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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 A JOINT VENTURE COMPANY

On 21 September 2022 (after trading hours), King Stone New Materials, a wholly-owned subsidiary of the Company entered into the Agreement with the PRC Party, pursuant to which King Stone New Materials and the PRC Party agreed to form the JV Company in Hohhot, the PRC which will principally engage in the (i) development of hydrogen energy and energy storage projects and introduction and promotion of related technology and products; (ii) low carbon and carbon reduction technology and product development; and (iii) research and development of key technologies and sales and manufacturing of parts of new energy vehicles in Inner Mongolia, the PRC. Under the Agreement, the parties also agreed that, the JV Company shall be owned as to 70% by King Stone New Materials and 30% by the PRC Party. The JV Company shall have a registered capital of USD10,000,000 (approximately HK\$78,000,000), which shall be contributed by King Stone New Materials as to USD7,000,000 (approximately HK\$54,600,000) and contributed by the PRC Party as to USD3,000,000 (approximately HK\$23,400,000).

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated under Rule 14.07 of the Listing Rules in respect of the capital contribution and formation of the JV Company contemplated under the Agreement exceeds 5% but is less than 25%, the formation of the JV Company constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement.

INTRODUCTION

The Board announces that on 21 September 2022 (after trading hours), King Stone New Materials and the PRC Party entered into the Agreement in relation to the capital contribution and the formation of the JV Company, in Hohhot, the PRC which will be principally engaged in the (i) development of hydrogen energy and energy storage projects and introduction and promotion of related technology and products; (ii) low carbon and carbon reduction technology and product development; and (iii) research and development of key technologies and sales and manufacturing of parts of new energy vehicles in Inner Mongolia, the PRC.

THE AGREEMENT

The principal terms and conditions of the Agreement are as follows:

Date	:	21 September 2022
Parties	:	(1) King Stone New Materials, a wholly-owned subsidiary of the Company; and (2) the PRC Party, a company established in the PRC with limited liability. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the PRC Party is a third party independent of the Company and its connected persons.
Scope of business of the JV Company	:	The JV Company is principally engaged in the (i) development of hydrogen energy and energy storage projects and introduction and promotion of related technology and products; (ii) low carbon and carbon reduction technology and product development; and (iii) research and development of key technologies and sales and manufacturing of parts of new energy vehicles
Intended location of operation of the JV Company	:	Hohhot, the PRC
Term of the JV Company	:	30 years
Total registered capital	:	USD10,000,000 (approximately HK\$78,000,000)
Capital contribution	:	(1) 70% of the total registered capital amounting to USD7,000,000 (approximately HK\$54,600,000) will be provided by the Company; and (2) 30% of the total registered capital amounting to USD3,000,000 (approximately HK\$23,400,000) will be provided by the PRC Party.

King Stone New Materials shall make its capital contribution to the JV Company in cash of RMB700,000 (approximately HK\$784,000) upon the effective formation of the JV Company, with the remaining amount of the capital contribution to be settled within one year from the date of formation of the JV Company.

The PRC Party shall make its capital contribution to the JV Company in cash of RMB300,000 (approximately HK\$336,000) upon the effective formation of the JV Company, with the remaining contributed in-kind with real estate properties to be settled within one year from the date of the formation of the JV Company.

Board composition : The board of the JV Company will comprise three directors, of which two shall be appointed by King Stone New Materials and the remaining one shall be appointed by the PRC Party. The chairman of the board of the JV Company shall be elected from the directors nominated by King Stone New Materials.

Transfer of equity interest : Any transfer of the equity interest in the JV Company by any shareholder to a third party require the majority consent of the other shareholder(s). The transferor shareholders require to notify the other shareholder(s), and if the other shareholder(s) fail to issue a written reply within 30 days from the date of the notice, the other shareholder(s) deemed to have consented to the transfer.

Any transfer of equity interest in the JV Company to a third party shall be subject to the right of first refusal of the other shareholder(s) as provided in the Agreement.

Profit distribution : King Stone New Materials and the PRC Party shall share the profits of the JV Company in proportion to their respective interests in the JV Company.

Non-Competition : King Stone New Materials and the PRC Party shall not directly or indirectly through other nominees or entities engage in any business or activities that may compete with the business of the JV Company in Hohhot, the PRC, for a period of three years from the date of the Agreement.

INFORMATION ON THE PARTIES TO THE AGREEMENT

King Stone New Materials is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company.

The PRC Party is a company with limited liability established in the PRC on 30 December 2016 which is ultimately wholly owned by the Financial Audit Bureau of Hohhot Economic and Technological Development Zone* (呼和浩特經濟技術開發區財政審計局). The PRC Party is principally engaged in (i) asset management: and (ii) corporate management.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the PRC Party and its ultimate beneficial owner are third parties 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 a cleaner environment as well as creating better returns for the Shareholders and the Company in the long term.

By leveraging the PRC Party's well-established network in Inner Mongolia, the PRC, the Board is of the view that the JV Company will be well positioned in Inner Mongolia, the PRC to grow its energy storage business and identifying new eco-friendly energy projects. The formation of the JV Company will also allow the Group to venture into the hydrogen energy and energy storage industry in Inner Mongolia, the PRC, which will allow the Group to expand its geographical coverage and create an additional new income stream for the Group.

The terms of the Agreement in relation to the capital contribution and the formation of the JV Company were agreed by the Company after arm's length negotiation with the PRC Party. Having considered the above, the Board (including the independent non-executive Directors) considers that such terms are fair and reasonable and that the formation of the JV Company is in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated under Rule 14.07 of the Listing Rules in respect of the capital contribution and formation of the JV Company contemplated under the Agreement exceeds 5% but is less than 25%, the formation of the JV Company constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement.

DEFINITIONS

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

“Agreement”	the capital contribution agreement dated 21 September 2022, entered into between King Stone New Materials and the PRC Party
“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
“JV Company”	the joint venture company, namely Inner Mongolia Jinwei Energy Technology Company Limited* (內蒙古金維能源科技有限公司), to be established by King Stone New Materials and the PRC Party pursuant to the Agreement
“King Stone New Materials”	King Stone New Materials (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of the Company
“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)
“PRC Party”	Hohhot Huizeheng Asset Management Company Limited* (呼 和浩特惠則恒資產管理有限責任公司)
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	United States dollars, the lawful currency of the United States
“%”	per cent.

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

Hong Kong, 21 September 2022

In this announcement, for the purpose of illustration only, (i) amounts quoted in USD have been converted into HK\$ at the rate of USD1.00 to HK\$7.80; and (ii) amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.12. Such exchange rates have been used, where applicable, for the purpose of illustration only and do 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 executive Directors are Mr. Xu Zhuliang, Mr. Zong Hao and Ms. He Qing, and the independent non-executive Directors are Mr. Chiu Sui Keung, Mr. Lee Ping and Mr. Lee Kwok Wan.

* *For identification purpose only*