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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)

CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE MINORITY INTEREST IN SHENGJIE PIPE

EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 14 September 2020 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, the Vendor and Shengjie Pipe entered into the Equity Transfer Agreement, pursuant to which the Purchaser has agreed to purchase and the Vendor has agreed to sell the 1% equity interest in Shengjie Pipe at the consideration of approximately RMB11.4 million.

As at the date of this announcement, Shengjie Pipe is an indirect non-wholly owned subsidiary of the Company, held as to 99% by the Purchaser and as to 1% by the Vendor. Upon completion of the Acquisition, Shengjie Pipe will become an indirect wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Vendor is owned as to approximately 50.7% by Mr. Meng Fanyong, an executive Director and a controlling Shareholder. The Vendor is an associate of Mr. Meng Fanyong and is therefore a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction under Chapter 14A of the Listing Rules.

As all the applicable the percentage ratios (as defined under the Listing Rules) for the Acquisition exceed 0.1% but do not exceed 5%, the Acquisition is only subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

The Board is pleased to announce that on 14 September 2020 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, the Vendor and Shengjie Pipe entered into the Equity Transfer Agreement, pursuant to which the Purchaser has agreed to purchase and the Vendor has agreed to sell the 1% equity interest in Shengjie Pipe at the consideration of approximately RMB11.4 million. The principal terms of the Equity Transfer Agreement are set out below.

EQUITY TRANSFER AGREEMENT

Date: 14 September 2020

Parties: (1) Dalipal (Cangzhou) Industrial Company Limited* (達力普(滄州)實業有限公司), an indirect wholly-owned subsidiary of the Company, as purchaser;

(2) Dalipal Group Co. Ltd.* (達力普集團有限公司), as vendor; and

(3) Shengjie (Cangzhou) Oil Pipe Company Limited* (盛捷(滄州)石油管有限公司), as the subject company.

As at the date of this announcement, the Vendor is owned as to approximately 50.7% by Mr. Meng Fanyong, an executive Director and a controlling Shareholder. The Vendor is an associate of Mr. Meng Fanyong and is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

Subject matter

Pursuant to the Equity Transfer Agreement, the Vendor has agreed to sell and the Purchaser has agreed to purchase 1% of the equity interest in Shengjie Pipe, subject to the terms of the Equity Transfer Agreement.

As at the date of this announcement, Shengjie Pipe is an indirect non-wholly owned subsidiary of the Company, held as to 99% by the Purchaser and as to 1% by the Vendor. Upon completion of the Acquisition, Shengjie Pipe will become an indirect wholly-owned subsidiary of the Company.

Consideration

The total consideration for the Acquisition payable by the Purchaser to the Vendor is approximately RMB11.4 million.

The consideration for the Acquisition was determined after arm's length negotiations between the Purchaser and the Vendor with reference to the unaudited consolidated net asset value of Shengjie Pipe as at 30 June 2020 and shall be satisfied by the internal resources of the Group.

Payment Terms

The total consideration shall be paid in full and in cash by the Purchaser to Vendor within 30 days after the date of the Equity Transfer Agreement.

Completion

The Acquisition under the Equity Transfer Agreement was unconditional. Upon signing of the Equity Transfer Agreement, the parties shall forthwith take such requisite registration and other legal procedures for effecting the transfer of the 1% equity interest in Shengjie Pipe from the Vendor to the Purchaser. In any event, the Purchaser has the responsibility to complete such procedures within ten business days after the signing of the Equity Transfer Agreement. The transfer of the 1% equity interest in Shengjie Pipe pursuant to the Acquisition shall become effective upon completion of the registration procedures at the relevant local Administration of Industry and Commerce in the PRC, which have not been completed yet as of the date of this announcement.

INFORMATION OF THE PARTIES

The Group is principally engaged in the development, manufacture and sale of oil country tubular goods, other oil pipes and pipe billets. The Purchaser is a wholly foreign owned enterprise established under the laws of the PRC and is wholly-owned investment holding company in the Group.

The Vendor is a limited liability company established under the laws of the PRC and is principally engaged in investment holding. As at the date of this announcement, the equity interest in the Vendor is owned as to:

- approximately 50.7% by Mr. Meng Fanyong, an executive Director and a controlling Shareholder;
- approximately 11.4% by Ms. Xu Wenhong, an executive Director;
- approximately 12.2% by Mr. Meng Yuxiang, an executive Director and a controlling Shareholder;
- approximately 1.1% by Ms. Gan Shuya, an executive Director;
- approximately 1.9% by Mr. Yin Zhixiang, an executive Director;
- approximately 1.6% by Mr. Bai Gongli, the chief executive officer of the Group; and
- approximately 21.1% by 34 existing and former employees of the Group.

Shengjie Pipe is a limited liability company established under the laws of the PRC. As at the date of this announcement, Shengjie Pipe has a registered capital of RMB10.101 million and its equity interest is held as to 99% by the Purchaser and as to 1% by the Vendor. Shengjie Pipe is principally engaged in investment holding.

Set out below is certain financial information of Shengjie Pipe and its subsidiaries for the two years ended 31 December 2019:

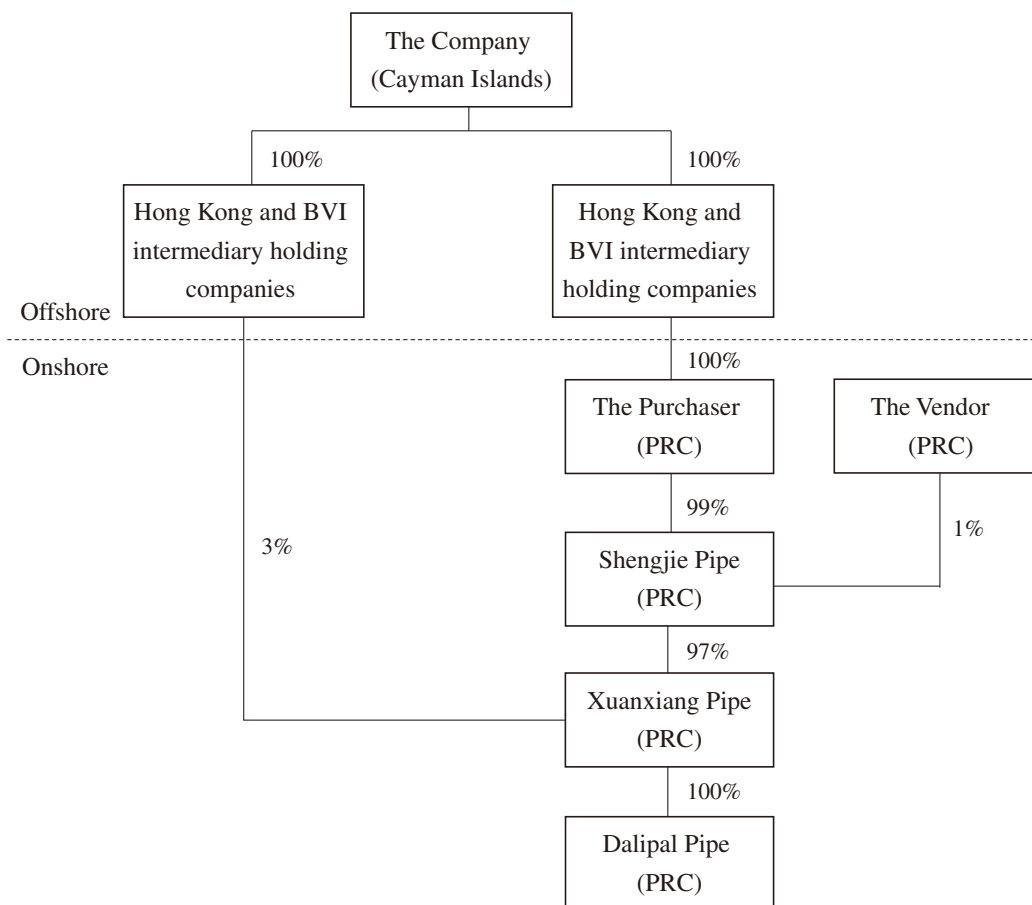
	For the year ended 31 December	
	2018	2019
	<i>(approximately RMB'million)</i>	<i>(approximately RMB'million)</i>
	(audited)	(audited)
Net profit before taxation	355.3	428.2
Net profit after taxation	301.2	368.8

The unaudited consolidated net assets value of Shengjie Pipe and its subsidiaries was approximately RMB1,143.2 million as at 30 June 2020.

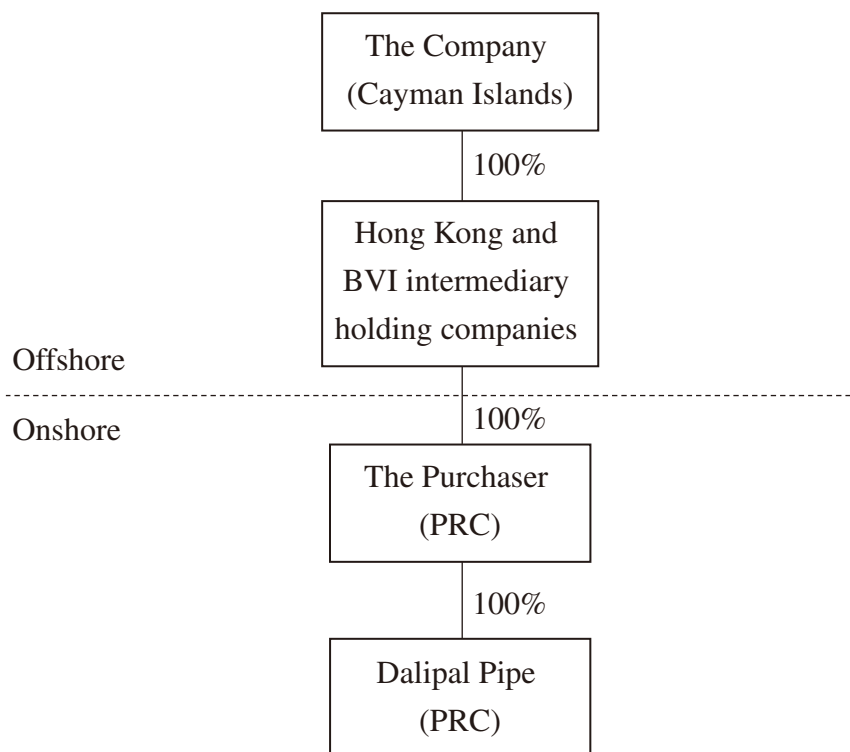
The Vendor contributed to its 1% registered capital of Shengjie Pipe by transferring 97% of the equity interest in Xuanxiang Pipe to Shengjie Pipe in November 2018 as part of the corporate reorganisation of the Group in preparation for the Listing. For details, please refer to section headed “History, Reorganisation and Corporate Structure – The Reorganisation” in the Company’s prospectus dated 28 October 2019 in relation to the Listing.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company’s principal operating subsidiary, namely Dalipal Pipe, is currently held by the Company indirectly through various onshore and offshore intermediary investment holding companies. A simplified corporate structure of Dalipal Pipe is set out below:



The Acquisition is part of the Group’s plan to undergo an internal corporate restructuring so as to simplify the structure of the Group. Immediately after completion of the Acquisition, each of Shengjie Pipe, Xuanxing Pipe and Dalipal Pipe will become indirect wholly owned subsidiaries of the Company. It is expected that further internal corporate restructuring will take place among the Company’s wholly-owned subsidiaries so that, immediately after completion of these internal corporate restructuring of the Group, the corporate structure of Dalipal Pipe will be as follow:



The Directors consider that a simplified group structure of the Group will enhance the Group’s administrative efficiency, reduce its corporate and administrative costs.

The Directors (including the independent non-executive Directors) consider that, although the Acquisition is not in the ordinary course of business of the Group and yet given the nature of and the reason for the transaction, the terms of the Equity Transfer Agreement and the Acquisition are fair and reasonable, on normal commercial terms and in the interests of the Company and Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Vendor is owned as to approximately 50.7% by Mr. Meng Fanyong, an executive Director and a controlling Shareholder. The Vendor is an associate of Mr. Meng Fanyong and is therefore a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction under Chapter 14A of the Listing Rules.

As all the applicable the percentage ratios (as defined under the Listing Rules) for the Acquisition exceed 0.1% but do not exceed 5%, the Acquisition is only subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Meng Fanyong, Ms. Xu Wenhong, Mr. Meng Yuxiang, Ms. Gan Shuya and Mr. Yin Zhixiang, each an executive Director, are considered to have a material interest in the Acquisition and have therefore abstained from voting in the Board resolution approving the same.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Acquisition”	the acquisition of 1% equity interest in Shengjie Pipe by the Purchaser from the Vendor contemplated under the Equity Transfer Agreement
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Dalipal Holdings Limited, a company incorporated under the law of the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Dalipal Pipe”	Dalipal Pipe Company* (達力普石油專用管有限公司) (formerly known as Cangzhou Huabei Petroleum OCTG Co., Ltd* 滄州華北石油專用管材有限公司 and Huabei China Petroleum Cangzhou OCTG Co., Ltd.* 華北石油滄州專用管材有限公司), a limited liability company established under the laws of the PRC on 18 September 1998 and an indirect non-wholly owned subsidiary of the Company as at the date of this announcement
“Directors”	the directors of the Company
“Equity Transfer Agreement”	the equity interest transfer agreement entered into among the Vendor, Shengjie Pipe and the Purchaser on 14 September 2020 in relation to the Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Independent Third Parties”	third party independent of the Company and its connected persons (having the meaning ascribed to it under the Listing Rules)
“Listing”	the listing of the shares of the Company on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, for the purposes of this announcement excludes Hong Kong, Macau Special Administration Region and Taiwan
“Purchaser”	Dalipal (Cangzhou) Industrial Company Limited* (達力普(滄州)實業有限公司), a wholly foreign owned enterprise established under the laws of the PRC on 14 November 2018 and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Shareholder(s)”	shareholder(s) of the Company
“Shengjie Pipe”	Shengjie (Cangzhou) Oil Pipe Company Limited* (盛捷(滄州)石油管有限公司), a limited liability company established under the laws of the PRC on 16 November 2018
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Dalipal Group Co. Ltd.* (達力普集團有限公司), a limited liability company established under the laws of the PRC on 8 June 2007 and a connected person of the Company by virtue of it being an associate of Mr. Meng Fanyong, an executive Director and a controlling Shareholder

“Xuanxiang Pipe” Xuanxiang (Cangzhou) Petroleum Pipe Co., Ltd.* (軒翔(滄州)石油管有限公司), a sino-foreign equity joint venture company established under the laws of the PRC on 14 November 2018 and an indirect non-wholly owned subsidiary of the Company as at the date of this announcement

“%” per cent

* *The English translation of the Chinese name is for information only, and should not be regarded as the official English translation of such name.*

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

Hong Kong, 14 September 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.