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Perennial Energy Holdings Limited

久泰邦達能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2798)

CONTINUING CONNECTED TRANSACTION

On 26 May 2020, Xiejiahegou Coal Mine Branch, a branch of an indirect wholly-owned subsidiary of the Company and Changxing Coal Mine Branch entered into the Coal Washing and Processing Service Agreement, pursuant to which Xiejiahegou Coal Mine Branch commissioned Changxing Coal Mine Branch for coal washing and processing services at a cost of RMB26.5 per tonne (tax exclusive) during the period from 1 June 2020 to 31 December 2022.

As at the date of this announcement, Changxing Coal Mine Branch is a branch of Guizhou Bangda, a company which is owned as to 90% and 10% by Mr. Yu Bangping and Mr. Yu Bangcheng, respectively. Mr. Yu Bangping is an executive Director. Also, each of Mr. Yu Bangping and Mr. Yu Bangcheng is indirectly interested in approximately 48.3% and 7.2% shareholding interest in Spring Snow, a company which is interested in 67.5% Shares. Hence, Mr. Yu Bangping and Mr. Yu Bangcheng are regarded as the controlling shareholders of the Company. As such, Changxing Coal Mine Branch, an entity controlled by Mr. Yu Bangping and Mr. Yu Bangcheng is regarded as a connected person of the Company under the Listing Rules. Accordingly, the transactions as contemplated under the Coal Washing and Processing Service Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio calculated with reference to the highest annual cap for transactions contemplated under the Coal Washing and Processing Service Agreement is more than 0.1% but less than 5%, pursuant to Rule 14A.76(2)(a) of the Listing Rules, the continuing connected transactions under the Coal Washing and Processing Service Agreement is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, but is subject to the reporting, announcement and annual review requirements.

I. THE COAL WASHING AND PROCESSING SERVICE AGREEMENT

Background

On 26 May 2020, Xiejiahegou Coal Mine Branch, a branch of an indirect wholly-owned subsidiary of the Company and Changxing Coal Mine Branch entered into the Coal Washing and Processing Service Agreement, pursuant to which Xiejiahegou Coal Mine Branch commissioned Changxing Coal Mine Branch for coal washing and processing services at a cost of RMB26.5 per tonne (tax exclusive) during the period from 1 June 2020 to 31 December 2022. Pursuant to the Coal Washing and Processing Service Agreement, Xiejiahegou Coal Mine Branch shall pay the coal washing and processing fees to Changxing Coal Mine Branch in cash and within 15 days from the date of invoice.

Date

26 May 2020

Parties

- (1) Xiejiahegou Coal Mine Branch; and
- (2) Changxing Coal Mine Branch

Term

A term from 1 June 2020 to 31 December 2022.

Historical Transaction Amounts

As it is the first time for Xiejiahegou Coal Mine Branch to cooperate with Changxing Coal Mine Branch in respect of the coal washing and processing services, there is no historical transaction amounts for reference.

Annual Caps and Basis of Determination of the Annual Caps

The table below sets out the proposed Annual Caps for each of the three years ending 31 December 2020, 31 December 2021 and 31 December 2022.

	Proposed Annual Caps for the year ending 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Proposed Annual Caps under the Coal Washing and Processing Service Agreement	7,930	11,930	11,930

The above proposed Annual Caps have been determined with reference to:

- (i) the production capacity of Xiejiahegou Coal Mine of 450,000 tonnes per annum;
- (ii) the coal washing and processing cost of the Group's Songshan Coal Preparation Plant; and
- (iii) the market price and quality of service provided by other third party providers for similar services and arrangement.

II. REASONS AND BENEFITS FOR ENTERING INTO THE COAL WASHING AND PROCESSING SERVICE AGREEMENT

Xiejiahegou Coal Mine Branch is principally engaged in the business of exploration and mining of coking coal at the Xiejiahegou Coal Mine. Raw coal extracted from the Xiejiahegou Coal Mine has to undergo a coal preparation process such that undesirable materials and impurities, such as ash and sulphur content, are removed from the raw coal to improve the quality of the coal products. However, Xiejiahegou Coal Mine Branch does not have its own coal preparation plant. Since the completion of the Acquisition on 1 January 2020, the Group has been utilising its Songshan Coal Preparation Plant which is approximately 81km away from the Xiejiahegou Coal Mine to process the raw coal extracted from Xiejiahegou Coal Mine. Hence, the Group has to bear high transportation cost for delivering the raw coal to Songshan Coal Preparation Plant given the long transported distance. By entering into the Coal Washing and Processing Service Agreement, the transported distance is greatly shortened since the coal preparation facility operated by Changxing Coal Mine Branch is only approximately 6km away from the Xiejiahegou Coal Mine. As the overall cost of engaging Changxing Coal Mine Branch (i.e. the transportation costs involved and the coal washing and processing fees) is lower than the cost for the Group to wash and process raw coal extracted from Xiejiahegou Coal Mine at its Songshan Coal Preparation Plant, the Directors are of the view that the coal washing and processing arrangement would enable the Group to save its operation costs.

The Directors (including the independent non-executive Directors) consider that the Coal Washing and Processing Service Agreement, the transactions contemplated thereunder and the proposed Annual Caps are: (i) on normal commercial terms or better and in the ordinary and usual course of business of the Group; (ii) fair and reasonable; and (iii) in the interests of the Company and the Shareholders as a whole.

Since Changxing Coal Mine Branch is a branch of Guizhou Bangda, a company which is owned as to 90% by Mr. Yu Bangping, Mr. Yu Bangping and his son, Mr. Yu Zhilong, who were present at the Board meeting were not counted in the quorum and they have abstained from voting at the Board meeting to approve the Coal Washing and Processing Service Agreement and the proposed Annual Caps. Save as disclosed above, none of the Directors attending the Board meeting has a material interest in or is required to abstain from voting on the Coal Washing and Processing Service Agreement and the proposed Annual Caps.

III. IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, Changxing Coal Mine Branch is a branch of Guizhou Bangda, a company which is owned as to 90% and 10% by Mr. Yu Bangping and Mr. Yu Bangcheng, respectively. Mr. Yu Bangping is an executive Director. Also, each of Mr. Yu Bangping and Mr. Yu Bangcheng is indirectly interested in approximately 48.3% and 7.2% shareholding interest in Spring Snow, a company which is interested in 67.5% Shares. Hence, Mr. Yu Bangping and Mr. Yu Bangcheng are regarded as the controlling shareholders of the Company. As such, Changxing Coal Mine Branch, an entity controlled by Mr. Yu Bangping and Mr. Yu Bangcheng is regarded as a connected person of the Company under the Listing Rules. Accordingly, the transactions as contemplated under the Coal Washing and Processing Service Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio calculated with reference to the highest annual cap for transactions contemplated under the Coal Washing and Processing Service Agreement is more than 0.1% but less than 5%, pursuant to Rule 14A.76(2)(a) of the Listing Rules, the continuing connected transactions under the Coal Washing and Processing Service Agreement is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, but is subject to the reporting, announcement and annual review requirements.

IV. INFORMATION OF THE PARTIES

Xiejiahegou Coal Mine Branch is a branch of an indirect wholly-owned subsidiary of the Company and is principally engaged in the exploration and mining of coking coal and coal refinery in the PRC.

Changxing Coal Mine Branch is a branch of Guizhou Bangda, a company established under the laws of the PRC and is owned as to 90% by Mr. Yu Bangping and 10% by Mr. Yu Bangcheng and a connected person of the Company. It is principally engaged in coal mining, low concentration methane gas power generation and coal washing and processing in the PRC.

V. DEFINITIONS

Unless otherwise specified, the following terms shall have the following meanings in this announcement:

“Acquisition”	the Group’s acquisition of the mining business at the Xiejiahegou Coal Mine in Guizhou Province, the PRC which was completed on 1 January 2020
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“Annual Caps”	the maximum aggregate annual payment of the transactions contemplated under the Coal Washing and Processing Service Agreement projected for the each of the three years ending 31 December 2020, 31 December 2021 and 31 December 2022
“Board”	the board of Directors
“Changxing Coal Mine Branch”	貴州邦達能源開發有限公司盤縣淤泥鄉昌興煤礦 (transliterated as Guizhou Bangda Energy Development Company Limited Pan County Yunxiang Changxing Coal Mine*), a branch of Guizhou Bangda
“Coal Washing and Processing Service Agreement”	the coal washing and processing service agreement dated 26 May 2020 and entered into between Xiejiahegou Coal Mine Branch and Changxing Coal Mine Branch
“Company”	Perennial Energy Holdings Limited (久泰邦達能源控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guizhou Bangda”	貴州邦達能源開發有限公司(transliterated as Guizhou Bangda Energy Development Co., Ltd.*), a company established in the PRC with limited liability and is owned as to 90% by Mr. Yu Bangping and 10% by Mr. Yu Bangcheng
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Jiutai Bangda”	貴州久泰邦達能源開發有限公司 (transliterated as Guizhou Jiutai Bangda Energy Development Co., Limited*), a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company
“km”	kilometres
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Yu Bangcheng”	one of the controlling shareholders of the Company and the brother of Mr. Yu Bangping
“Mr. Yu Bangping”	an executive Director and one of the controlling shareholders of the Company
“PRC”	The People’s Republic of China, and for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Songshan Coal Preparation Plant”	the coal preparation plant operated by the Group where raw coal is processed
“Spring Snow”	Spring Snow Management Limited, a controlling shareholder of the Company which directly holds 1,080,000,000 Shares, representing approximately 67.5% of the total issued share capital of the Company as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xiejiahegou Coal Mine”	an underground coal mine located at longitudes from 104°47’04”E to 104°47’53”E and latitudes from 25°56’09”N to 25°56’51”N in Panzhou City, Guizhou Province, the PRC

“Xiejiahegou Coal Mine
Branch”

貴州久泰邦達盤縣羊場鄉謝家河溝煤礦 (transliterated as Guizhou Jiutai Bangda Pan County Yangchang Village Xiejiahegou Coal Mine*), a branch of Jiutai Bangda

“%”

per cent

* *The English transliteration of the Chinese name(s) in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

By order of the Board
PERENNIAL ENERGY HOLDINGS LIMITED
Yu Bangping
Chairman and Executive Director

Hong Kong, 26 May 2020

As at the date of this announcement, the executive Directors are Mr. Yu Bangping, Mr. Sun Dawei, Mr. Wang Shize, Mr. Li Xuezhong, Mr. Lam Chik Shun, Marcus, Mr. Yu Zhilong and Mr. Yu Xiao; and the independent non-executive Directors are Mr. Fong Wai Ho, Mr. Punnya Niraan De Silva, Ms. Cheung Suet Ting, Samantha and Mr. Wang Xiufeng.