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)

INSIDE INFORMATION

PROFIT WARNING

This announcement is made by Perennial Energy Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Unless otherwise defined herein, defined terms in this announcement shall have the same meanings as those defined in the 2020 Annual Report published by the Company on 23 April 2021 (the "**2020 Annual Report**").

The board of directors of the Company (the "**Board**") wishes to inform the shareholders of the Company (the "**Shareholders**") and potential investors that, based on the preliminary review on the unaudited consolidated management accounts of the Group for the six months ended 30 June 2021 (the "**Relevant Period**") and information currently available to the Board, the Group is expected to achieve better operational performance in the Relevant Period as compared to the corresponding period of 2020. Despite unanticipated small faults mainly at the surface of Baogushan Coal Mine affecting the Group's production during the Relevant Period, revenue of the Group is expected to increase by more than 7% year-on-year ("**YoY**") as a result of higher coal price. The Group's gross profit margin is also expected to improve by more than 6 percentage points YoY due to higher coal price and stringent cost control by the Group, resulting in an expected increase in the Group's gross profit by more than 20% YoY.

However, despite the expected increase in the Group's revenue and gross profit during the Relevant Period, the Group's net profit is expected to be negatively affected by the recognition of fair value loss on contingent consideration payable in respect of the Profit Guarantee to be recognised during the Relevant Period, which is outside the ordinary and usual course of business of the Group. As set out in the 2020 Annual Report, the fair value change of contingent consideration payable is derived from the change in expected present value of the remaining consideration payable by the Group in respect of its acquisition of the Xiejiahegou Coal Mine and the projected financial performance of the Xiejiahegou Coal Mine under the Profit Guarantee which consists of compensation and bonus using discounted cash flow method.

Given the robust performance of the Xiejiahegou Coal Mine, a fair value loss is expected to be incurred for the Relevant Period since the projected financial performance of the Xiejiahegou Coal Mine is expected to exceed the Profit Guarantee. The Board considers that the financial position of the Group remains sound and the recognition of fair value loss on contingent consideration payable will not have material impact on the Group's core business operations.

In view of the above, it is expected that the consolidated profit attributable to the Shareholders for the Relevant Period will record a decrease by approximately 30% to 60% as compared to the consolidated profit attributable to the Shareholders for the corresponding period of 2020. However, by excluding the impact resulting from the fair value change of contingent consideration payable on the Profit Guarantee, the consolidated profit attributable to the Shareholders for the Relevant Period is expected to record an increase by more than 40% as compared to the consolidated profit attributable to the Shareholders for the corresponding period of 2020.

The information contained in this announcement is only a preliminary assessment based on the unaudited consolidated management accounts of the Group for the Relevant Period and information currently available to the Board, which have not been reviewed by the independent auditors and/or the audit committee of the Company. The Company is still in the process of finalising the interim results of the Group for the Relevant Period which is expected to be published on or before 31 August 2021 in accordance with the requirements of the Listing Rules.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Perennial Energy Holdings Limited
Yu Bangping
Chairman and Executive Director

Hong Kong, 3 August 2021

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.