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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)

MAJOR TRANSACTION PROPOSED INVESTMENT IN THE POWER GENERATION PROJECT

THE PROPOSED INVESTMENT

On 25 August 2023 (after trading hours), Jiutai Bangda, an indirect wholly-owned subsidiary of the Company, entered into the Investment Cooperation Agreement with the JV Partner, pursuant to which Jiutai Bangda has conditionally agreed to cooperate with the JV Partner to invest in the Power Generation Project. Pursuant to the terms of the Investment Cooperation Agreement, the total investment sum of Jiutai Bangda would be RMB514,548,461, comprising (1) the proposed acquisition of the Target Interests (i.e. 49% equity interests in the Target Company) by Jiutai Bangda from the JV Partner, at the Consideration of not more than RMB4,948,461; and (2) subject to the completion of the Proposed Acquisition, the potential capital injection by Jiutai Bangda of RMB509,600,000 as additional registered capital into the Target Company by way of four (4) instalments.

Upon completion of the Proposed Acquisition, the Target Company shall be owned by Jiutai Bangda as to 49% and the JV Partner as to 51%. The Target Company is expected to be an associate company of the Company and its results and net assets will be accounted for using the equity method in the consolidated financial statements of the Company upon completion of the Proposed Acquisition.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Proposed Investment (i.e. the aggregate of the Consideration and the Capital Commitment) is more than 25% while all applicable percentage ratios are less than 100%, the Proposed Investment constitutes a major transaction for the Company and is subject to the reporting, announcement and Shareholders' approval requirement under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors, as at the date of this announcement, neither the JV Partner nor any of its associates hold any Shares. As no Shareholder would be required to abstain from voting at the Company's general meeting for the approval of the Proposed Investment, written shareholders' approval will be accepted in lieu of the general meeting on the condition that the accountants' report of the Target Company contains no qualified opinion by the reporting accountants pursuant to Rules 14.44 and 14.86 of the Listing Rules. Otherwise, the Company will convene a general meeting for the Shareholders to consider and, if thought fit, to pass the resolutions to approve the Proposed Investment, the terms and conditions of the Investment Cooperation Agreement and the transactions contemplated thereunder. The Company intends to seek a written Shareholder's approval from Spring Snow, holding approximately 54.0% of the total issued share capital of the Company as at the date of this announcement, to approve the Proposed Investment, the terms and conditions of the Investment Cooperation Agreement and the transactions contemplated thereunder. The Company will make further announcement(s) in relation to the status of obtaining the aforesaid written Shareholder's approval.

GENERAL

A circular containing, among other things, (i) the major terms of the Investment Cooperation Agreement; (ii) further details of the Target Company; (iii) the financial information of the Target Company; (iv) the unaudited pro forma financial information of the Enlarged Group; and (v) such other information as required under the Listing Rules shall be despatched to the Shareholders within 15 business days after the publication of this announcement (i.e. on or before 15 September 2023).

As completion of the Proposed Investment (including the Proposed Acquisition) is subject to satisfaction of a number of conditions precedent, the Proposed Investment (including the Proposed Acquisition) may or may not proceed. Shareholders and investors should exercise caution when dealing in the Shares.

A. INTRODUCTION

Reference is made to the Company's announcement dated 9 January 2023 in relation to the possible establishment of a joint venture with an independent third party for the construction, development and operation of a coal-fired power plant in Liupanshui City, Guizhou Province.

The Board is pleased to announce that on 25 August 2023 (after trading hours), Jiutai Bangda, an indirect wholly-owned subsidiary of the Company, entered into the Investment Cooperation Agreement with the JV Partner, pursuant to which Jiutai Bangda has conditionally agreed to cooperate with the JV Partner to invest in the Power Generation Project. Details of the Proposed Investment are set out in the section headed "B. The Investment Cooperation Agreement" below.

B. THE INVESTMENT COOPERATION AGREEMENT

On 25 August 2023 (after trading hours), Jiutai Bangda entered into the Investment Cooperation Agreement with the JV Partner, the principal terms of which are set out below:

(a) Date

25 August 2023

(b) Parties

(i) Jiutai Bangda

(ii) JV Partner

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the JV Partner and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

(c) Purpose

Pursuant to the Investment Cooperation Agreement, the parties shall jointly cooperate and invest in the Pannan Low Calorific Value Resources Comprehensive Utilization Power Generation Project* (盤南低熱值煤資源綜合利用發電項目) (the "**Power Generation Project**") through the Target Company.

The Power Generation Project involves the construction, development and operation of a coal-fired power plant comprising two (2) sets of 660MW ultra-supercritical circulating fluidized bed coal-fired generating units in Liupanshui City, Guizhou Province.

(d) Shareholding structure of the Target Company

Pursuant to the Investment Cooperation Agreement, subject to the fulfilment of the conditions precedent set out therein, upon completion of the Proposed Acquisition, the Target Company shall be held as to 49% by Jiutai Bangda and 51% by the JV Partner. The Target Company is expected to be an associate company of the Company and its results and net assets will be accounted for using the equity method in the consolidated financial statements of the Company after completion of the Proposed Acquisition.

(e) Registered capital of the Target Company and total investment by Jiutai Bangda

The total registered capital of the Target Company shall be RMB1,050 million. As at the date of this announcement, the Target Company has a paid up capital of RMB10 million and the JV Partner is the sole shareholder of the Target Company.

(i) ***The Proposed Acquisition***

On 19 July 2023, the JV Partner has entrusted the China Beijing Equity Exchange with the Public Listing Process for the proposed transfer of the Target Interests, representing 49% equity interests in the Target Company as at the date of this announcement. Jiutai Bangda intends to submit a bid for the Target Interests.

Pursuant to the terms and conditions of the Public Listing Process, upon the confirmation of Jiutai Bangda's qualification as an eligible bidder, Jiutai Bangda shall pay a deposit of RMB1.48 million (the "Deposit") to China Beijing Equity Exchange's designated bank account. If Jiutai Bangda is identified as the winning bidder, Jiutai Bangda and the JV Partner will execute an equity transfer agreement and Jiutai Bangda shall pay the Consideration to the designated bank account of the China Beijing Equity Exchange within five (5) business days after the aforesaid equity transfer agreement takes effect. The Deposit previously paid by Jiutai Bangda shall be regarded as part payment of the Consideration. Any sums paid by Jiutai Bangda into the designated bank account of the China Beijing Equity Exchange shall be held in escrow pending completion of the Proposed Acquisition.

As at the date of this announcement, Jiutai Bangda has yet to submit a bid for the Target Interests and it is currently anticipated that the final bidding price to be submitted by Jiutai Bangda in the Public Listing Process shall not be more than RMB4,948,461 (i.e. the Consideration).

(ii) ***The Proposed Capital Commitment***

According to the Investment Cooperation Agreement, each of Jiutai Bangda and the JV Partner shall contribute the remaining registered capital (i.e. RMB1,040 million) in proportion to their equity interests in the Target Company in cash by four (4) instalments as follows:

	Amount to be contributed by Jiutai Bangda <i>RMB'000</i>	Amount to be contributed by the JV Partner <i>RMB'000</i>
By 31 October 2023 (in the case of the JV Partner)/Within five (5) business days after completion of the Proposed Acquisition (in the case of Jiutai Bangda)	93,100	96,900
By 31 March 2024	147,000	153,000
By 30 June 2024	147,000	153,000
By 31 March 2025	122,500	127,500
Total:	509,600	530,400

The Group intends to finance the Consideration and the Capital Commitment partly by internal resources of the Group and partly through borrowings from independent third party(ies).

The Consideration and the Capital Commitment were arrived at after arm's-length negotiations between Jiutai Bangda and the JV Partner and are on normal commercial terms, with reference to, among others, the unaudited net asset value of the Target Company as at 30 June 2023 and the business prospects and feasibility study of the Power Generation Project.

(f) Board of directors of the Target Company

The board of directors of the Target Company shall consist of seven (7) directors, of which the JV Partner has the right to nominate four (4) directors, including the chairman of the board. Jiutai Bangda has the right to nominate two (2) directors and the remaining director shall be an employee director recommended by Jiutai Bangda and elected by the employees' congress of the Target Company.

(g) Supervisory board of the Target Company

The supervisory board of the Target Company shall consist of three (3) supervisors, of which each of the JV Partner and Jiutai Bangda has the right to nominate one (1) supervisor, where Jiutai Bangda's nominated supervisor shall be the chairman of the supervisory board and the remaining employee supervisor to be nominated and elected by the employees' congress of the Target Company.

(h) Senior management of the Target Company

Jiutai Bangda shall have the right to nominate the general manager and deputy manager of the Target Company and other members of the senior management team of the Target Company shall be recommended or nominated by the JV Partner according to the requirements for the allocation of leading cadres of state-owned enterprises.

(i) Coal supply to the Target Company

It is currently intended that the Target Company shall purchase coal from Jiutai Bangda or Guizhou Bangda for its electricity generation operations.

(j) Conditions precedent to the Proposed Acquisition

Completion of the Proposed Acquisition is conditional upon the following conditions precedent having been fulfilled:

- (i) the Company has published the circular in relation to the Proposed Investment in accordance with the Listing Rules;

- (ii) Jiutai Bangda has obtained all necessary approvals in relation to the Proposed Investment, including the approval of the Proposed Investment (i) by the Shareholders at a general meeting in compliance with the requirements of the Listing Rules; or (ii) by the Shareholders (being a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at a general meeting of the Company to approve the Proposed Investment if such general meeting were to be convened) by way of written shareholders' approval in accordance with the requirements of the Listing Rules; and the Company has been in compliance with the Listing Rules and all applicable laws and regulations; and
- (iii) the JV Partner guarantees that the establishment, construction and operation of the Target Company complies with relevant PRC laws and regulations (including but not limited to the relevant regulations on the supervision and management of state-owned assets and ensures that the Target Company obtains all necessary qualifications and certificates which shall continue to be valid, etc.).

The Investment Cooperation Agreement shall be terminated if any of the conditions precedent to the Proposed Acquisition is/are not fulfilled on or before 31 December 2023.

(k) Completion of the Proposed Acquisition

Completion of the Proposed Acquisition shall take place upon the fulfilment of all of the conditions precedent set out in the Investment Cooperation Agreement.

Upon completion of the Proposed Acquisition, the Target Company shall be owned by Jiutai Bangda as to 49% and the JV Partner as to 51%. The Target Company is expected to be an associate company of the Company and its results and net assets will be accounted for using the equity method in the consolidated financial statements of the Company upon completion of the Proposed Acquisition.

(l) Termination

If the Investment Cooperation Agreement is terminated before completion of the Proposed Acquisition or if any of the conditions precedent to the Proposed Acquisition is/are not fulfilled on or before 31 December 2023, the JV Partner and/or the Target Company (where applicable) shall repay Jiutai Bangda any sums paid by Jiutai Bangda to them in connection with the Proposed Investment within five (5) business days from the date of termination.

C. INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC on 1 April 2022. Its business scope includes power generation business, power transmission business, power supply (distribution) business, heat production and supply.

Since the Target Company has not yet started its operations, it has not recorded any revenue or profit since its establishment. Based on the management accounts of the Target Company and the information available to the Company, set out below are the total assets, total liabilities and net assets position of the Target Company as at 31 December 2022 and 30 June 2023:

	As at 31 December 2022 <i>RMB</i>	As at 30 June 2023 <i>RMB</i>
Total assets	20,332,000	95,270,200
Total liabilities	10,332,000	85,270,200
Net assets	10,000,000	10,000,000

D. INFORMATION ON JIUTAI BANGDA AND THE JV PARTNER

Jiutai Bangda is an indirect wholly-owned subsidiary of the Company established in the PRC. It is a principal operating subsidiary of the Company which engages in the exploration and mining of coking coal and coal refinery in the PRC.

The JV Partner is a wholly-owned subsidiary of Power China. Power China is a company listed on the Shanghai Stock Exchange (SSE: 601669) and its controlling shareholder is China Power Construction Corporation Co., Ltd.* (中國電力建設集團有限公司), a state-owned enterprise administered by the State-owned Assets Supervision and Administration Commission. The JV Partner is principally engaged in the production and supply of heat and electricity.

E. REASONS FOR AND BENEFITS OF THE PROPOSED INVESTMENT

The Board considers that the Proposed Investment as contemplated under the Investment Cooperation Agreement provides the Group with the opportunity to diversify its operation in the energy sector.

The proposed coal-fired power plant is located in Liupanshui City, near the Baogushan Coal Mine, Hongguo Coal Mine and Xiejiahegou Coal Mine that are operated by the Group. During the coal mining and washing processes, a large amount of waste rock, middling coal and sludge coal, collectively referred to as low-calorific-value coal, are generated.

The Board considers that the proposed investment in the Power Generation Project will provide a stable and reliable customer base and market for the Group's low-calorific-value coal, as the coal-fired power plant will purchase coal from the Group for electricity generation. This cooperation creates operational synergy, with the power plant benefiting from a steady coal supply and the Group gaining a dedicated customer, optimizing operations and efficiency for both parties. This will also enable the graded utilization of the Group's coal and extend the Group's coal industry value chain.

In addition, the effective utilization of low-calorific-value coal can reduce long-term storage by the Group, which is beneficial for environmental protection in terms of air and soil quality in the mining area.

Besides, as the JV Partner is a state-owned enterprise and experienced in the production and supply of heat and electricity, the Board considers that the cooperation with the JV Partner will allow the Group to gain access to its extensive experience, technical expertise, and resources in the energy sector. This cooperation will facilitate efficient project execution and minimize risks associated with power plant construction.

Based on the above, the Directors consider that the terms of the Proposed Investment are fair and reasonable, and the Proposed Investment is in the interests of the Company and the Shareholders as a whole.

F. LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Proposed Investment (i.e. the aggregate of the Consideration and the Capital Commitment) is more than 25% while all applicable percentage ratios are less than 100%, the Proposed Investment constitutes a major transaction for the Company and is subject to the reporting, announcement and Shareholders' approval requirement under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors, as at the date of this announcement, neither the JV Partner nor any of its associates hold any Shares. As no Shareholder would be required to abstain from voting at the Company's general meeting for the approval of the Proposed Investment, written shareholders' approval will be accepted in lieu of the general meeting on the condition that the accountants' report of the Target Company contains no qualified opinion by the reporting accountants pursuant to Rules 14.44 and 14.86 of the Listing Rules. Otherwise, the Company will convene a general meeting for the Shareholders to consider and, if thought fit, to pass the resolutions to approve the Proposed Investment, the terms and conditions of the Investment Cooperation Agreement and the transactions contemplated thereunder. The Company intends to seek a written Shareholder's approval from Spring Snow, holding approximately 54.0% of the total issued share capital of the Company as at the date of this announcement, to approve the Proposed Investment, the terms and conditions of the Investment Cooperation Agreement and the transactions contemplated thereunder. The Company will make further announcement(s) in relation to the status of obtaining the aforesaid written Shareholder's approval.

G. GENERAL

A circular containing, among other things, (i) the major terms of the Investment Cooperation Agreement; (ii) further details of the Target Company; (iii) the financial information of the Target Company; (iv) the unaudited pro forma financial information of the Enlarged Group; and (v) such other information as required under the Listing Rules shall be despatched to the Shareholders within 15 business days after the publication of this announcement (i.e. on or before 15 September 2023).

As completion of the Proposed Investment (including the Proposed Acquisition) is subject to satisfaction of a number of conditions precedent, the Proposed Investment (including the Proposed Acquisition) may or may not proceed. Shareholders and investors should exercise caution when dealing in the Shares.

H. DEFINITIONS

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

“associate(s)”	has the same meaning as ascribed thereto in the Listing Rules
“Board”	the board of Directors of the Company
“Capital Commitment”	the amount of registered capital to be contributed by Jiutai Bangda to the Target Company, details of which are set out in the section headed “B. The Investment Cooperation Agreement – (e) Registered capital of the Target Company and total investment by Jiutai Bangda” in this announcement
“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 same meaning as ascribed thereto in the Listing Rules
“Consideration”	the consideration for the Proposed Acquisition, which is expected to be no more than RMB4,948,461

“Deposit”	has the meaning as defined in the section headed “B. The Investment Cooperation Agreement – (e) Registered capital of the Target Company and total investment by Jiutai Bangda – (i) The Proposed Acquisition” in this announcement
“Director(s)”	the director(s) of the Company
“Enlarged Group”	the Group upon completion of the Proposed Acquisition
“Group”	the Company and its subsidiaries
“Guizhou Bangda”	Guizhou Bangda Energy Development Co., Ltd.* (貴州邦達能源開發有限公司), a company owned as to 90% and 10% by Mr. Yu Bangping (an executive Director) and Mr. Yu Bangcheng (the brother of Mr. Yu Bangping)
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Investment Cooperation Agreement”	the investment cooperation agreement dated 25 August 2023 and entered into between Jiutai Bangda and the JV Partner, details of which are set out in the section headed “B. The Investment Cooperation Agreement” in this announcement
“Jiutai Bangda”	Guizhou Jiutai Bangda Energy Development Co., Ltd.* (貴州久泰邦達能源開發有限公司), a company established in the PRC with limited liability and is a wholly-owned subsidiary of the Company
“JV Partner”	PowerChina Power Investment Corporation* (中電建電力投資集團有限公司), a company established in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Power China”	Power Construction Corporation of China Ltd.* (中國電力建設集團(股份)有限公司), a company established in the PRC and listed on the Shanghai Stock Exchange (SSE: 601669)

“Power Generation Project”	has the meaning as defined in the section headed “B. The Investment Cooperation Agreement – (c) Purpose” in this announcement
“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
“Proposed Acquisition”	the proposed acquisition of the Target Interests by Jiutai Bangda from the JV Partner
“Proposed Investment”	the proposed investment in the Power Generation Project by Jiutai Bangda pursuant to the terms of the Investment Cooperation Agreement, which includes the Proposed Acquisition and the proposed injection of the Capital Commitment by Jiutai Bangda into the Target Company
“Public Listing Process”	the process for the proposed sale of the Target Interests by the JV Partner at the China Beijing Equity Exchange
“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, the controlling shareholder (as defined in the Listing Rules) of the Company which directly holds 864,000,000 Shares, representing approximately 54.0% 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
“Target Company”	PowerChina Panzhou Low Calorific Value Coal Power Generation Co., Ltd.* (中電建盤州低熱值煤發電有限公司), a company established in the PRC with limited liability and is a wholly-owned subsidiary of the JV Partner as at the date of this announcement

“Target Interests” 49% equity interests in the Target Company which are currently held by the JV Partner as at the date of this announcement

“%” 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, 25 August 2023

As at the date of this announcement, the executive Directors are Mr. Yu Bangping, Mr. Yu Zhilong, Mr. Wang Shize, Mr. Li Xuezhong, Mr. Lau Kai Ming 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.