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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)

DISCLOSEABLE TRANSACTION FORMATION OF JOINT VENTURE COMPANY

The Board is pleased to announce that on 4 April 2022, Zhuhai Jinwei Environmental Protection Technology Co., Ltd* (珠海金維環保科技有限公司), a wholly-owned subsidiary of the Company, entered into the JV Agreement with Yipai Hydrogen Energy Technology (Shanghai) Co., Ltd* (一派氫能科技(上海)有限公司), pursuant to which the parties thereto agreed to establish the JV Company for the purpose of engaging in, amongst other things, (i) the research and development of hydrogen fuel cell and key components; (ii) the research and development, manufacturing and sales of hydrogen fuel cell heavy trucks; (iii) the operation of hydrogen fuel cell heavy trucks; and (iv) the operation of hydrogen refueling station in Ordos City, Inner Mongolia, the PRC.

Zhuhai Jinwei and Yipai Hydrogen Energy will each contribute RMB50 million (equivalent to HK\$60 million) to the JV Company for 50% equity interest in the JV Company. Upon the establishment of the JV Company, the JV Company shall be owned as to 50% by Zhuhai Jinwei and 50% by Yipai Hydrogen Energy.

As one or more applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules in respect of the formation of the JV Company contemplated under the JV Agreement exceeds 5% but less than 25%, the entering into of the JV Agreement constitutes a disclosable transaction of the Company and is subject to the reporting and announcement requirements but are exempt from shareholders' approval requirements under Chapter 14 of the Listing Rules.

Reference is made to the Company's announcement dated 15 March 2022 in relation to the Strategic Cooperation.

The Board is pleased to announce that on 4 April 2022, Zhuhai Jinwei Environmental Protection Technology Co., Ltd* (珠海金維環保科技有限公司), a wholly-owned subsidiary of the Company, entered into the JV Agreement with Yipai Hydrogen Energy Technology (Shanghai) Co., Ltd* (一派氫能科技(上海)有限公司), pursuant to which the parties thereto agreed to establish the JV Company for the purpose of engaging in, amongst other things, (i) the research and development of hydrogen fuel cell and key components; (ii) the research and development, manufacturing and sales of hydrogen fuel cell heavy trucks; (iii) the operation of hydrogen fuel cell heavy trucks; and (iv) the operation of hydrogen refueling station in Ordos City, Inner Mongolia, the PRC. Principal terms of the JV Agreement are as follows:

THE JOINT VENTURE AGREEMENT

- Date** : 4 April 2022
- Parties** : (1) Zhuhai Jinwei
(2) Yipai Hydrogen Energy
- Scope of business of the JV Company** : The JV Company is principally engage in four key areas namely (i) the research and development of hydrogen fuel cell and key components; (ii) the research and development, manufacturing and sales of hydrogen fuel cell heavy trucks; (iii) the operation of hydrogen fuel cell heavy trucks; and (iv) the operation of hydrogen refueling station.
- Capital Contribution** : The capital to be contributed by the parties in cash shall be RMB100,000,000 (equivalent to HK\$120,000,000) and will be paid in the following proportion:
- (i) RMB50,000,000 (equivalent to HK\$60,000,000), representing 50% interest of the JV Company, to be contributed by Zhuhai Jinwei;
 - (ii) RMB50,000,000 (equivalent to HK\$60,000,000), representing 50% interest of the JV Company, to be contributed by Yipai Hydrogen Energy;
- The parties shall pay up their respective amount of capital contribution within one year from the date of establishment of the JV company.

The amount of the capital contributions to be injected by each party to the JV Agreement was determined after arm's length negotiations and on normal commercial terms among the parties with reference to the JV Company's initial estimated funding needs and the agreed share by each party to the JV Agreement.

- Shareholding ratio** : Upon the establishment of the JV Company, the JV Company shall be owned as to 50% by Zhuhai Jinwei and 50% by Yipai Hydrogen Energy.
- Operation period** : 30 years from the establishment of the JV Company (subject to the approval of the Administrative Authorities for Industry and Commerce).
- Board composition** : The board of directors of the JV Company will comprise of three members, of which two will be appointed by Zhuhai Jinwei and one is appointed by Yipai Hydrogen Energy. The chairman of the board shall be appointed by Zhuhai Jinwei.
- Management of the JV Company** : Investment decisions of the JV Company must be unanimously approved by all its shareholders. The JV Company will have one general manager who will be nominated by Yipai Hydrogen Energy.

Yipai Hydrogen Energy will be responsible for the JV Company's financial and legal affairs.

The person in charge of finance of the JV Company shall be appointed by Zhuhai Jinwei and Yipai Hydrogen Energy shall appoint the deputy financial person in charge or accountant.

INFORMATION ON THE PARTIES TO THE JV AGREEMENT

Zhuhai Jinwei is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company.

Yipai Hydrogen Energy is a company owned by Enerstar Corporation (“Enerstar”), which was established on 12 July 2021. Yipai Hydrogen Energy is principally engaged in the provision of technical service, technology development, technology consultation, technology exchange, technology transfer and technology promotion in the field of hydrogen energy technology. On 15 December 2021, Enerstar signed an agreement with the People’s Government of Dongsheng District, Ordos, Inner Mongolia, the PRC and The Ordos Equipment Manufacturing Industrial Park in relation to “The Ordos Project of the Industrial chain of Hydrogen science and innovation”.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, as at the date of this announcement, the ultimate beneficial owners of Enerstar are Tokitaka Sadayoshi, Li Shi, Yuehui Wei, Zhougwei Chen and Baoqing Wang who directly hold approximately 80%, 5%, 5%, 5% and 5% interests in Enerstar respectively. Yipai Hydrogen Energy, Enerstar and its ultimate beneficial owners are third party independent of, and not connected with, the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE JV AGREEMENT

The Company is an investment holding company. The Group is principally engaged in photovoltaic power generation, oil and gas exploration and production, silver mining, asset financing services, tourism services and commodities trading.

The Group has striven to put emphasis on environmental, social and governance (ESG) and implementing new energy projects by itself or with potential cooperative partners by leveraging their respective expertise and resources in order to reduce carbon emissions to achieve carbon neutrality for cleaner environment as well as creating better returns for the Shareholders and the Company in the long term.

The Board considers that, leveraging the extensive experience and expertise of Yipai Hydrogen Energy in the field of fuel cell integration, battery systems development and control system research/application, the establishment of the JV Company represents a strategic move for the Group to further develop and expand into the energy storage business and identifying new eco-friendly energy projects.

Having considered the above, the Directors believe that the terms of the JV Agreement are fair and reasonable and the JV Agreement is in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the formation of the JV Company contemplated under the JV Agreement exceeds 5% but less than 25%, the entering into of the JV Agreement constitutes a disclosable transaction of the Company and is subject to the reporting and announcement requirements but are exempt from shareholders’ approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	King Stone Energy Group Limited, a company incorporated in Hong Kong with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange (stock code: 663)
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“JV Company”	the joint venture company to be established by Zhuhai Jinwei and Yipai Hydrogen Energy pursuant to the JV Agreement
“JV Agreement”	the joint venture agreement dated 4 April 2022 entered into among Zhuhai Jinwei and Yipai Hydrogen Energy in relation to, among others, the formation of the JV Company
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Yipai Hydrogen Energy”	Yipai Hydrogen Energy Technology (Shanghai) Co., Ltd (一派氫能科技(上海)有限公司)
“Zhuhai Jinwei”	Zhuhai Jinwei Environmental Protection Technology Co., Ltd* (珠海金維環保科技有限公司), a wholly-owned subsidiary of the Company
“%”	per cent.

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

Hong Kong, 4 April 2022

In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.20. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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 three independent non-executive Directors, namely Mr. Chiu Sui Keung, Mr. Lee Ping and Mr. Lee Kwok Wan.

* *For identification purpose only*