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## **Golden Century International Holdings Group Limited**

**金禧國際控股集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 91)

**(1) DISCLOSEABLE TRANSACTION IN RELATION TO  
THE DEEMED DISPOSAL IN CONNECTION WITH  
A PARTIAL RETURN OF THE CONTRACTED COALBED METHANE  
EXPLORATION AREA  
AND  
(2) FURTHER UPDATE ON THE COALBED METHANE BUSINESS**

**Financial Adviser to the Company**



**Diligent Capital Limited**

### **1. THE DEEMED DISPOSAL**

The Board is pleased to announce that, on 3 January 2023 (after trading hours), Can-Elite, being an indirect wholly-owned subsidiary of the Company, entered into the Agreement with China United, pursuant to which each of Can-Elite and China United agreed to release the obligations and liabilities of Can-Elite in Area B under the Production Sharing Contract after all necessary arrangements have been performed and accepted by China United at no consideration.

After the Agreement becoming effective, the Group will no longer hold any interest in Area B and the relevant carrying amount of the non-current assets will be written off.

### **Implications under the Listing Rules**

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Deemed Disposal are more than 5% but all applicable percentage ratios are less than 25%, the Deemed Disposal constitutes a discloseable transaction of the Company and is therefore subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

### **2. FURTHER UPDATE ON THE COALBED METHANE BUSINESS**

The Board would like to further inform the Shareholders that Can-Elite has entered into the Sixth Modification Agreement with China United to modify certain terms of the Production Sharing Contract.

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

### **1. THE DEEMED DISPOSAL**

The Board is pleased to announce that on 3 January 2023 (after trading hours), Can-Elite, being an indirect wholly-owned subsidiary of the Company, entered into the Agreement with China United.

#### **The Agreement**

Principal terms of the Agreement are set out below.

Date: 3 January 2023

Parties: (i) Can-Elite; and

(ii) China United.

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

### *Subject matters*

Pursuant to the terms and conditions of the Agreement, each of Can-Elite and China United agreed to release the obligations and liabilities of Can-Elite in Area B under the Production Sharing Contract after all necessary arrangements have been performed and accepted by China United at no consideration. Set out below is the summary of the arrangements mutually agreed between Can-Elite and China United under the Agreement:

- (i) there are currently a total of twenty-six (26) wells in Area B, twelve (12) of which will be available for disposal and land restoration activities (the “**Disposal Wells**”), while the remaining fourteen (14) wells will be handed over to China United (the “**Handover Wells**”) for management;
- (ii) Can-Elite shall adopt appropriate permanent measures to close the Disposal Wells and carry out all necessary land restoration activities in Area B in compliance with applicable environmental protection regulations within 60 days after the date of the Agreement;
- (iii) the parties to the Agreement shall establish working team after the date of the Agreement to discuss on, among others, certain matters relating to the Handover Wells; and
- (iv) Can-Elite shall submit to China United all documents related to Area B, including but not limited to mining data, records, samples, vouchers and other original materials, within 30 business days after the date of the Agreement.

After the afore-mentioned agreed arrangements have been performed by Can-Elite and accepted by China United, all obligations and liabilities of Can-Elite in Area B under the Production Sharing Contract shall be released.

### **Information of China United**

China United is a company incorporated in the PRC with limited liability. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, China United is a state-owned company which is wholly-owned by China National Offshore Oil Corporation.

### **Information of Can-Elite**

Can-Elite is a company incorporated under the laws of British Columbia, Canada with limited liability and as at the date of this announcement, the entire issued share capital of which is wholly-owned by Powerful Sky, an indirect wholly-owned subsidiary of the Company.

The principal activities of Can-Elite are, among others, exploration, development and production CBM in Anhui Province of the PRC. Under the Production Sharing Contract, Can-Elite and China United agreed to jointly exploit the CBM resources in the Contract Area, which is divided into Area A and Area B. Whilst the development of the Contract Area can be divided into three phases, being the exploration period, the development period and the production period, during the year 2022, the CBM operation remained in the exploration stage.

### **Reasons for and benefits of entering into the Agreement**

During the year 2022, the Group has been evaluating its business needs and financial position and has considered the followings before entering into the Agreement:

- (a) **Better utilisation of the resources for the Group's long-term development.** As set out in the Company's annual report for the year ended 31 December 2021, the Group has overcome certain obstacles and engaged an external professional firm in assisting with the preparation of the ODP report which has been under progress according to the established timetable. In light of the existing development progress, the Board is of the view that the development of Area A is a step closer to achieving commercialisation of the CBM fields.

Conversely, the Company faced various financial and operational uncertainties in the exploration of Area B. Based on the latest development progress, it is estimated that the Group will need to incur additional capital expenditure of at least RMB95 million for the preparation works of Area B, which is expected to take three to five years to complete. Therefore, the Directors believe that it is commercially reasonable to retain and utilise such significant financial resources for the Group's ongoing business development and other business opportunities for better prospect, which also enable the Group to enhance its focus on the development of Area A and is in line with the Group's business strategy;

- (b) **Uncertainties in development of Area B.** From a technical perspective, the geographical situation of Area B is far more complicated than Area A which would significantly increase the difficulties in completing the necessary preparation works. Also, during the year 2022, the Company has explored alternative fund-raising plans for development of Area B in order to satisfy the abovementioned capital expenditure needs, which has been unsuccessful. Therefore, if the Company options to continue with the original development plan, it has to rely on its own resources notwithstanding that the future financial return to the Group that may be generated from Area B is uncertain; and
- (c) **Minimise financial risk to the Group.** Notwithstanding the potential loss of assets arising from the Agreement as detailed in the section below, the Board considered

that such loss is one-off in nature and would not have any material adverse impact to the Group's operation as a whole. On the contrary, if the Group devotes significant resources, including both financial and manpower, in the coming years, it may divert the Group's management and business development.

Taking into account the above factors, the Directors are of the view that the entering into the Agreement represents a good opportunity for the Group to re-strategise its CBM business and better utilise the resources for its long-term development. In light of this, the Directors considered that the entering into of the Agreement is in the interest of the Company and the Shareholders as a whole.

### **Financial effects of the entering into the Agreement**

After the Agreement becoming effective, the Group will no longer hold any interest in Area B. As at 30 June 2022, the unaudited carrying amount of the non-current assets (including the construction in progress, property, plant and equipment and intangible assets) for Area B amounted to approximately HK\$56,234,000. It is expected that upon the Agreement becoming effective, the said carrying amount of the non-current assets will be written off as a one-off loss to the Group for the financial year ended 31 December 2022.

The abovementioned financial effects are shown for illustrative purpose only and the actual loss eventually to be recognised in the consolidated financial statements of the Company, depends on, among other things, the review by the auditor of the Company, upon finalisation of the consolidated financial statements of the Group.

### **Implications under the Listing Rules**

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Deemed Disposal are more than 5% but all applicable percentage ratios are less than 25%, the Deemed Disposal constitutes a discloseable transaction of the Company and is therefore subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **2. FURTHER UPDATE ON THE CBM BUSINESS**

The Board would like to further inform the Shareholders that on 3 January 2023, Can-Elite entered into the Sixth Modification Agreement with China United.

Pursuant to the Sixth Modification Agreement, Can-Elite and China United has agreed, among others, the following principal modifications to the Production Sharing Contract:

- (i) the exploration period of Area A has been further extended to 31 March 2024;

- (ii) the outstanding exploration works commitment of Can-Elite in Area B, which is the completion of three (3) vertical wells during the exploration period, shall be novated to that of Area A; and
- (iii) in order to complete the above exploration works for preparation of the ODP, Can-Elite is required to utilise a minimum of RMB8,000,000 equivalent in US dollars per year towards Area A as the expected minimum exploration expenditure amount.

### **Reasons for entering into the Six Modification Agreement**

Can-Elite and China United entered into the Sixth Modification Agreement as both parties acknowledged the Agreement. Further, as Area A and Area B are currently in different stages of exploration, the entering into of the Sixth Modification Agreement will be conducive to clarify the responsibilities and obligations of Can-Elite in relation to the development of Area A after the effective of the Agreement within the extended exploration period.

The Directors are of the view that the entering into of the Sixth Modification Agreement has no substantial impact on the rights and interests of Can-Elite under the Production Sharing Contract. The Directors believe that the Sixth Modification Agreement is a further step forward for the cooperation between Can-Elite and China United and would bring mutual benefits through cooperation under the Production Sharing Contract.

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

### **DEFINITIONS**

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

“Agreement”	the agreement dated 3 January 2023 entered into between Can-Elite and China United in relation to the Deemed Disposal
“Area A”	part of Luling Block that has its proven reserves submitted and is part of the Contract Area
“Area B”	part of Su’nan Block with proven reserves yet to be submitted and is part of the Contract Area
“Board”	the board of Directors
“Can-Elite”	Canada Can-Elite Energy Ltd., a company incorporated in Canada and is a wholly-owned subsidiary of Powerful Sky
“CBM”	Coalbed Methane

“China United”	中聯煤層氣有限責任公司 (China United Coalbed Methane Corporation Limited), a company incorporated in the PRC
“Company”	Golden Century International Holdings Group Limited (金禧國際控股集團有限公司), a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 0091)
“Contract Area”	a total exploration area located in Sunan area, Anhui province in the PRC under the Production Sharing Contract
“Deemed Disposal”	the release of obligations and liabilities of Can-Elite in Area B pursuant to the terms of the Agreement
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s) or entity(ies) who is/are third party(ies) independent of and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“ODP”	an overall development plan to be developed by Can-Elite for the development of a coalbed methane field or part of a coalbed methane field (phased development) which shall be reviewed and adopted by joint management committee, confirmed by China United, and approved by the relevant government authorities. The plan shall include, but not limited to, recoverable reserves, a planned drilled well after the date of approval of the ODP, master design, production profile, economic analysis and time schedule
“Powerful Sky”	Powerful Sky Investments Limited, a company incorporated in the British Virgin Islands, which is wholly-owned by Merit First Investments Limited, an indirect wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China

“Production Sharing Contract”	中國安徽省宿南地區煤層氣資源開採產品分成合同 (Production Sharing Contract for Exploitation of Coalbed Methane Resources in Sunan Area in Anhui province in the PRC) entered into between China United and Can-Elite on 9 November 2007 (as modified, amended and/or supplemented from time to time)
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sixth Modification Agreement”	the six modification agreement dated 3 January 2023 entered into between Can-Elite and China United to modify certain terms of the Production Sharing Contract
“State Council”	State Council of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US dollars”	US dollar(s), the lawful currency of the United States of America
“%”	per cent

By order of the Board  
**Golden Century International Holdings Group Limited**  
**Shao Yanxia**  
*Executive Director*

Hong Kong, 3 January 2023

*As at the date of this announcement, the executive Director is Ms. Shao Yanxia, and the independent non-executive Directors are Mr. Lai Kin Keung, Mr. Yeung Chi Wai and Mr. Wong Man Hung Patrick.*