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## **PERFECTECH INTERNATIONAL HOLDINGS LIMITED**

**威發國際集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00765)**

### **INSIDE INFORMATION IN RELATION TO FRAMEWORK SALE AND PURCHASE AGREEMENT**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

#### **FRAMEWORK SALE AND PURCHASE AGREEMENT**

The Board of the Company is pleased to announce that on 15 August 2019 (after trading hours), the Company entered into the Framework Sale and Purchase Agreement with SSNP, pursuant to which SSNP has conditionally agreed to sell and transfer to the Company, and the Company has conditionally agreed to buy and accept from SSNP, the Target Interests. The Consideration shall be paid by the Company to SSNP (or its designated party) through a combination of cash, the allotment and issue of new Shares of the Company and/or other forms of securities issued by the Company at a price to be agreed upon by the Parties.

Completion of the Acquisition is subject to the Conditions Precedent being fulfilled and/or waived (if applicable) by the relevant parties.

\* *For identification purpose only*

## **GENERAL**

**The Board wishes to emphasize that the material terms of the Acquisition are yet to be agreed and are subject to the execution of the final definitive agreement. As such, the entering into of the Framework Sale and Purchase Agreement does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.**

**The Acquisition, if materialized, may constitute a very substantial acquisition for the Company under the Listing Rules. The Company will perform an assessment as to whether the Acquisition will constitute a reverse takeover for the Company under the Listing Rules. Further announcement(s) will be made by the Company as and when appropriate in compliance with the Listing Rules.**

**Shareholders and potential investors of the Company should note that the Acquisition may or may not proceed or materialize. Shareholders and potential investors of the Company should exercise caution when dealing in the shares or other securities of the Company.**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Reference is made to the announcement of the Company dated 25 April 2019 in relation to entering into a memorandum of understanding with Hong Kong Sino-Science International Oil & Gas Investment Group Company Limited.

The Board of the Company is pleased to announce that on 15 August 2019 (after trading hours), the Company entered into the Framework Sale and Purchase Agreement with SSNP, pursuant to which SSNP has conditionally agreed to sell and transfer to the Company, and the Company has conditionally agreed to buy and accept from SSNP, the Target Interests.

## **THE FRAMEWORK SALE AND PURCHASE AGREEMENT**

The principal terms of the Framework Sale and Purchase Agreement are summarized as follows:

### **Date**

15 August 2019

## **Parties**

- (1) the Company; and
- (2) SSNP.

(Each a “**Party**”, and together the “**Parties**”)

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, SSNP and its ultimate beneficial owners are Independent Third Parties.

## **Assets to be acquired**

Subject to the fulfillment and/or waiver (if applicable) of the Conditions Precedent, SSNP has conditionally agreed to sell and transfer the Target Interests, and the Company has conditionally agreed to buy and accept the Target Interests, free from any Encumbrances, together with all associated rights attaching or accruing to such Target Interests, and all dividends and distributions of the Target declared, made or paid on or after the Completion Date.

## **Consideration**

Pursuant to the Framework Sale and Purchase Agreement, the Consideration shall be calculated in accordance with the following formula:

$$[A + /-B] \times C$$

where:

- A = assessed value stated in the final GCA Report (provided based on the value of the natural gas reserve of the Target), subject to reasonable adjustments (if any) after the Parties having considered the reserve increase prospect of the Project and the development progress of the Project as at the signing of the Final Definitive Agreement;
- B = net asset value of the Target stated in the Final Completion Account (which shall exclude the Exploration and Evaluation Assets of the Target) as at a base date to be agreed by the Parties (such base date shall be no earlier than six months before the Completion Date), provided that the financial condition of the Target has not deviated significantly between the base date and the Completion Date; and
- C = final percentage of Target Interests agreed by the Parties.

Pursuant to the Framework Sale and Purchase Agreement, the Consideration shall be paid by the Company to SSNP (or its designated party) through a combination of cash, the allotment and issue of new Shares of the Company and/or other forms of debt or equity securities to be issued by the Company at a price to be agreed upon by the Parties.

### **Conditions Precedent**

Pursuant to the Framework Sale and Purchase Agreement, completion of the Acquisition is conditional upon the fulfilment and/or waiver (if applicable) of the following Conditions Precedent:

- (a) execution of the Final Definitive Agreement;
- (b) the direct or indirect Encumbrances (if any) on the Target Interests having been duly and fully discharged by SSNP;
- (c) SSNP and the Company having completed all the necessary procedures, such as notification and filing, and obtained all the necessary permits, approvals or waivers in accordance with the applicable laws, regulations, other regulatory rules, listing rules of applicable stock exchange, articles of association, agreements or arrangements, including but without limitation to permits, approvals or waivers from governmental authority and applicable stock exchange, general meeting, board of directors and other third parties, and such permits, approvals and waivers shall be unconditional and irrevocable (if conditional, such conditions shall be reasonable and achievable within SSNP and/or the Company's control);
- (d) the Target having completed the conversion of the Exploration Contract into the Exploration and Production Contract, declaring commercial discovery and obtaining approval of reserve from the Kazakhstan Reserve Committee and having obtained all permits or approvals to enter into the production preparatory stage (if any), and the Target having been permitted to enter into the production preparatory stage;
- (e) the Target having completed its restructuring in accordance with the proposal mutually agreed by the Parties;
- (f) the Parties and the Target having reached agreement on and duly signed the shareholders' agreement in respect of the Target's corporate governance and operation management on the Completion Date;
- (g) the Acquisition having fulfilled the conditions for the exemption of capital gains tax in Kazakhstan;
- (h) the Target having obtained the consent from the MoE to disclose confidential information to third parties under the Exploration Contract;

- (i) SSNP and the Target having fully cooperated with the Company and the Company's representatives (including the Company's management, employee, agent, professional advisers, etc.) in their legal, financial and technical due diligences to the satisfaction of the Company;
- (j) SSNP's warranties stated in the Final Definitive Agreement remaining true, accurate, complete and not-misleading in all aspects;
- (k) SSNP having performed certain pre-Completion obligations as provided in the Framework Sale and Purchase Agreement;
- (l) the Company having obtained the MoE's approval for the Company to acquire the Target Interests (if applicable);
- (m) the Company having obtained the anti-monopoly consent from the relevant authority in Kazakhstan or the letter issued by such authority confirming no anti-monopoly consent is required;
- (n) the Company having secured sufficient funds and/or capital commitments to enable the Target to implement the first phase of development plan towards a target annual production volume of 6 billion cubic meters as assessed in the GCA Report; and
- (o) there having been no change, event or circumstance which have created or may create Material Adverse Effect to the Target or the Acquisition.

Save and except for conditions (i) to (k), no other Conditions Precedent can be waived by any Party at any time prior to the Long Stop Date.

Pursuant to the Framework Sale and Purchase Agreement, the Parties shall use their best endeavours to procure the signing of the Final Definitive Agreement and the fulfillment and/or waiver (if applicable) of the Conditions Precedent on or before the Long Stop Date, or such date as mutually agreed by the Parties in writing.

### **Termination**

SSNP shall notify the Company of any change of the direct or indirect shareholding structure of SSNP and/or the Target at least 7 working days in advance. If there is any change of the ultimate controlling shareholder(s) of the Target, the Company shall have the right to terminate the Framework Sale and Purchase Agreement.

Notwithstanding the above, the Framework Sale and Purchase Agreement can be terminated by mutual consent of the Parties. In the occurrence of any of the following events, the Framework Sale and Purchase Agreement can also be terminated by either Party (being the non-defaulting party) serving the other Party (being the defaulting party) a written notice before Completion:

- (1) a Party commits a breach of any of the material terms of the Framework Sale and Purchase Agreement and such breach is not remedied satisfactorily by the Party in breach within thirty days of a notice so to remedy;
- (2) any of the Conditions Precedent set out above shall not have been fulfilled and/or waived before the Long Stop Date, or such other date as may be agreed by the Parties in writing; and
- (3) the Framework Sale and Purchase Agreement cannot proceed to Completion due to fault of a Party.

In the event the Framework Sale and Purchase Agreement is terminated for any reason whatsoever, all the rights and obligations of the Parties shall cease to have any effect immediately.

### **Completion**

Completion shall take place on the Completion Date after fulfillment and/or waiver (if applicable) of the Conditions Precedent (or at such other place and time as shall be mutually agreed in writing by the Parties).

Upon Completion, the Company will be interested in more than 50% of the Target's total participating interests or shares (depending on the corporate form of the Target) and the Target will be accounted for as a subsidiary of the Company and its financial results will be consolidated in the accounts of the Group.

The legal and beneficial ownership of the Target Interests together with all rights and risks attached to them shall remain with SSNP before the Completion Date and pass to the Company on the Completion Date.

### **INFORMATION OF THE TARGET**

The Target is a limited liability partnership incorporated under the laws of Kazakhstan. It is principally engaged in the exploration of oil and natural gas in South-Kazakhstan and Kyzylorda region and the petroleum assets are located in the Marsel Block in the Chu-Sarysu Basin of Kazakhstan which is currently under appraisal. The Project is operated by the Target and the Target is holding a 100% working interest in the Marsel Block. As at the date of this announcement, the participating interests of the Target are directly held as to 90% by SSNP.

The Marsel Block extends over 18,721 square kilometers and is still under appraisal although some limited development has been undertaken. Some 2D and 3D seismic has been shot and in total about 60 wells have been drilled. The full development of the Marsel Block gas accumulations by the Target is planned in several phases with the ultimate goal of achieving a peak annual production capacity of 50 billion cubic meters. Currently, the Target is under the first phase of development plan towards a target annual production volume of 6 billion cubic meters.

## **INFORMATION OF SSNP**

SSNP is a company incorporated under the laws of Netherlands whose registration number with the Amsterdam Chamber of Commerce is 57402418. SSNP is principally engaged in investment holding.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

As international oil prices have bounced back to a higher price range, major economies have initiated the acceleration of a new round of energy transformation featuring green development. Natural gas, being an important type of clean energy, has been widely recognized for its low carbon effect and high efficiency, safety and reliability.

Driven by factors such as stable economic growth and increasing prevention and control of atmospheric pollution, the natural gas market in the PRC has shown a positive growth in both supply and demand. According to the 2018 Natural Gas Development Report of the PRC, the PRC has seen a 14.8% year-on-year increase in its natural gas consumption and a 7.2% increase in growth rate in 2017 compared with 2016. Further, after taking into account that in 2017 the PRC's natural gas import volume increased by 26.9% compared to 2016, and the PRC's natural gas import ratio increased to 45.3% in 2018, the Board is of the view that at the current stage, the Company can make use of the business opportunities brought by the growing natural gas demand in the PRC by making strategic investments in the upstream natural gas resources industry in the neighboring countries of the PRC.

According to the 2018 Natural Gas Development Report of the PRC, in 2017, 44.4% of natural gas import volume in the PRC came from imported pipeline gas, with the main source of pipeline gas located in Central Asia. As such, the Board believes that Kazakhstan would be an ideal investment destination, after considering factors such as its oil and gas reserves, geopolitics and pipeline infrastructures.

Based on a preliminary technical, financial and legal due diligence, and having performed a comprehensive analysis of geology, reservoir and economics of the Project, it is indicated that (i) the gas assets of the Target, which are currently under the first phase of development plan towards a target annual production volume of 6 billion cubic meters, are economically and strategically attractive; (ii) the Project presents good prospect of further reserve and production expansion, which the Company would cooperate with the Target and the Company's professional advisors to further evaluate; (iii) the Acquisition



would make the Company a key player in the upstream natural gas industry in Kazakhstan, and allow the Company to possess premium assets which could potentially impact the natural gas strategy of the PRC, and (iv) the Project could be used as a platform to continuously broaden the global footprint of the Company in the natural gas industry.

As mentioned in the annual report of the Company for the year ended 31 December 2018, it is the intention of the Group to actively identify good merger and acquisition opportunities in order to acquire new business or assets that will bring additional value and new income streams to the Group. Leveraging on the extensive experience in the areas of oil and natural gas industry, corporate management, the Board believes that the Acquisition will help the Company navigate its business focus towards natural gas and clean energy to meet the growing natural gas demand in the PRC, and create long-term returns for the Shareholders with enhanced values.

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## **DEFINITIONS**

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

“Acquisition”	the proposed acquisition of the Target Interests pursuant to the Framework Sale and Purchase Agreement
“Board”	the board of Directors
“Company”	Perfectech International Holdings Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board of the Stock Exchange (Stock code: 765)



“Completion”	completion of the Acquisition
“Completion Date”	a date to be further agreed by the Company and SSNP in a supplemental agreement to the Framework Sale and Purchase Agreement after fulfilling and/or waiving (if applicable) their respective Conditions Precedent
“Conditions Precedent”	condition(s) precedent to Completion as provided under the Framework Sale and Purchase Agreement
“Consideration”	the consideration payable by the Company to SSNP for the Acquisition
“Directors”	the directors of the Company
“Encumbrances”	any mortgage, charge, pledge, lien, right of first refusal, option, right of pre-emption, detention, forfeiture or any other type of right in favour of a third party
“Exploration and Evaluation Assets”	the exploration and evaluation assets of the Target as determined in the final balance sheet of the Target
“Exploration Area”	the Marsel Block with an area of 18,720.9 square kilometers in the Chu-Sarysu Basin of Kazakhstan
“Exploration Contract”	the exploration contract dated 27 July, 2007 entered into between the Target and the MoE in relation to, among other things, the granting of subsoil use rights
“Exploration and Production Contract”	an exploration and production contract to be entered into between the Target and the MoE in respect of the Exploration Area pursuant to the Subsurface Use Code of Kazakhstan
“Final Completion Account”	the final balance sheet of the Target as at the base date
“Final Definitive Agreement”	the final definitive agreements giving effect to the transactions contemplated under the Framework Sale and Purchase Agreement and reflecting the key terms under the Framework Sale and Purchase Agreement
“Framework Sale and Purchase Agreement”	the framework sale and purchase agreement dated 15 August 2019 entered into between the Company and SSNP in relation to, among other things, the sale and purchase of the Target Interests

“GCA Report”	the reserve assessment report issued by Gaffney, Cline & Associates in respect of phase one of the development plan of the Exploration Area as at a date no earlier than six months before the Completion Date
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) who or company(ies) together with its/their ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are third party(ies) independent of the Company and its connected person(s) in accordance with the Listing Rules
“Kazakhstan”	Republic of Kazakhstan
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or as otherwise modified from time to time
“Long Stop Date”	one year from the date of signing of the Framework Sale and Purchase Agreement (being 14 August 2020) or such later date as the Parties may agree in writing
“Material Adverse Effect”	any effect, change, event or situation which (i) may prevent or materially delay, disturb, interfere or impede the completion of the Acquisition or SSNP or the Target from observance of their obligations under the Framework Sale and Purchase Agreement, or (ii) may materially and adversely affect the Target’s assets, business, operational or financial conditions, and the aforesaid effect, change, event or situation (including any deviations from the assumptions upon which the GCA Report is based on) is in the Company’s opinion making it not feasible or wise for the Company to continue with the Acquisition in accordance with the terms and conditions of the Framework Sale and Purchase Agreement, and all the documents required to be signed, delivered or performed pursuant to the Framework Sale and Purchase Agreement
“MoE”	the Ministry of Energy of Kazakhstan
“PRC”	People’s Republic of China and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Project”	the exploration and/or development project conducted in the Exploration Area by the Target
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SSNP”	Sino-Science Netherlands Petroleum B.V., a company incorporated under the laws of Netherlands
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Sozak Oil and Gas LLP, a limited liability partnership incorporated under the laws of Kazakhstan
“Target Interests”	more than 50% of the Target’s total participating interests or shares (depending on the corporate form of the Target)
“%”	per cent.

By Order of the Board  
**Perfectech International Holdings Limited**  
**Gao Xiaorui**  
*Chairman*

Hong Kong, 15 August 2019

*As at the date of this announcement, the Board is composed of Mr. Li Shaohua and Mr. Poon Wai Yip, Albert as executive Directors, Mr. Gao Xiaorui as non-executive Director and Mr. Lam Tak Leung, Mr. Lau Shu Yan and Mr. Xie Xiaohong as independent non-executive Directors.*

\* *For identification purpose only*