–	5.5
(iii) Strengthen the Group's relationships with key customers, expand the Group's customer base and further expand the Group's sales to overseas markets	7.7	4.2	3.5	–	3.5
(iv) General replenishment of working capital and other general corporate purpose	27.6	7.6	20.0	–	20.0
(v) Repayment of certain existing interest-bearing borrowings of the Group	–	–	–	200.0	200.0
	<u>383.7</u>	<u>40.0</u>	<u>343.7</u>	<u>–</u>	<u>343.7</u>

Reasons for the Change in Use of Proceeds

Due to the outbreak of the novel coronavirus (COVID-19) pandemic since early 2020, the construction for Phase Two Expansion has been temporary suspended given the travel and transportation restriction and the containment measures imposed by the PRC government. The pandemic has caused uncertainty on the global economic outlook and demand for oilfield equipment. The Group had interest-bearing borrowings in the aggregate amount of approximately RMB2,202.7 million as at 31 December 2019 which bore an effective interest rate ranging from 4.13% to 6.55% per annum, out of which approximately RMB1,361.8 million are short-term borrowings and will become repayable on or before the end of 31 December 2020. As disclosed in the Prospectus, to the extent that the net proceeds from the Global Offering are not immediately applied to for the purposes as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Group will deposit the Net Proceeds into interest-bearing bank accounts with licensed commercial banks and/or authorised financial institutions in Hong Kong and the PRC. As at the date of this announcement, the negotiated deposit interest rate (non-time deposit) offered by licensed commercial banks in the PRC for RMB is only at 1% to 1.265% per annum.

Having considered the above factors, and taking into consideration the anticipated demand for the Group's products for the remaining year ending 31 December 2020, the Board believes that it would be more beneficial for the Group to temporarily postpone the construction of Phase Two Expansion and utilise the unutilised Net Proceeds for the construction for Phase Two Expansion to repay certain existing interest-bearing borrowings of the Group in the aggregate amount of approximately RMB200.0 million. Such re-allocation allows the Group to lower its gearing ratio, reduce its interest expenses and financing costs, to achieve greater flexibility on the allocation of the Group's internal resources for the ordinary operation of the Group, and provide more buffer for the Group to cope with the economic uncertainty in the future. The Group will continue to monitor the global economic outlook and assess the anticipated demand for the Group's products to reassess the timing for the resumption of the construction of Phase Two Expansion, and will then apply its internal resources and/or banking facilities and/or seek additional debt and/or equity financing to finance such expansion.

The Board is of the view that the business development direction of the Group is still in line with the disclosure in the Prospectus in spite of such change in the use of unutilised Net Proceeds as stated above. The Directors (including the non-executive Director and independent non-executive Directors) consider the above change of the use of unutilised Net Proceeds from the Global Offering is fair and reasonable and in the interests of the Group and the Shareholders as a whole and will not have any material adverse effect on the existing business and operations of the Group.

By order of the Board
Dalipal Holdings Limited
達力普控股有限公司
Meng Fanyong
Chairman and executive Director

The PRC, 10 June 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.