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Hong Kong

IPO FACT SHEET

Dalipal Holdings Limited (1921 HK)

ISSUE STATISTICS

Offer Size:	HK\$477m - HK\$549m
Placement Tranche:	300m
Price:	HK\$1.59 - HK\$1.83
Board lot:	2,000
Entry fee:	HK\$3,696.88
Historical PE	7.13x – 8.20x
Net tangible asset per share:	HK\$0.96 - HK\$1.00
Market Cap (post-IPO):	HK\$2,385m - HK\$2,745m
Open:	28 Oct 2019
Close:	12.00 noon on 31 Oct 2019
Trading:	08 Nov 2019
Sponsor:	CMBC International Capital Limited

Year ended 31 Dec	(RMB'000)	yoy % chg
Revenue		
2017	2,276,874	204.4%
2018	3,094,823	35.9%
Profit and total comprehensive income for the year/period		
2017	232,209	-538.4%
2018	301,198	29.7%

BACKGROUND

- They are an OCTG manufacturer focusing on the manufacture of casing.
- During the Track Record Period and up to the Latest Practicable Date, casing had been the only type of OCTG that they had sold. They
 are a leading OCTG manufacturer among private-owned manufacturers with an integrated business model, providing full range services
 covering the development, manufacture and sales of OCTG and other oil pipes primarily to oil companies, OCTG manufacturers and
 OCTG processing factories in the PRC, and securing stable and cost-efficient supply of their principal production materials, i.e., pipe
 billets, by manufacturing them on their own.
- They are also capable of developing and manufacturing tubing, being another major product of OCTG. During the Track Record Period, they had also sold their surplus pipe billets to, amongst others, steel products, oil pipes and energy equipment manufacturers in the PRC after fulfilling their internal production needs.
- OCTG mainly comprises oil pipes that are widely used in oilfield drilling and completion procedures. Other oil pipes mainly comprise
 plain-end pipes which may be further processed into OCTG. The majority of the other oil pipes which they manufacture and sell is plainend pipe.
- According to the CIC Report, they (i) ranked third among all of the OCTG manufacturers in the PRC in 2018 and they are the market leader among private-owned manufacturers in the supply of OCTG in the PRC in 2018 with approximately 9.6% market share based on their OCTG sales value in FY2018; and (ii) they ranked sixth among all of the OCTG manufacturers and second among private-owned manufacturers in the PRC with approximately 7.7% market share in terms of the overall OCTG markets based on their sales value of overall OCTG, which includes OCTG and its semi-finished products, namely plain-end pipes, in FY2018.

BUSINESS STRATEGIES AND FUTURE PLANS

- To expand their production capacity.
- To further strengthen their relationships with key customers, expand their customer base and further expand their sales to overseas markets.
- To further strengthen their product research and development and innovation capabilities.

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COMPETITIVE STRENGTHS

- They are a leading OCTG manufacturer among private-owned manufacturers in the PRC with a long-standing track record and wellestablished reputation in the industry.
- Their strong full production chain capabilities enable them to offer quality and value-for-money products to their customers.
- Their production equipment demonstrates high level of automatisation, informatisation and intellectualization.
- They have experienced management with a proven track record.

KEY RISKS

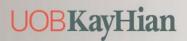
- They derive a significant portion of their revenue mainly from the PRC.
- Changes in government policies in the PRC, fluctuation in market demand for and/or prices of oil may affect the performance of oil and OCTG industries, and the demand for their products may be thereby affected.
- An increase in costs of principal raw materials or their inability to procure production materials at satisfactory prices may adversely affect their profitability.
- The selling price of their products may decrease.
- They experienced net losses in the past and such may expose them to certain liquidity risks and could constrain their operational flexibility as well as materially and adversely affect their ability to expand their business.
- Competition in their industry, and failure to compete effectively may adversely affect their business and prospects.
- Their investment in the development of new technologies may not lead to commercial success.
- Their production expansion plan may result in over-capacity, significant increase in their cost of sales, depreciation resulting from capital
 expenditure and may affect their operations, financial conditions and their revenue and profit may not increase proportionally to their
 increased capacity.
- They are subject to risk of inventories obsolescence.
- A material disruption to their operations may adversely affect their revenue and profits.
- They are vulnerable to the delay or rescheduling of oil and gas exploration and production projects.

DIVIDEND POLICY

No fixed dividend policy.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation (%)
Phase Two Expansion.	407.90	88.4%
Strengthen their product research and development and innovation capabilities.	11.10	2.4%
Strengthen their relationships with key customers, expand their customer base and further expand their sales to overseas markets.	9.20	2.0%
General replenishment of working capital and other general corporate purpose.	33.20	7.2%
Total:	461.40	100.00%



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