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## **KING STONE ENERGY GROUP LIMITED**

**金山能源集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 00663)**

### **SUPPLEMENTAL ANNOUNCEMENT ON DISCLOSEABLE TRANSACTION REGARDING THE DISPOSAL OF THE SOLAR PHOTOVOLTAIC SYSTEMS**

Reference is made to the announcement of King Stone Energy Group Limited (the “**Company**”) dated 30 August 2021 in relation to disposal of the solar photovoltaic systems (the “**Announcement**”). Unless otherwise defined herein, capitalised terms used in this supplemental announcement shall have the same meanings as those defined in the Announcement.

This announcement is made to provide supplemental information in relation to the disposal of the solar photovoltaic systems.

#### **(1) Basis of consideration**

The prevailing market prices of solar photovoltaic systems, which were ranged from HK\$16 to HK\$20 per W multiplied by the kW of the PV Capacity of the individual solar photovoltaic system, were made with reference to (i) the quotations received from potential sellers for similar solar photovoltaic systems; and (ii) the recent transaction conducted by the Group in June 2021 as disclosed in the announcement of the Company dated 28 June 2021 (“**June 2021 Announcement**”) based on the internal research of the Group.

Pursuant to the Agreement, installation costs for the individual solar photovoltaic system of the Existing/Ongoing Projects were/will be borne by the Group, include but not limited to material cost, structural support, installation of solar photovoltaic modules, associated electrical installation and testing and commissioning.

## **(2) Further obligations of the Vendor**

- (a) The Vendor is familiar with the operation of solar photovoltaic systems with expertise in the development, installation, operation, repair and maintenance and technical advisory services of solar photovoltaic systems. After arm's length negotiation between the parties to the Agreement, the Vendor will continue to provide operation and maintenance services after disposal of the individual solar photovoltaic system to the Purchaser pursuant to the terms of the Agreement, which is considered to be the most cost effective to both the Vendor and the Purchaser.

The monthly fee rate to be charged by the Vendor for the operation and maintenance services was determined at arm's length negotiation between the parties to the Agreement with reference to (i) the labour costs and overhead costs; (ii) number of the work orders; and (iii) number of staff required, which the Board is of the view that such monthly fee rate is fair and reasonable.

- (b) The specific obligations to be performed by the Vendor pursuant to the Profit-sharing Agreements for each individual solar photovoltaic system assigned to the Purchaser pursuant to the terms of the Agreement are as follows:
- the Vendor shall construct and install the solar photovoltaic system in compliance with the relevant laws, legislations and regulations of Hong Kong;
  - the Vendor shall make such application to the government or other relevant department as required to obtain the necessary approval or consent or licence and/or permission to construct the solar photovoltaic system, if applicable;
  - the Vendor shall pay for all costs of constructing, installing and operating the solar photovoltaic system at or above the property;
  - the Vendor shall keep the solar photovoltaic system in good repair and shall pay all costs of maintaining and repairing the solar photovoltaic system; and
  - the Vendor shall dismantle and remove the solar photovoltaic system upon expiry of the term of respective profit-sharing agreement.

(c) Pursuant to the terms of the Agreement, the Vendor will procure the landlord/incorporated owner of all Profit-sharing Agreements (whether for Existing Projects or Ongoing Projects) to enter into a new Profit-sharing Agreement with the Purchaser and the Vendor (as provider of operation and maintenance service), and to request the Vendor to transfer its account under the FiT Scheme of CLP to the Purchaser. The Vendor preliminary estimates to complete by end of this year. Nevertheless, the actual completion time for each projects is subject to the negotiation with each landlord/incorporated owner, internal discussion among each landlord/incorporated owner, administrative processing time for each landlord/incorporated owner, and application processing time by CLP for each project. To the best knowledge of the Directors, there will not be any liability or penalty on the Vendor for doing so.

### **(3) Reasons for and benefits of the Disposal**

The Board wishes to clarify that, with reference to the June 2021 Announcement, the Board considers that the Vendor has great development potential in the solar power generation sector in Hong Kong and will synergise with the Group's existing and upcoming solar power generation projects in Hong Kong and the PRC; while in the Announcement, which stated that the Disposal provides the Group with an opportunity to realise part of the projects of the Vendor and recognise a gain within a short period of time. There is no contradiction between the Disposal and the Board's view on the Target's development potential in the solar power generation sector in Hong Kong.

Subsequent to the Disposal, the Group continues to (i) operate and develop the remaining solar photovoltaic systems and pipelines projects of the Vendor not sold to the Purchaser under the Disposal for FiT Income; (ii) part of the proceeds to be received from the Disposal allows the Group to re-invest in other solar photovoltaic projects in Hong Kong through the Vendor. The Vendor is still in the process of negotiating with other potential landlords/incorporated owners who are interested in sharing of FiT Income from CLP on energy generated from solar photovoltaic systems to increase the Vendor's market share in the solar energy market in Hong Kong; and (iii) the Vendor will be able to generate an additional income source, O&M Income, after the Disposal which will provide stable income stream to the Vendor.

Nevertheless, having considered (i) the Disposal will record an investment gain to the Group in a short period of time; (ii) part of the proceeds to be received from the Disposal allows the Group to re-invest in other solar photovoltaic projects in Hong Kong through the Vendor as stated above for FiT Income and/or O&M Income; and (iii) the Group can also seek suitable investment opportunities in solar energy sector in Hong Kong, the PRC and Japan, the Directors are of the view that the Disposal is in the interests of the Company and its shareholders as a whole.

**(4) Others**

To the best of the directors' knowledge, information and belief, having made all reasonable enquiry, there is, and in the past twelve months, there has been, no material loan arrangement between (i) the Purchaser, its directors and legal representatives and any ultimate beneficial owner(s) of the Purchaser who can exert influence on the Disposal; and (ii) the Company and its connected person.

The supplementary information provided in this announcement does not affect other information contained in Announcement. Save as disclosed above, all other information in the Announcement remains unchanged.

By order of the Board  
**King Stone Energy Group Limited**  
**Xu Zhuliang**  
*Chairman*

Hong Kong, 14 September 2021

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Xu Zhuliang, Mr. Zong Hao and Ms. He Qing, and the three independent non-executive Directors, namely Mr. Chiu Sui Keung, Mr. Lee Ping and Mr. Lee Kwok Wan.*