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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 TRANSACTIONS

On 22 February 2022, Xiejiahegou Coal Mine Branch, a branch of Jiutai Bangda (an indirect wholly-owned subsidiary of the Company), and Changxing Coal Mine Branch entered into the Electricity Supply Agreement, pursuant to which Xiejiahegou Coal Mine Branch will supply electricity to Changxing Coal Mine Branch. The term of the Electricity Supply Agreement shall be effective from 22 February 2022 and ending on 31 December 2024 (both days inclusive).

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 53.5% Shares. Hence, Mr. Yu Bangping and Mr. Yu Bangcheng are regarded as the controlling shareholders of the Company. As such, Guizhou Bangda, 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 Electricity Supply Agreement constitute continuing connected transactions 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 Electricity Supply 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 Electricity Supply Agreement are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, but are subject to the reporting, announcement and annual review requirements.

THE ELECTRICITY SUPPLY AGREEMENT

Background

On 22 February 2022, Xiejiahegou Coal Mine Branch, a branch of Jiutai Bangda (an indirect wholly-owned subsidiary of the Company), and Changxing Coal Mine Branch entered into the Electricity Supply Agreement, pursuant to which Xiejiahegou Coal Mine Branch will supply up to 48 million kWh of electricity per year to Changxing Coal Mine Branch through Guizhou Power Grid, the electricity supplier of Xiejiahegou Coal Mine Branch.

Date of agreement: 22 February 2022

Parties: Xiejiahegou Coal Mine Branch (as supplier) and Changxing Coal Mine Branch (as purchaser)

Volume: Not exceeding 48,000,000 kWh of electricity per year and the amount of electricity transacted shall be the actual volume of electricity consumed by Changxing Coal Mine Branch in the relevant year.

Term: A term commencing from 22 February 2022 to 31 December 2024, both days inclusive

Consideration: Pursuant to the Electricity Supply Agreement, Xiejiahegou Coal Mine Branch will supply electricity to Changxing Coal Mine Branch, and Changxing Coal Mine Branch will purchase electricity from Xiejiahegou Coal Mine Branch at: (1) a fixed electrical capacity charge which is calculated based on the proportion of electricity consumed by Changxing Coal Mine Branch multiplied by the total fixed electrical capacity charge charged by Guizhou Power Grid on Xiejiahegou Coal Mine Branch; and (2) a unit price which is calculated based on the electricity tariff as prescribed by Guizhou Power Grid, plus RMB0.02 per kWh (tax inclusive), which have been determined after arm's length negotiation.

The prescribed fixed electrical capacity charge and electricity tariff on the sale of electricity is determined by the electricity supplier of Xiejiahegou Coal Mine Branch, Guizhou Power Grid, which are subject to adjustment from time to time.

Payment terms: Power meters will be installed by Changxing Coal Mine Branch to record the amount of electricity consumed by Changxing Coal Mine Branch. Jiutai Bangda will conduct meter reading on a monthly basis and shall issue payment notice to Changxing Coal Mine Branch accordingly. Changxing Coal Mine Branch shall settle the payment notice within 3 business days upon receipt of such notice from Jiutai Bangda.

Historical Transaction Amounts

As it is the first time for Xiejiahegou Coal Mine Branch to supply electricity to Changxing Coal Mine Branch, there is no historical transaction amounts for reference.

Proposed Annual Caps and Basis of Determination of the Proposed Annual Caps

	22 February 2022 to 31 December 2022 RMB	1 January 2023 to 31 December 2023 RMB	1 January 2024 to 31 December 2024 RMB
Proposed Annual Caps	24,099,000	28,102,000	28,102,000

The proposed Annual Caps as described above are arrived at after taking into consideration, among others, (a) the fixed electrical capacity charge charged by Guizhou Power Grid on Xiejiahegou Coal Mine Branch; (b) the estimated percentage of electricity supplied by Guizhou Power Grid to Xiejiahegou Coal Mine which is ultimately consumed by Changxing Coal Mine Branch (i.e. 55%); (c) the maximum amount of electricity which Xiejiahegou Coal Mine Branch shall supply to Changxing Coal Mine Branch pursuant to the Electricity Supply Agreement (i.e. 48,000,000 kWh per year); (d) the current per unit electricity tariff as prescribed by Guizhou Power Grid; and (e) a charge of RMB0.02 (tax inclusive) per kWh to cover the possible electricity loss arising from the electric power transmission from power substation to Changxing Coal Mine Branch.

REASONS FOR AND BENEFITS OF THE ELECTRICITY SUPPLY AGREEMENT

According to “Minutes of the Review Meeting on the “One Mine, One Strategy” and “Dual Circuit” Power Supply Remediation Plan for Coal Mine in Guizhou Province (Panzhou)” (Qiannengyanji [2020] No. 19 of the Guizhou Energy Planning and Research Center) (貴州能源規劃研究中心檔黔能研紀[2020]19號文《關於貴州省煤礦「一礦一策」「雙回路」供電整治方案審查會議紀要(盤州)》), Changxing Coal Mine Branch and Xiejiahegou Coal Mine Branch shall construct a 35kV substation and such 35kV substation shall be jointly used by Changxing Coal Mine Branch and Xiejiahegou Coal Mine Branch. Accordingly, a 35kV substation has been constructed by Xiejiahegou Coal Mine Branch.

Xiejiahegou Coal Mine and Changxing Coal Mine are located in the Yuni Township, Pan County, Guizhou, where the electricity supplier in the region, i.e. Guizhou Power Grid, is only able to build one power supply bay in the area. Since Guizhou Power Grid has been providing electricity supplies to Xiejiahegou Coal Mine Branch, Guizhou Power Grid is unable to provide the electricity supplies to Changxing Coal Mine Branch.

Having considered the above and (1) Changxing Coal Mine Branch has maintained business relationship with the Group during the past few years; (2) the supply of electricity will in turn help enhancing the Group’s profitability; and (3) Changxing Coal Mine Branch would share part of Xiejiahegou Coal Mine Branch’s fixed electrical capacity charge under the Electricity Supply Agreement, the Directors (including the independent non-executive Directors) consider that the Electricity Supply 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 Electricity Supply 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 Electricity Supply Agreement and the proposed Annual Caps.

LISTING RULES IMPLICATIONS

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% by Mr. Yu Bangping and 10% by Mr. Yu Bangcheng. Mr. Yu Bangping is an executive Director. Also, (i) each of Mr. Yu Bangping and Mr. Yu Bangcheng is indirectly interested in approximately 48.3% and 7.2% shareholding interests in Spring Snow, respectively; and (ii) Spring Snow is interested in approximately 53.5% Shares. Hence, Mr. Yu Bangping and Mr. Yu Bangcheng are regarded as the controlling shareholders of the Company. As such, Guizhou Bangda, 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 Electricity Supply Agreement constitute continuing connected transactions 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 Electricity Supply 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 Electricity Supply Agreement are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, but are subject to the reporting, announcement and annual review requirements.

INFORMATION OF THE PARTIES

Xiejiahegou Coal Mine Branch is a branch of Jiutai Bangda (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.

DEFINITIONS

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

“Annual Caps”	the maximum aggregate annual payment of the transactions contemplated under the Electricity Supply Agreement projected for the each of the three years ending 31 December 2022, 31 December 2023 and 31 December 2024
“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
“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
“Electricity Supply Agreement”	the electricity supply agreement dated 22 February 2022 and entered into between Xiejiahegou Coal Mine Branch and Changxing Coal Mine Branch
“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
“Guizhou Power Grid”	貴州電網有限責任公司六盤水盤州供電局 (transliterated as Guizhou Power Grid Company Limited Liupanshui Panzhou Power Supply Bureau*), a subsidiary of 中國南方電網有限責任公司 (transliterated as China Southern Power Grid Company Limited*), a company established in the PRC with limited liability which is a state-owned enterprise

“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
“kV”	kilovolt
“kWh”	kilowatt hour
“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)
“Spring Snow”	Spring Snow Management Limited, a controlling shareholder of the Company which directly holds 856,000,000 Shares, representing approximately 53.5% 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 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, 22 February 2022

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.