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# THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this Prospectus or as to the action to be taken, you should consult a licensed securities dealer, registered institution in securities, a bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in King Stone Energy Group Limited (the "Company"), you should at once hand this Prospectus and the accompanying form of proxy to the purchaser or to the licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or transferee.

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the paragraph headed "15. Documents Delivered to the Registrar of Companies" in Appendix III to this Prospectus, have been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of any of the Prospectus Documents.

Dealings in the Rights Shares in their nil-paid and fully-paid forms may be settled through CCASS established and operated by HKSCC and you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from their respective commencement dates of dealings in the Rights Shares on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

Distribution of this prospectus into jurisdictions other than Hong Kong may be restricted by law. Persons who come into possession of this prospectus should acquaint themselves with and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

This prospectus is not an invitation or offer of securities for sale in the United States and neither this prospectus nor any copy thereof may be released or distributed in the United States or any other jurisdiction where such release might be unlawful. The securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or laws of any state or jurisdiction of the United States and may not be offered or sold, pledged or transferred in the United States absent registration or an exemption from registration under the U.S. Securities Act. There will be no public offering of securities in the United States.

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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)

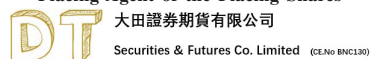
**RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE  
FOR EVERY TWO (2) CONSOLIDATED SHARES  
HELD ON THE RECORD DATE**

Financial Adviser to the Company



INCU Corporate Finance Limited

Placing Agent of the Placing Shares



DT Securities & Futures Co. Limited

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Capitalised terms used in this cover page shall have the same meanings as those defined in this Prospectus.

The Latest Time for Acceptance is 4:00 p.m. on Monday, 14 February 2022. The procedures for acceptance and payment or transfer of the Rights Shares and application and payment for excess Rights Shares are set out on pages 16 to 18 of this Prospectus.

The Rights Issue will proceed on a non-underwritten basis and there is no requirement for a minimum level of subscription. Subject to the fulfilment and/or waiver of the conditions of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level. It should be noted that the Consolidated Shares have been dealt in on an ex-rights basis from Monday, 17 January 2022. Dealings in the Rights Shares in the nil-paid form will take place from Friday, 28 January 2022 to Wednesday, 9 February 2022 (both days inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period Friday, 28 January 2022 to Wednesday, 9 February 2022 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its own professional advisers.

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## DEFINITION

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*In this Prospectus, unless the context otherwise requires, the following terms or expressions shall have the following meanings:*

<b>“acting in concert”</b>	has the meaning ascribed thereto under the Takeovers Code
<b>“associate(s)”</b>	has the same meaning ascribed to it under the Listing Rules
<b>“Board”</b>	the board of Directors
<b>“Business Day(s)”</b>	any weekday(s) (other than a Saturday or a day on which a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which banks are generally open for business in Hong Kong
<b>“BVI”</b>	the British Virgin Islands
<b>“CCASS”</b>	the Central Clearing and Settlement System established and operated by HKSCC
<b>“CCASS Operational Procedures”</b>	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time
<b>“Change in Board Lot Size”</b>	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 1,000 Existing Shares to 10,000 Consolidated Shares
<b>“Circular”</b>	the circular of the Company dated 8 December 2021 in relation to, among other things, the Share Consolidation, Change in Board Lot Size and the Placing
<b>“Companies Miscellaneous Provisions Ordinance”</b>	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
<b>“Company”</b>	King Stone Energy Group Limited, a company incorporated in Hong Kong with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 663)
<b>“connected person(s)”</b>	has the meaning ascribed thereto under the Listing Rules
<b>“Consolidated Share(s)”</b>	ordinary share(s) in the share capital of the Company upon the Share Consolidation having become effective

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## DEFINITION

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<b>“Controlling Shareholder(s)”</b>	has the meaning ascribed thereto under the Listing Rules
<b>“Director(s)”</b>	the director(s) of the Company
<b>“EAF(s)”</b>	the form(s) of application for use by the Qualifying Shareholders who wish to apply for the excess Rights Shares
<b>“EGM”</b>	the extraordinary general meeting of the Company to be convened and held at which resolution(s) will be proposed to consider, and, if thought fit, to approve, among other things, the Share Consolidation and the Placing (including the Specific Mandate)
<b>“ES Unsold Rights Share(s)”</b>	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Excluded Shareholder(s) in nil-paid form that has/have not been sold by the Company
<b>“Excluded Shareholder(s)”</b>	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
<b>“Existing Share(s)”</b>	ordinary share(s) in the share capital of the Company prior to the Share Consolidation having become effective
<b>“Extreme Conditions”</b>	extreme conditions including but not limited to serious disruption of public transport services, extensive flooding, major landslides or large-scale power outage after super typhoons as announced by the government of Hong Kong
<b>“General Rules of CCASS”</b>	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
<b>“Group”</b>	the Company and its subsidiaries
<b>“HK\$”</b>	Hong Kong dollar(s), the lawful currency of Hong Kong
<b>“HKSCC”</b>	Hong Kong Securities Clearing Company Limited

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## DEFINITION

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<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Last Trading Day”</b>	16 November 2021, being the last trading day of the Existing Shares on the Stock Exchange immediately prior to the publication of the Rights Issue Announcement
<b>“Latest Lodging Time”</b>	4:30 p.m. on Tuesday, 18 January 2022 or such other date as the Company may agree, being the latest day for the Shareholders to lodge transfer of Consolidated Shares in order to qualify for the Rights Issue
<b>“Latest Practicable Date”</b>	20 January 2022, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information for inclusion in this Prospectus
<b>“Latest Time for Acceptance”</b>	4:00 p.m. on Monday, 14 February 2022, being the latest time for acceptance and payment of the Rights Shares, or such other date as the Company may determine
<b>“Listing Committee”</b>	has the same meaning ascribed to it under the Listing Rules
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“Overseas Shareholder(s)”</b>	Shareholder(s) whose address(es) on the register of members of the Company on the Record Date are outside Hong Kong
<b>“PAL(s)”</b>	the provisional allotment letter(s) for the Rights Issue
<b>“Placing”</b>	placing of the Placing Shares by the Placing Agent on a best efforts basis to investors who are independent third parties
<b>“Placing Agent”</b>	DT Securities & Futures Co. Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation to carry on business in Type 1 and Type 2 regulated activities under the SFO
<b>“Placing Agreement”</b>	the placing agreement dated 16 November 2021 and entered into among the Company and the Placing Agent in relation to the Placing
<b>“Placing End Date”</b>	Tuesday, 1 March 2022

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## DEFINITION

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<b>“Placing Long Stop Date”</b>	5:00 p.m. on Wednesday, 2 March 2022
<b>“Placing Period”</b>	the period from Tuesday, 22 February 2022 up to 4:00 p.m. on the Placing End Date, being the period during which the Placing Agent will seek to effect the Placing
<b>“Placing Share(s)”</b>	the Untaken Shares and the ES Unsold Rights Shares
<b>“Posting Date”</b>	Wednesday, 26 January 2022 or such other day as the Company may determine, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus to the Excluded Shareholders (as the case may be)
<b>“PRC”</b>	the People’s Republic of China, which for the purpose of this Prospectus, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
<b>“Prospectus”</b>	this prospectus despatched to the Qualifying Shareholders (and the Excluded Shareholder(s) for information only) on the Posting Date in connection with the Rights Issue
<b>“Prospectus Documents”</b>	this Prospectus, the PAL(s) and the EAF(s)
<b>“Qualifying Shareholder(s)”</b>	Shareholder(s), whose names appear on the register of members of the Company as at the Record Date, other than the Excluded Shareholder(s)
<b>“Record Date”</b>	Tuesday, 25 January 2022, or on such other date as the Company may determine, being the date by reference to which entitlements to the Rights Issue will be determined
<b>“Registrar”</b>	Tricor Secretaries Limited, the Company’s share registrar and transfer office in Hong Kong
<b>“Rights Issue”</b>	the proposed issue of up to 395,752,778 Rights Shares at the Subscription Price on the basis of one (1) Rights Share for every two (2) Consolidated Share held at the close of business on the Record Date payable in full on acceptance
<b>“Rights Issue Announcement”</b>	the announcement of the Company dated 16 November 2021, in relation to, among other things, the Share Consolidation, Change in Board Lot Size, the Rights Issue and the Placing

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## DEFINITION

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<b>“Rights Share(s)”</b>	the new Consolidated Share(s) to be allotted and issued under the Rights Issue
<b>“Settlement Date”</b>	the date being the second Business Day following (but excluding) the Latest Time for Acceptance or such later date as the Company may agree
<b>“SFC”</b>	the Securities and Futures Commission of Hong Kong
<b>“SFO”</b>	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
<b>“Share(s)”</b>	the Existing Share(s) or Consolidated Share(s) (as the case may be)
<b>“Shareholder(s)”</b>	holder(s) of the Share(s)
<b>“Share Consolidation”</b>	the consolidation of every ten (10) issued Existing Shares into one (1) Consolidated Share
<b>“Specific Mandate”</b>	the specific mandate to allot, issue and deal with the Placing Shares to be proposed for approval as an ordinary resolution of the Shareholders at the EGM, which, if granted, shall expire three months from the date of the EGM
<b>“Stock Exchange”</b>	the Stock Exchange of Hong Kong Limited
<b>“Subscription Price”</b>	the subscription price in respect of each Rights Share, being HK\$0.25
<b>“Substantial Shareholder(s)”</b>	has the meaning as ascribed to it under the Listing Rules
<b>“Takeovers Code”</b>	the Code on Takeovers and Mergers
<b>“Untaken Shares”</b>	the number of unsubscribed Rights Share(s) not taken up by the Qualifying Shareholder(s) or renouncee(s) or transferee(s) of nil-paid rights under PAL(s)
<b>“%”</b>	per cent

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## EXPECTED TIMETABLE

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The expected timetable for the Rights Issue and the Placing set out below is for indicative purposes only and it has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled. The expected timetable is subject to change. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate.

**All time and date references contained in this Prospectus shall refer to Hong Kong local time and dates.**

<b>Event</b>	<b>Date (Hong Kong time)</b>
First day of dealings in nil-paid Rights Shares . . . . .	Friday, 28 January 2022
Latest time for splitting the nil-paid Rights Shares . . . . .	4:30 p.m. on Friday, 4 February 2022
Last day of dealing in nil-paid Rights Shares . . . . .	Wednesday, 9 February 2022
Latest time for Acceptance of and payment for the Rights Shares and application of excess Rights Shares . . . . .	4:00 p.m. on Monday, 14 February 2022
Announcement of the number of the Placing Shares subject to the Placing . . . . .	Monday, 21 February 2022
Commencement of the Placing Period (if there are any Placing Shares available) . . . . .	Tuesday, 22 February 2022
Placing End Date for placing the Placing Shares (if applicable) . . . . .	Tuesday, 1 March 2022
Rights Issue settlement date and Placing completion date . . . . .	Wednesday, 2 March 2022
Announcement of results of the Rights Issue, the application for excess Rights Shares and the Placing . . . . .	Thursday, 3 March 2022
Despatch of share certificates for fully-paid Rights Shares and refund cheques in relation to wholly or partially unsuccessful applications for excess Rights Shares . . . . .	Friday, 4 March 2022



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## EXPECTED TIMETABLE

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Commencement of dealings in fully-paid

Rights Shares and Placing Shares .....Monday, 7 March 2022

Designated broker starts to stand in the market to

provide matching services for odd lots

of the Rights Shares ..... 9:00 a.m. on  
Monday, 7 March 2022

Designated broker ceases to provide matching services

for odd lots of the Rights Shares.....Monday, 28 March 2022

### **EFFECT OF BAD WEATHER OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND APPLICATION FOR EXCESS RIGHTS SHARES**

The latest time for acceptance of and payment for the Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning or Extreme Conditions:

- (1) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
- (2) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the next Business Day which does not have either of the abovementioned warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If latest time for acceptance of and payment for the Rights Shares is postponed in accordance with the foregoing, the dates of the events subsequent to the Latest Time for Acceptance mentioned in this section may be affected. An announcement will be made by the Company in such event.

Dates or deadlines stated in this Prospectus for events in the expected timetable are indicative only and may be extended or varied between the Company and the Placing Agent. Any changes to the anticipated timetable for the Rights Issue will be announced as and when appropriate.

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Xu Zhuliang (*Chairman*)

Mr. Zong Hao (*Chief Executive Officer*)

Ms. He Qing

*Registered Office and Principal*

*Place of Business in Hong Kong:*

17th Floor, V Heun Building,

No. 138 Queen's Road Central,

Central, Hong Kong

*Independent Non-executive Directors:*

Mr. Chiu Sui Keung

Mr. Lee Ping

Mr. Lee Kwok Wan

26 January 2022

*To the Shareholders of the Company*

Dear Sir/Madam,

**RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE  
FOR EVERY TWO (2) CONSOLIDATED SHARES  
HELD ON THE RECORD DATE**

#### **INTRODUCTION**

References are made to (i) the Rights Issue Announcement; and (ii) the Circular in relation to (a) the Share Consolidation, (b) the Change in Board Lot Size, and (c) the Placing.

At the EGM convened and held on Tuesday, 28 December 2021 at 11:00 a.m., the Share Consolidation, was passed by the Shareholders by way of poll. The Share Consolidation became effective on Thursday, 30 December 2021, details of which were disclosed in the Rights Issue Announcement and the Circular.

The purpose of this Prospectus is to provide you with further details of the Rights Issue including information on dealings in, transfer and acceptance of the Rights Shares and certain financial and other information in respect of the Group.

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## LETTER FROM THE BOARD

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### RIGHTS ISSUE

#### Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every two (2) Consolidated Shares held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.25 per Rights Share
Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	Approximately HK\$0.24 per Rights Share
Number of Consolidated Shares in issue as at the Latest Practicable Date	:	791,505,556 Consolidated Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	Up to 395,752,778 Rights Shares
Total number of Consolidated Shares as enlarged by the allotment and issue of the Rights Shares	:	Up to 1,187,258,334 Consolidated Shares
Gross proceeds from the Rights Issue	:	Up to HK\$98.938 million before expenses

As at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants, which confer any right to subscribe for or convert into or exchange into Shares.

The 395,752,778 Rights Shares represent:

- (a) 50.0% of the total number of Consolidated Shares in issue as at the Latest Practicable Date; and
- (b) approximately 33.3% of the total number of Consolidated Shares in issue as enlarged by the issue of the Rights Shares.

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## LETTER FROM THE BOARD

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### The Subscription Price

The Subscription Price of HK\$0.25 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, upon an application of excess Rights Shares, or where a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 41.18% to the closing price of HK\$0.425 per Consolidated Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 41.9% to the theoretical closing price of HK\$0.430 per Consolidated Share based on the closing price of HK\$0.043 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 43.9% to the theoretical closing price of HK\$0.446 per Consolidated Share based on the average closing price per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 44.1% to the average closing price of approximately HK\$0.447 per Consolidated Share based on the average closing price per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 32.4% to the theoretical ex-rights price of approximately HK\$0.370 per Consolidated Share based on the closing price of HK\$0.043 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a theoretical dilution effect of approximately 14.6% represented by the theoretical diluted price of approximately HK\$0.381 to the benchmarked price of HK\$0.446 per Consolidated Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price of HK\$0.430 per Consolidated Share on the Last Trading Day and the average closing price of the Existing Shares as quoted on the Stock Exchange for the five consecutive trading days prior to the Last Trading Day of HK\$0.446 per Share adjusted for the effect of the Capital Consolidation); and
- (vii) a discount of approximately 30.2% to the net asset value of the Company of approximately HK\$0.358 per Consolidated Share based on the unaudited net asset value attributable to owners of the Company of approximately HK\$283,267,000 as at 30 June 2021 and 791,505,556 Consolidated Shares assuming the Share Consolidation has become effective.

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## LETTER FROM THE BOARD

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The theoretical diluted price, the benchmarked price and theoretical dilution effect for the Rights Issue are approximately HK\$0.381 per Consolidated Share, HK\$0.446 per Consolidated Share and 14.6%, respectively. The Rights Issue will not result in a theoretical dilution effect of 25% or more on its own. As such the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

The Subscription Price was determined with reference to, among others, (i) the market price of the Existing Shares under the prevailing market conditions; (ii) the theoretical dilution effect for the Rights Issue; (iii) the financial condition of the Company; and (iv) the reasons for and benefits of Rights Issue, in particular the funding needs of the Group for the solar photovoltaic system projects, which will bring potential growth to the Group, as discussed in the section headed “Reasons for and Benefits of the Rights Issue and the Placing and Use of Proceeds”, in this Prospectus.

In determining the Subscription Price, which represents a discount of approximately 41.9% to the theoretical closing price of HK\$0.430 per Consolidated Share on the Last Trading Day, the Directors have considered, among other things as mentioned above, market price of the Existing Shares traded on the Stock Exchange in the past six months prior to and including the Last Trading Day (the “**Relevant Period**”), as a benchmark to reflect the prevailing market conditions and recent market sentiment. During the Relevant Period, the Shares were traded on the Stock Exchange with a theoretical closing price ranges between HK\$0.430 per Consolidated Share based on the lowest closing price of HK\$0.043 per Existing Share on 16 November 2021 (i.e. the Last Trading Day) and HK\$0.760 per Consolidated Share based on the highest closing price of HK\$0.076 per Existing Share on 31 May 2021, with an average closing price during the Relevant Period of approximately HK\$0.570 per Consolidated Share based on the average closing price of HK\$0.057 per Existing Share. The daily closing price per Existing Share during the Relevant Period demonstrates a downward trend. Despite the fact that the Subscription Price represents a significant discount to the average closing price of the Shares during the Relevant Period, the theoretical dilution effect of approximately 14.6% represented by the theoretical diluted price of approximately HK\$0.381 per Consolidated Share to the benchmarked price of HK\$0.446 per Consolidated Share is fair and reasonable. Furthermore, the Group has been loss making in the last five years and the business development of the Group has been adversely affected by the COVID-19 pandemic in recent years. Therefore, the Directors consider a reasonable discount to the theoretical closing price of Consolidated Shares on the Last Trading Day would attract Shareholders to participate in the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, the discount of the Subscription Price provides the Qualifying Shareholders an incentive to participate in the proposed Rights Issue, such that (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue are able to sell the nil paid rights in the market; and (ii) the Qualifying Shareholders are afforded an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the recent market price of the Shares.

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## LETTER FROM THE BOARD

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After considering the factors as discussed above and the reasons for and benefits of Rights Issue as discussed in the section headed “Reasons for and Benefits of the Rights Issue and the Placing and Use of Proceeds” below, the Directors are of the view that the Subscription Price represents a reasonable discount to the trading price of the Shares and an incentive to the Shareholders to participate in the proposed Rights Issue.

Taking into account the estimated expense in connection with the Rights Issue of approximately HK\$1.2 million, the net price per Rights Share is expected to be approximately HK\$0.24, upon full acceptance of the relevant provisional allotment of Rights Shares.

### Conditions of the Rights Issue

The Rights Issue will be conditional upon:

- (i) the passing by the Shareholders at the EGM of ordinary resolution(s) to approve the Share Consolidation;
- (ii) the Share Consolidation having become effective;
- (iii) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Posting Date;
- (iv) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Posting Date;
- (v) the Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares in their nil-paid and fully-paid forms by no later than the first day of their dealings; and
- (vi) compliance with the requirements under the applicable laws and regulations of Hong Kong.

The conditions are incapable of being waived. If any of the above conditions is not satisfied at or prior to the respective time stipulated therein, the Rights Issue will not proceed.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, conditions (i) and (ii) have been satisfied and conditions (iii) and (iv) above are expected to have been fulfilled on the Posting Date.

### **Status of the Rights Shares**

The Rights Shares (when allotted, fully paid or credited as fully paid and issued) will rank *pari passu* in all respects among themselves and with the Consolidated Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares. Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

### **Odd lot arrangement**

In order to facilitate the trading of odd lots of the Rights Shares arising from the Rights Issue (if any), DT Securities & Futures Co. Limited is appointed to match the purchase and sale of odd lots of the Shares at the relevant market price per Share for the period from Monday, 7 March 2022 to Monday, 28 March 2022 (both days inclusive) on a best effort basis. Shareholders who wish to take advantage of this service either to dispose of their odd lots of Shares or to top up their odd lots to a full board lot, should contact Ms. Wan of DT Securities & Futures Co. Limited at Unit 2312, Cosco Tower, No.183 Queen's Road Central, Hong Kong (telephone number: 3156 8886) during office hours.

Holders of odd lots of the Shares should note that successful matching of the sale and purchase of odd lots of Shares is on a best effort basis and not guaranteed. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its own professional advisers.

### **Qualifying Shareholders**

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be an Excluded Shareholder.

The Company despatched (i) the Prospectus Documents to the Qualifying Shareholders on the Posting Date and (ii) this Prospectus only (without the PAL and the EAF) to the Excluded Shareholders for their information only.

### **Basis of provisional allotments**

The Rights Shares will be allotted on the basis of one (1) Rights Share for every two (2) Consolidated Shares held by the Qualifying Shareholders as at the close of business on the Record Date.

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## LETTER FROM THE BOARD

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Application for all or any part of a Qualifying Shareholder's provisional allotment should be made only by completing a PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar by the Latest Time for Acceptance.

Qualifying Shareholders who take up their pro rata entitlement in full will not suffer any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements). If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company may, depending on the total number of Rights Shares being validly taken up or subscribed (whether by Rights Issue or Placing), be diluted.

### **Fractional entitlement to the Rights Shares**

The Company will not provisionally allot and will not accept application for any fractions of the Rights Shares. All fractions of the Rights Shares will be aggregated (and rounded down to the nearest whole number). Fractional entitlements to any Rights Shares will be disregarded and will be aggregated and allocated to satisfy excess applications (if any) and/or disposed of in such manner as the Directors in their absolute discretion deem appropriate and for the benefit and interests of the Company and more particularly described in the paragraph headed "Application for the excess Rights Shares" below.

### **Rights of the Overseas Shareholders**

The Prospectus Documents are not intended to be registered or filed under the securities law of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

According to the register of members of the Company as at the Latest Practicable Date, the Company had a total of eight Overseas Shareholders holding an aggregate of 400,473 Shares as follows:

<b>Jurisdiction</b>	<b>Number of Overseas Shareholders</b>	<b>Aggregate number of Shares held</b>	<b>Approximate percentage of shareholding</b>
BVI	1	275,000	0.035%
PRC	2	100,640	0.013%
United States	4	24,773	0.003%
New Zealand	1	60	0.000%

Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Directors have made enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders with registered addresses in the jurisdictions set out above.



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## LETTER FROM THE BOARD

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Having made reasonable enquiries of the legal requirements regarding the feasibility of extending the Rights Issue to the Overseas Shareholders with registered addresses in the jurisdictions set out above and taking into account the legal advice provided by the relevant overseas legal advisers, the Board is of the view that the relevant overseas legal restrictions and requirements of the regulatory body or Stock Exchange do not make it necessary or expedient to exclude the Overseas Shareholders with registered addresses in the BVI and the PRC from the Rights Issue. Accordingly, the Board has resolved to extend the Rights Issue to the Overseas Shareholders having registered addresses in the BVI and the PRC and such Overseas Shareholders are considered as Qualifying Shareholders.

Based on the advice of the relevant legal advisers as to the laws of New Zealand and the United States, the Directors are of the view that it is necessary or expedient not to extend the Rights Issue to the Overseas Shareholders with registered address in New Zealand and the United States and such Overseas Shareholders shall be regarded as Excluded Shareholders as extension of the Rights Issue to such Overseas Shareholders would, or might, in the absence of compliance with the registration, exemption requirements or other formalities, be unlawful or impracticable and the cost to be incurred and time required for complying with the registration and/or other relevant requirements may outweigh the possible benefits to the Company and the Excluded Shareholders.

It is the responsibility of the Shareholders, including the Overseas Shareholders, wishing to make an application for the Rights Shares, to satisfy himself/herself/itself before taking up his/her/its provisional allotments under the Rights Issue, as to the observance of the laws and regulations of all relevant jurisdictions, including the obtaining of any governmental or other consents and to pay any taxes and duties required to be paid in such jurisdiction in connection with the taking up and onward sale of the Rights Shares. The Company will, to the extent permitted under the relevant laws and regulations, send a copy of this Prospectus (without the PAL and the EAF) to the Excluded Shareholders for information only.

The Rights Issue does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders, to be sold in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be paid pro rata (but rounded down to the nearest cent) to the relevant Excluded Shareholders in Hong Kong dollars, except that the Company will retain individual amounts of less than HK\$100 for its own benefit. Any unsold entitlements of the Excluded Shareholders will be made available for excess application by the Qualifying Shareholders.

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## LETTER FROM THE BOARD

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**Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 13.36(2)(a) of the Listing Rules. Accordingly, the Overseas Shareholders should exercise caution when dealing in the Shares.**

### **Procedures for acceptance and payment or transfer**

A PAL is enclosed with this Prospectus which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of the Rights Shares shown therein.

If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PAL, they must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:00 p.m. on Monday, 14 February 2022. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier orders which must be issued by, a licensed bank in Hong Kong and made payable to "**KING STONE ENERGY GROUP LIMITED – RIGHT ISSUE**" and crossed "**Account Payee Only**".

It should be noted that unless the PAL, together with the appropriate remittance, have been lodged with the Registrar by no later than 4:00 p.m. on Monday, 14 February 2022, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled and such Rights Shares will be available for excess application under the EAF by other Qualifying Shareholders. The Company may, at its sole discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require such incomplete PAL to be completed by the relevant applicants at a later stage.

If the Qualifying Shareholders wish to accept only part of provisional allotment or transfer part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the PAL or to transfer part or all of his/her/its rights to more than one person, the entire PAL must be surrendered and lodged for cancellation no later than 4:30 p.m. on Friday, 4 February 2022, to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required which will be available for collection from the Registrar, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL.

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## LETTER FROM THE BOARD

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The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques or cashier orders accompanying completed PALs will be presented for payment immediately upon receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier order, whether by a Qualifying Shareholder or by any nominated transferees, will constitute a warranty by the applicant that the cheque or the cashier order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or cashier order is dishonoured on first presentation, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

No action has been taken to obtain permission of the offering of the Rights Shares or the distribution of the Prospectus Documents in any jurisdiction other than Hong Kong. Accordingly, no person receiving a copy of the Prospectus Documents in any jurisdiction outside Hong Kong may treat it as an offer or invitation to apply for the Rights Shares or excess Rights Shares, unless in the relevant jurisdiction where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. It is the responsibility of anyone outside Hong Kong wishing to make on his/her/its behalf an application for the Rights Shares to satisfy himself/herself/itself as to the observance of the laws and regulations of all relevant jurisdiction, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such jurisdiction in connection therewith.

No receipt will be issued in respect of any application monies received.

### **Application for the excess Rights Shares**

Qualifying Shareholders shall be entitled to apply, by way of excess application, for (i) any Rights Shares representing the entitlement of the Excluded Shareholders and which cannot be sold at a net premium; and (ii) any Rights Shares provisionally allotted but not validly accepted by the Qualifying Shareholders. Applications for the excess Rights Shares may be made by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for.

The Board will allocate the excess Rights Shares at its discretion, but on a fair and equitable basis as far as practicable on the following principles:

- (i) no preference will be given to applications for topping-up odd-lot holdings to whole-lot holdings as the giving of such preference may potentially be abused by certain investors by splitting their Shares and thereby receiving more Rights Shares than they would receive if such preference is not given, which is an unintended and undesirable result; and

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## LETTER FROM THE BOARD

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- (ii) subject to availability of the excess Rights Shares, the excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for excess application on a pro rata basis based on the number of excess Rights Shares applied for by them. No reference will be made to Rights Shares subscribed through PALs, or the number of Shares held by the Qualifying Shareholders; and
- (iii) pursuant to Rule 7.21(3)(b) of the Listing Rules, the Company will also take steps to identify the applications for excess Rights Shares made by the Controlling Shareholder or its associates (together, the “**Relevant Shareholders**”), whether in their own names or through nominees. The Company shall disregard the Relevant Shareholders’ applications for excess Rights Shares to the extent that the total number of excess Rights Shares they have applied for exceeds a maximum number equivalent to the total number of Rights Shares offered under the Rights Issue minus the number of Rights Shares taken up by the Relevant Shareholders under their assured entitlement to the Rights Shares.

If the aggregate number of Rights Shares underlying the Untaken Shares is greater than the aggregate number of excess Rights Shares being applied for under EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares the actual number of excess Rights Shares being applied for.

In the event that the Board notes unusual patterns of excess applications and has reason to believe that any excess application may have been made with the intention to abuse the mechanism, such application(s) for excess Rights Shares may be rejected at the sole discretion of the Board.

Beneficial owners of Consolidated Shares whose shares are held by a nominee company (including HKSCC Nominees Limited) should note that for the purpose of the Rights Issue, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the beneficial owners of Consolidated Shares whose Consolidated Shares are registered in name of nominee companies should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares would not be extended to beneficial owners individually and were advised to consider whether they would like to arrange for registration of the relevant Consolidated Shares in the name of the beneficial owner(s) prior to the Record Date.

Any Qualifying Shareholder wishing to apply for any Rights Shares in addition to his/her/ its provisional allotment must complete and sign the EAF in accordance with the instructions printed thereon and lodge the same, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong by no later than 4:00 p.m. on Monday, 14 February 2022. All remittances must be made by cheque or cashier’s order in Hong Kong dollars. Cheques must be drawn on an account with, and cashier’s orders must be issued by, a licensed bank in Hong Kong and made payable to “**KING STONE ENERGY GROUP LIMITED – EXCESS APPLICATION**” and crossed “**Account Payee Only**”.

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## LETTER FROM THE BOARD

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For those beneficial owners of Consolidated Shares whose Consolidated Shares are held by their nominee(s) (including HKSCC Nominees Limited) and who would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for completion of the relevant registration not later than 4:30 p.m. (Hong Kong time) on Tuesday, 18 January 2022.

### **Certificates of the Rights Shares and refund cheques for the Rights Issue**

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be sent on or around Friday, 4 March 2022, to those entitled thereto by ordinary post, at their own risk, to their registered addresses. Each allottee will receive one share certificate for all fully-paid Rights Shares issued and allotted to the allottee.

The allocation of excess Rights Shares (if any) to the Qualifying Shareholders will be announced by the Company on Thursday, 3 March 2022. If no excess Rights Shares are allotted to the applicant, refund cheques will be despatched on or around Friday, 4 March 2022 by ordinary post, at the respective Shareholders' own risk, to their registered addresses. If the number of excess Rights Shares allotted to the applicant is less than the number applied for, a cheque for the surplus application monies (without interest) will be posted to the applicant at his/her/its registered address by ordinary post at his/her/its own risk. Such posting is expected to take place on or around Friday, 4 March 2022. Any such cheque will be drawn in favour of the person(s) named on the EAF.

### **The Rights Issue on a non-underwritten basis**

As the Rights Issue will proceed on a non-underwritten basis, a Shareholder who applies to take up all or part of its entitlement under PAL or apply for excess Rights Shares under EAF may unwittingly incur an obligation to make a general offer under the Takeovers Code, unless a waiver from the Executive (as defined in the Takeovers Code) has been obtained. Accordingly, the Rights Issue will be made on the term that the Company will, pursuant to Rule 7.19(5) of the Listing Rules, provide for Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the applications of any Shareholder for its entitlement under the PAL or for excess Rights Shares under the EAF can be scaled down to a level which does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event that the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders or holders of nil-paid rights together with the ES Unsold Rights Shares will be placed to independent placees on a best effort basis. Any Untaken Shares and ES Unsold Rights Shares which are not placed will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

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## LETTER FROM THE BOARD

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There is no minimum amount to be raised under the Rights Issue. The legal advisers of the Company have confirmed that there are no statutory requirements regarding minimum subscription levels in respect of the Rights Issue.

As at the Latest Practicable Date, the Company has not received any undertaking from any Substantial Shareholder of the Company of any intention as to whether such Shareholder will take up his/her entitlements under the Rights Issue (or otherwise).

### **Application for listing**

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived.

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Rights Shares in both nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong. Both nil-paid and fully-paid Rights Shares will be traded in board lots of 10,000 Shares.

### **Taxation**

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Excluded Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

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## LETTER FROM THE BOARD

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### PLACING OF UNTAKEN SHARES AND ES UNSOLD RIGHTS SHARES

Pursuant to the Placing Agreement, the Placing Agent conditionally agreed to act as the Placing Agent for the Company to procure, on a best effort basis, Placees to subscribe for the Placing Shares (i.e. the Untaken Shares during the Rights Issue and the ES Unsold Rights Shares) at the placing price of HK\$0.25 per Placing Share on the terms and subject to the conditions set out in the Placing Agreement. **Under the terms of the Placing Agreement, if all the Rights Shares are already fully taken up in the Rights Issue through the PAL(s), the Placing will not proceed.**

The timetable of the Placing is driven by the timetable of the Rights Issue. Under the terms of the Placing Agreement, the Placing Period shall commence on Tuesday, 22 February 2022, or such other date as the Company may announce. The Placing Period shall end on Tuesday, 1 March 2022, or such other date as the Company may announce.

The long stop date for the fulfilment of conditions of the Placing Agreement shall be 4:00 p.m. on Wednesday, 2 March 2022 (being the next Business Day after the Placing End Date) or such later date as may be announced by the Company. The Company shall use its reasonable endeavours to procure the fulfilment of the conditions and if the said conditions are not fulfilled on or before the Placing Long Stop Date, the Placing Agreement will lapse and become null and void and the Company and the Placing Agent shall be released from all obligations under the Placing Agreement, save the liabilities for any antecedent breaches thereof.

### WARNING OF THE RISKS OF DEALING IN THE CONSOLIDATED SHARES AND NIL-PAID RIGHTS SHARES

**The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event that the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders or transferees of nil-paid Rights Shares will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.**

The Shares were dealt in on an ex-rights basis from Monday, 17 January 2022. Dealings in the Rights Shares in the nil-paid form will take place from Friday, 28 January 2022 to Wednesday, 9 February 2022 (both dates inclusive). Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, conditions set out in the section headed “Conditions of the Rights Issue” in the “Letter from the Board” in this Prospectus, respectively. Accordingly, if any of the applicable conditions are not fulfilled (or where applicable, waived), the Rights Issue will not proceed.

Any Shareholder or other person contemplating transferring, selling or purchasing Shares is advised to exercise caution when dealing in the Shares. Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).



## LETTER FROM THE BOARD

### EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 791,505,556 Consolidated Shares in issue. Shareholders and public investors should note that the below changes in shareholding structure of the Company are for illustration purpose only and the actual change in the shareholding structure of the Company upon completion of the Rights Issue and the Placing are subject to various factors including, among other things, the results of acceptance of the Rights Issue.

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date, (ii) immediately after completion of the Rights Issue, assuming all the Qualifying Shareholders take up their respective allotment of Rights Shares in full; (iii) immediately after completion of the Rights Issue, assuming full acceptance by Belton Light Limited and Goldsino Investment Limited only and no Untaken Shares and ES Unsold Rights Shares are placed to the placees; and (iv) immediately upon completion of the Rights Issue, assuming nil acceptance by the Qualifying Shareholders and all the Untaken Shares and ES Unsold Rights Shares during the Rights Issue are fully placed to the placees.

	(i) At the Latest Practicable Date		(ii) Immediately after completion of the Rights Issue (assuming full acceptance by the Qualifying Shareholders)		(iii) Immediately after completion of the Rights Issue (assuming full acceptance by Belton Light Limited and Goldsino Investment Limited only and no Untaken Shares and ES Unsold Rights Shares are placed to the places (Note5))		(iv) Immediately after completion of the Rights Issue (assuming nil acceptance by the Qualifying Shareholders and all the Untaken Shares and ES Unsold Rights Shares during the Rights Issue are fully placed to the placees)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Belton Light Limited (Note 1)	357,531,800	45.17	536,297,700	45.17	536,297,700	52.36	357,531,800	30.11
Goldsino Investment Limited (Note 2)	108,150,000	13.66	162,225,000	13.66	162,225,000	15.84	108,150,000	9.11
Placees (Note 3)	-	-	-	-	-	-	395,752,778	33.33
Other Public Shareholders (Note 4)	325,823,756	41.17	488,735,634	41.17	325,823,756	31.80	325,823,756	27.45
	<u>791,505,556</u>	<u>100.00</u>	<u>1,187,258,334</u>	<u>100.00</u>	<u>1,024,346,456</u>	<u>100.00</u>	<u>1,187,258,334</u>	<u>100.00</u>



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## LETTER FROM THE BOARD

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*Notes:*

1. Belton Light Limited is a Substantial Shareholder of the Company and is wholly-owned by Jade Bird Energy Fund II, L.P., a limited partnership registered in Cayman Islands whose general partner is Jade Bird Strategic Investment.
2. Goldsino Investments Limited is a Substantial Shareholder of the Company and is wholly-owned by Sky Lucky Limited which is wholly-owned by Mr. Zhao Xu, which was an independent third party to the Company before becoming the Substantial Shareholder of the Company.
3. Pursuant to terms and conditions of the Placing Agreement, the Placing Shares will be placed by the Placing Agent (i) only to institutional, corporate or individual investors who and whose ultimate beneficial owner(s) shall be the independent third parties; (ii) such that no placee shall become a Substantial Shareholder immediately following the Placing; and (iii) such that the Placing will not have any implications under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing.
4. The public float requirements under the Listing Rules shall be fulfilled by the Company at all times. The Company will take all appropriate steps to ensure that sufficient public float be maintained at all times in compliance with Rule 8.08 of the Listing Rules.
5. This scenario is for illustrative purposes only. As mentioned in the paragraph headed “The Rights Issue on a non-underwritten basis” above, in the event that the Rights Shares are not fully taken up, the application of a Shareholder can and will be scaled down to a level which does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 7.19(5) of the Listing Rules.
6. The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.

### **REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND THE PLACING AND USE OF PROCEEDS**

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

As disclosed in the announcement of the Company dated 20 December 2019, the Group acquired an 89% equity interest in Beijing Jiezhong Technology Co., Ltd., which is principally engaged in a 5 Mega Watts rooftop distributed photovoltaic power generation project located in Liugou Industrial Park, Liugou Town, Chengde County, Chengde City, Hebei Province, the PRC. Since then, photovoltaic power generation has become one of the principal businesses of the Group.

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## LETTER FROM THE BOARD

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As disclosed in the announcement of the Company dated 28 June 2021, the Group further expanded its photovoltaic power generation business in Hong Kong and acquired SinoPower Solar Investment Co. Limited (“SPSI”), which is an integrated project developer and investor of distribution type of solar energy projects in Hong Kong and has a pipeline of solar projects with an on-grid power generation capacity approximately 20 Mega Watts. After the acquisition of SPSI, the Group shall continue to put emphasis on environmental, social and governance and implementing new energy projects on its own 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 investors of the Company in the long term.

As disclosed in the announcements of the Company dated 30 August 2021 and 14 September 2021, SPSI has disposed part of the solar photovoltaic system projects for a maximum consideration of HK\$75 million. The Group intended to operate and develop the remaining solar photovoltaic systems and pipelines projects that had not been disposed, and use part of the proceeds received from the disposal to re-invest in other solar photovoltaic projects in Hong Kong to increase market share in the solar energy market in Hong Kong. The Group is still in the process of negotiating with other potential landlords/incorporated owners for installation of solar photovoltaic systems.

The estimated net proceeds from the Rights Issue and the Placing after deducting the estimated expenses in relation to the Rights Issue of up to approximately HK\$97.74 million, of which (i) approximately HK\$80 million is intended for the business development of the photovoltaic power generation sector to develop and secure more solar photovoltaic system projects of SPSI as mentioned above, and other investment opportunities in renewable energy sector in Hong Kong, the PRC and Japan if such opportunities arise; and (ii) the remaining amount for general working capital of the Company. In order to raise the funds required, the Group considers to proceed with the Rights Issue to provide existing Shareholders the opportunity to participate in the enlarged capital base of the Company followed by the Placing for the Placing Shares to raise the shortfall of funds required where possible. If the funds raised from the Rights Issue and Placing is less than the estimated net proceeds as mentioned above, the use of proceeds will be reduced accordingly on a pro rata basis and the scale and timeline of the development of the solar photovoltaic system projects will be adjusted accordingly.

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## LETTER FROM THE BOARD

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The Company considers the net proceeds from the Rights Issue and the Placing will provide financial strength to achieve the Group's business development in the photovoltaic power generation sector, such as financing the upfront cost incurred from the commencement of installment of solar photovoltaic system of future projects. As the installment and connection of solar photovoltaic system to the grid of CLP Power Hong Kong Limited ("CLP") take time, typically, the Group will need to finance the upfront cost incurred from the commencement of installment of solar photovoltaic system and can only start receiving the monthly feed-in tariff ("FiT") income generated from the sale of renewable energy from CLP several months after the relevant project connected to CLP grid (unless the solar photovoltaic system being sold to other third parties). Currently, the Group receives monthly FiT at a standard rate of HK\$4 per kWh for the solar photovoltaic system's capacity from 10kW to 200kW operated by the Group. In particular, the FiT scheme implemented by the Government of Hong Kong to promote the distribution of renewable energies has been adopted for the entire lifetime of the solar photovoltaic system project or until end of 2033, whichever is earlier. Therefore, early connection of solar photovoltaic system to CLP grid has the advantage of receiving more FiT income and gaining higher market share in the solar energy market in Hong Kong. In order to benefit from early connection of solar photovoltaic system to CLP grid by participating the FiT scheme and to be awarded projects of higher value as soon as possible, the Group considers the importance to further strengthen its cash position for the development of its photovoltaic power generation business. The Group targets to complete installation of solar photovoltaic system projects with an on-grid power generation capacity of approximately 20 Mega Watts within next few years and, based on the pipelines currently in negotiation, the total capital requirement, the capital requirement in the next 12 months after the Latest Practicable Date and the upfront cost construction cost (i.e. 1st installment of construction cost representing approximately 20% of total capital requirement) of the installation of solar photovoltaic system projects are expected to be HK\$281 million, HK\$240 million and HK\$56 million respectively. Subject to the progress of development of the solar photovoltaic system projects and the market condition, it is expected that the proceeds with maximum amount of HK\$80 million for the business development of the photovoltaic power generation sector from the Rights Issue and the Placing will be fully utilised before the end of 2022.

On 29 December 2021, the Group obtained a bank facility in an aggregate amount of HK\$35 million with an interest rate of 7.0% per annum (the "2021 Bank Facility") for financing the abovementioned solar power projects. However, considering the total amount of the 2021 Bank Facility and the fund raised from the Rights Issue is not sufficient to finance the capital requirement of the solar photovoltaic system projects, the Group is still in negotiation with several banks and intends to finance the remaining capital requirement by way of debt financing after the fund raised from the Rights Issue and the Placing being fully utilised. In the event the total funds raised (including the Rights Issue, the 2021 Bank Facility and any other future bank loans) is less than the total capital requirement as mentioned above, the scale and timeline of the development of the solar photovoltaic system projects will be adjusted accordingly. Given the prolonged approval process of the banks for additional loans, the Group considers the Rights Issue could provide immediate funds in addition to the 2021 Bank Facility for the solar photovoltaic system projects to develop the Group's market share as soon as possible.

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## LETTER FROM THE BOARD

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As at 30 June 2021, the Group had bank and cash balance of approximately HK\$88.9 million, which majority of such funds was held in subsidiaries of the Company in the PRC for the operation of asset financing business of the Group. As at the Latest Practicable Date, the Group has no major development in asset financing business other than as disclosed in the interim report of the Company for the six months ended 30 June 2021. The Directors consider that the remaining bank and cash balance is not sufficient for the upfront cost incurred from the commencement of installment of solar photovoltaic system to grasp the benefit from early connection of solar photovoltaic system to CLP grid by participating the FiT scheme as mentioned above.

It is the Board's intention to continue its existing businesses. Meanwhile, the net proceeds from the Rights Issue and the Placing will also provide financial flexibility for the Company to grasp future investments as the opportunity arise. The Company may seek for new investment opportunities in renewable energy sector in Hong Kong, the PRC and Japan with better development prospect and that can generate good return to the Shareholders. As at the Latest Practicable Date, the Group has not identified any specific targets for potential investment and has not entered into any agreement in relation to potential new investments. As at the Latest Practicable Date, the Company does not have any agreement, arrangement, understanding, intention, or negotiation (either concluded or in process) to dispose or scale down or terminate its existing businesses or commence any new business other than the existing businesses or propose any corporate actions that would lead to change of control of the Company.

The Board has considered other fund-raising alternatives before resolving to the proposed Rights Issue, including but not limited to debt financing, placing and open offer. As for debt financing, as mentioned above, the Group is still in negotiation with several banks and intends to finance the remaining capital requirement by way of debt financing. However, the Group does not consider the prolonged approval process of the banks for additional loans to be beneficial to the Group and not in line with the Group's plan to advance its connection of solar photovoltaic system to CLP grid in order to enhance the Group's market share in the solar energy market in Hong Kong as mentioned above. Also, as additional loans will create further financial burden to the Group's financial performance, the Group consider financing the solar photovoltaic system projects partially by equity financing through the Rights Issue is more preferable than fully by debt only. As for placing of new Shares, taking into account that it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, it was not considered by the Board to be the most suitable fund-raising method for the Company. As for open offer, while it is similar to a rights issue, offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market unlike a rights issue, which would allow Shareholders to have more flexibility in dealing with the Shares and the nil paid rights attaching thereto.

Taking into account the internal resources available to the Group and the estimated net proceeds from the Rights Issue and the Placing, the Directors are of the opinion that the Group will have sufficient working capital for its present requirements for at least 12 months from the date of this Prospectus.

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## LETTER FROM THE BOARD

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In view of the above, the Board considers that it is in the interests of the Company and the Shareholders as a whole to proceed with the Rights Issue to provide existing Shareholders the opportunity to participate in the enlarged capital base of the Company followed by the Placing for the Placing Shares to raise the fund required.

### FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activities during the 12 months immediately preceding the Latest Practicable Date.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this Prospectus.

By order of the Board of  
**KING STONE ENERGY GROUP LIMITED**  
**Xu Zhuliang**  
*Chairman*

## I. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three financial years ended 31 December 2018, 2019 and 2020 and six months ended 30 June 2021 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.663hk.com>):

- Interim report of the Company for the six months ended 30 June 2021 (pages 4 to 37)  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0929/2021092901300.pdf>
- Annual report of the Company for the financial year ended 31 December 2020 (pages 38 to 138)  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042902897.pdf>
- Annual report of the Company for the financial year ended 31 December 2019 (pages 37 to 132)  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042802933.pdf>
- Annual report of the Company for the financial year ended 31 December 2018 (pages 38 to 126)  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn201904293466.pdf>

## II. INDEBTEDNESS

As at the close of business on 30 November 2021, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this Prospectus, the Group had the following outstanding indebtedness:

### Other loans and borrowings

	As at 30 November 2021 (unaudited) HK\$'000
Loan from a former shareholder of a subsidiary of the Group ( <i>note 1a</i> )	284,615
Commission payable to a third party ( <i>note 1b</i> )	32,939
Loan from a third party ( <i>note 2</i> )	16,545
Loan from a third party ( <i>note 3</i> )	12,147
Loan from a third party ( <i>note 4</i> )	4,632
	<hr/>
	350,878
	<hr/> <hr/>

- Note 1a: It represented a loan from a former shareholder of a subsidiary of the Group (the “**Creditor 1**”) of RMB20,000,000 (approximately HK\$24,000,000) which was unsecured, interest-free, repayable on 1 January 2016, and subject to an overdue penalty of 0.5% per day on the loan principal. The loan was borrowed by a subsidiary of the Group and had been overdue for repayment as at 30 November 2021. In July 2016, the liquidator of the Creditor 1 commenced legal proceedings for the repayment of a loan due on 1 January 2016 with a principal amount of RMB25,500,000 (approximately HK\$28,463,000) representing the loan due to Creditor 1 and the third party as detailed in note 2 below and accrued interest and penalty of RMB12,257,000 (approximately HK\$13,681,000). The litigation was subsequent withdrawn by the liquidator in October 2016 and there has been no material update as at the Latest Practicable Date. As at 30 November 2021, the principal amount of the loan, the accumulated interest expenses and overdue penalty charges (including the provision made by the Company) amounted to approximately HK\$284,615,000.
- Note 1b: As at 30 November 2021, there was commission payable to a third party (the “**Creditor 2**”) based on 15% per annum of the drawdown of loan principal of the above loan. Pursuant to the judgment of the second instance in respect of a claim for outstanding loan with principal amount of RMB9,500,000 (equivalent to approximately HK\$10,800,000) issued in August 2017, the Group was held liable to pay a sum of approximately RMB10,400,000 (equivalent to approximately HK\$11,900,000) to Creditor 2 with costs incurred for this litigation. In January 2018, the court issued the execution order to freeze the assets of the Group of approximately RMB10,500,000 (equivalent to approximately HK\$12,000,000). The Group has applied to stay the execution order and is considering for an appeal or retrial. The execution order is not yet implemented and there has been no material update as at the Latest Practicable Date. As at 30 November 2021, the principal amount of commission, the accumulated interest expenses and overdue penalty charges (including the provision made by the Company) amounted to approximately HK\$32,939,000.
- Note 2: It represented a loan of RMB5,500,000 (approximately HK\$6,600,000), which was unsecured, bore interest at 15% per annum, was repayable on 1 January 2016, and was subject to an overdue penalty of 1% on the overdue balance. The loan was borrowed by a subsidiary of the Group and had been overdue for repayment as at 30 November 2021. Pursuant to the judgment of the second instance in respect of a claim for the loan and respective accrued interest issued in March 2018, the Group was held liable to pay the claims made by the creditor. There has been no material update as at the Latest Practicable Date. As at 30 November 2021, the principal amount of the loan, the accumulated interest expenses and overdue penalty charges (including the provision made by the Company) amounted to approximately HK\$16,545,000.

Note 3: It represented a loan of HK\$12,000,000 which was unsecured, bore interest at 12% per annum and has been repaid in January 2022.

Note 4: It represented a loan of JPY60,000,000 (approximately HK\$4,200,000) which was unsecured, bore interest at 12% per annum, to be repayable on 20 July 2022.

### **Charge of assets**

As at 30 November 2021, being the latest practicable date for the purpose of this indebtedness statement, the Group had no material charge of assets.

### **Lease liabilities**

The Group measures the lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates and measures the right-of-use assets at an amount equal to the lease liabilities, adjusted by any prepaid or accrued lease payments. As at 30 November 2021, the Group has current and non-current liabilities amounting to approximately HK\$1,923,000 and approximately HK\$4,870,000, respectively.

### **Contingent liabilities**

As at 30 November 2021, being the latest practicable date for the purpose of this indebtedness statement, the Group had no material contingent liabilities outstanding.

### **Disclaimer**

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities, trade and bills payable, accruals and other payables and income tax payables as at 30 November 2021, being the latest practicable date for the purpose of this indebtedness statement, the Group did not have any other borrowings or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages and charges, hire purchase commitments, material contingent liabilities or guarantees outstanding.

## **III. WORKING CAPITAL**

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the financial resources presently available to the Group, including the existing cash and bank balances, available facilities and the estimated net proceeds from the Rights Issue and the Placing, the Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of this Prospectus in the absence of unforeseen circumstances.



**IV. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Company were made up, and up to and including the Latest Practicable Date.

**V. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

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

The Group conducts its silver mining business through two silver mines in Ningde City, Fujian Province, the PRC, namely the “Western Section” located in Fu’an County of Ningde City (the “**West Mine**”) owned by Fu’an City Leixin Mining Company Limited (“**Fu’an Leixin**”) and the “Eastern Section” located in Zherong County of Ningde City (the “**East Mine**”) owned by Zherong County Leixin Mining Company Limited (“**Zherong Leixin**”). As at the Latest Practicable Date, the production of West Mine has been resumed to normal starting from third quarter of 2021. There was no material update of the East Mine and the Group has not yet obtained the renewed exploration license as at the Latest Practicable Date. Based on the latest communications with the relevant government officer at Ningde City Natural Resources Bureau in fourth quarter of 2021, (i) the government is still studying and considering the updated proposal for the project to construct a reservoir/flood prevention infrastructure in Ningde City, the PRC which is close to the West Mine and the East Mine; and (ii) the renewal of exploration license of the East Mine is still being reviewed and is expected to complete by June of 2022. For photovoltaic power generation business in the PRC, the photovoltaic power generation project located in Chengde City, the PRC as stated above continues to provide steady income stream to the Group. For tourism business, which mainly represented income from the provision of MICE Travel and hotels and tickets booking services in the PRC, is still affected by COVID-19 pandemic in the PRC. For other existing businesses of the Group, other than as disclosed in the interim report of the Company for the six months ended 30 June 2021, there is no material change or major development as at the Latest Practicable Date.

As mentioned under the section headed “Reasons for and Benefits of the Rights Issue and the Placing and Use of Proceeds” in the letter from the Board in this Prospectus, subject to the Rights Issue having become effective, the net proceeds from the Rights Issue and the Placing will be applied for the business development of the photovoltaic power generation sector to develop and secure more solar photovoltaic system projects and other investment opportunities in renewable energy sector in Hong Kong, the PRC and Japan if such opportunities arise. The Directors consider that the Rights Issue and the Placing will allow the Company to provide financial strength to achieve the Group’s business development in the photovoltaic power generation sector, such as financing the upfront cost incurred from the commencement of installment of solar photovoltaic system of future projects. The Group targets to complete installation of solar photovoltaic system projects with an on-grid power generation capacity of approximately 20 Mega Watts within next few years.

It is the Board’s intention to continue its existing businesses. Meanwhile, the net proceeds from the Rights Issue and the Placing will also provide financial flexibility for the Company to grasp future investments as the opportunity arise. The Company may seek for new investment opportunities in renewable energy sector in Hong Kong, the PRC and Japan with better development prospect and that can generate good return to the Shareholders.

**A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company prepared by the Directors (the “**Unaudited Pro Forma Financial Information**”) in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) is set out to illustrate the effects of the Rights Issue and the Share Consolidation on the Group’s unaudited consolidated net tangible assets attributable to the owner of the Company as if the Rights Issue and the Share Consolidation had been completed on 30 June 2021.

The Unaudited Pro Forma Financial Information has been prepared based on the judgments, estimates and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 30 June 2021 or any further dates following the Rights Issue and the Share Consolidation.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2021, as extracted from published interim report of the Company for the six months ended 30 June 2021, with adjustments described below.

		Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Rights Issue	Unaudited consolidated net tangible assets of the Group per share attributable to owners of the Company before completion of the Share Consolidation	Unaudited consolidated net tangible assets of the Group per share attributable to owners of the Company upon completion of the Share Consolidation	Unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to owners of the Company upon completion of the Share Consolidation and the Rights Issue
	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021	Unaudited estimated net proceeds from the Rights Issue			
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000	HK\$ (Note 3)	HK\$ (Note 4) (Note 5)
Based on the issue of 395,752,778 Rights Shares	182,731	97,738	280,469	0.02	0.23
	<u>182,731</u>	<u>97,738</u>	<u>280,469</u>	<u>0.02</u>	<u>0.23</u>

*Notes:*

1. The unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2021 is extracted from the unaudited consolidated net assets of the Group attributable to the owners of the Company as at 30 June 2021 of approximately HK\$283,267,000 as adjusted by exclusion of goodwill of approximately HK\$21,270,000 and other intangible assets of approximately HK\$79,266,000 as shown on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2021 that has been extracted from the published interim report of the Company for the six months ended 30 June 2021 dated 30 August 2021.
2. The estimated net proceeds from the Rights Issue of approximately HK\$97,738,000 is calculated based on 395,752,778 Rights Shares to be issued (in the proportion of one (1) Rights Share for every two (2) existing shares held as at the Rights Issue record date) at the subscription price of HK\$0.25 per Rights Share, after deduction of the estimated related expenses of approximately HK\$1,200,000, assuming that the Rights Issue had been completed on 30 June 2021.
3. The unaudited consolidated net tangible assets attributable to owners of the Company per share as at 30 June 2021 is approximately HK\$0.02, which is calculated based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021 of approximately HK\$182,731,000 divided by 7,915,055,568 shares in issue as at 30 June 2021 (“**Existing Shares**”) without taking into account of consolidation of every ten (10) issued and unissued Existing Shares into one Consolidated Share (the “**Share Consolidation**”).
4. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per share immediately after completion of the Share Consolidation is approximately HK\$0.23, which is calculated based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021 of approximately HK\$182,731,000 divided by 791,505,556 Consolidated Shares as at the Latest Practicable Date and immediately before completion of the Rights Issue, as if the Share Consolidation had been completed on 30 June 2021.
5. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per share immediately after completion of the Rights Issue is approximately HK\$0.24, which is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Rights Issue of approximately HK\$280,469,000 divided by 1,187,258,334 shares, which represents 791,505,556 Consolidated Shares in issue before completion of the Rights Issue (assuming the Share Consolidation became effective on 30 June 2021) and 395,752,778 Rights Shares to be issued, pursuant to the Rights Issue (in the proportion of one (1) Rights Share for every two (2) Consolidated Shares held as at the Rights Issue record date), are in issue assuming that the Rights Issue had been completed on 30 June 2021.
6. No adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2021.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

永拓富信會計師事務所有限公司  
YONGTUO FUSON CPA LIMITED

**To the directors of King Stone Energy Group Limited**

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information of King Stone Energy Group Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2021 and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out in Section A of Appendix II to the prospectus dated 26 January 2022 (the “**Prospectus**”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed rights issue of 395,752,778 rights shares at HK\$0.25 per rights share (the “**Rights Shares**”) on the basis of one Rights Share for every two existing shares of the Company held on the rights issued record date (the “**Rights Issue**”) on the Group’s unaudited consolidated net tangible assets attributable to owners of the Company as at 30 June 2021 as if the Rights Issues had taken place at 30 June 2021. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2021, on which no audit or review report has been published.

**Directors’ Responsibility for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 (Clarified) *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the Rights Issue on unadjusted financial information of the Group as if the Rights Issue had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 30 June 2021 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

**Yongtuo Fuson CPA Limited**

*Certified Public Accountants*

**Lee Yan Fai**

Practicing Certificate Number: P06078

Hong Kong

## 1. RESPONSIBILITY STATEMENT

This Prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

## 2. SHARE CAPITAL

The issued share capital of the Company (a) as at the Latest Practicable Date; and (b) immediately after the completion of the Rights Issue (assuming (i) no change in the number of issued Shares on or before the Record Date; and (ii) full acceptance of Rights Shares by all Qualifying Shareholders) are as follows:

### (a) As at the Latest Practicable Date

Issued and fully paid:	
791,505,556	Consolidated Shares
<u><u>791,505,556</u></u>	

### (b) Immediately after the completion of the Rights Issue (assuming (i) no change in the number of issued Shares on or before the Record Date; and (ii) full acceptance of Rights Shares by all Qualifying Shareholders)

Issued and fully paid:	
791,505,556	As at the Latest Practicable Date
395,752,778	Rights Shares to be allotted and issued under the Rights Issue
<u>1,187,258,334</u>	Consolidated Shares in issue immediately upon completion of the Rights Issue
<u><u>1,187,258,334</u></u>	

All issued Shares rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital.



The Rights Shares and the Placing Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with the Shares then in issue. Holders of fully-paid Rights Shares and the Placing Shares (as the case may be) will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of issue of the Rights Shares and the Placing Shares (as the case may be). The Company has applied to the Stock Exchange for the listing of and permission to deal in, the Rights Shares and the Placing Shares in both their nil-paid and fully-paid forms. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or the Placing Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants and there was no capital of any member of the Group which is under option, or agreed conditionally or unconditionally to be put under option.

### **3. DISCLOSURE OF INTERESTS**

#### **(a) Interests of Directors and chief executives of the Company**

As at the Latest Practicable Date, none of the Directors or chief executives of the Company or their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) have to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company.

**(b) Interests of Substantial Shareholders**

As far as was known to any Director or chief executive of the Company, as at the Latest Practicable Date, the persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

<b>Name</b>	<b>Nature of interests</b>	<b>Number of Consolidated Shares (Note 3)</b>	<b>Approximate percentage of total issued Consolidated Shares</b>
Belton Light Limited (Note 1)	Beneficial owner	357,531,800 (L)	45.17%
Jade Bird Energy Fund II, L.P. (Note 1)	Interest in controlled corporation	357,531,800 (L)	45.17%
Goldsino Investments Limited (Note 2)	Beneficial owner	108,150,000 (L)	13.66%
Sky Lucky Limited (Note 2)	Interest in controlled corporation	108,150,000 (L)	13.66%
Zhao Xu (Note 2)	Interest in controlled corporation	108,150,000 (L)	13.66%

*Notes:*

1. Belton Light Limited is wholly-owned by Jade Bird Energy Fund II, L.P.
2. Goldsino Investments Limited is wholly-owned by Sky Lucky Limited which is wholly-owned by Mr. Zhao Xu.
3. The Share Consolidation of every ten (10) Existing Shares into one (1) Consolidated Share became effective on 30 December 2021.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any other persons who had an interests or a short position in the Shares and underlying Shares, which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered into in the register required to be kept by the Company pursuant to section 336 of the SFO.

#### **4. LITIGATIONS**

There were certain legal proceedings which have been instituted against the Group in respect of other loans (which were included in “other loans” in the condensed consolidated statement of financial position of the Group as at the Latest Practicable Date) as detailed below:

- (i) Pursuant to the judgment of the second instance in respect of a claim for outstanding loan with principal amount of RMB9.5 million (equivalent to approximately HK\$10.8 million) issued in August 2017, the Group was held liable to pay a sum of approximately RMB10.4 million (equivalent to approximately HK\$11.9 million) to the creditor with costs incurred for this litigation. In January 2018, the court issued the execution order to freeze the assets of the Group of approximately RMB10.5 million (equivalent to approximately HK\$12 million). The execution order is not yet implemented and there has been no material update as at the Latest Practicable Date.
- (ii) Pursuant to the judgment of the second instance in respect of a claim for outstanding loan with principal amount of RMB5.5 million (equivalent to approximately HK\$6.3 million) and respective accrued interest issued in March 2018, the Group was held liable to pay the claims made by the creditor. There has been no material update as at the Latest Practicable Date.

The Directors are of the opinion that the above litigations do not have any material adverse impact on the operation and financial position of the Group.

Save as disclosed above, as at the Latest Practicable Date, as far as the Directors are aware, neither the Company nor any member of the Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any member of the Group.

#### **5. DIRECTORS’ SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which was not determinable within one year without payment of compensation, other than statutory compensation.

**6. DIRECTORS' INTEREST IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**7. DIRECTORS' INTEREST IN ASSETS, CONTRACTS AND ARRANGEMENT OF THE GROUP**

As at the Latest Practicable Date, none of the Directors were materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group. As at the Latest Practicable Date, save as disclosed in this Prospectus, none of the Directors had any interest, directly or indirectly, in any assets which have been, since 31 December 2020 (being the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

**8. MATERIAL CONTRACTS**

The following contracts (not being contracts in the ordinary course of business) of the Group have been entered into by the members of the Group during the period commencing two years preceding the date of this Prospectus and are or may be material:

- (i) the disposal agreement dated 24 March 2020 entered into among Zhuhai Jinwei Environmental Protection Technology Co., Ltd, (a wholly owned subsidiary of the Company (as vendor), and Yuntai Shidai (Beijing) Technology & Trade Co., Ltd. (as purchaser) in relation to the disposal of 19.5% equity interests in Hainan Shengeng Ocean Development Co., Ltd at cash consideration of RMB39 million (equivalent to approximately HK\$43 million). A termination agreement dated 22 December 2020 entered to terminate the disposal agreement;
- (ii) the subscription agreement dated 15 July 2020 entered into between the Company (as issuer) and Atlantis Investment Management Limited (as subscriber) in relation to the issue of convertible notes in principal amount of HK\$30,000,000, with conversion price of HK\$0.08 per Share, interest rate of 7% per annum and maturity of one year;

- (iii) the subscription agreement dated 15 July 2020 entered into between the Company (as issuer) and Atlantis China Star Fund Limited (as subscriber) in relation to the issue of convertible notes in principal amount of HK\$20,000,000, with conversion price of HK\$0.08 per Share, interest rate of 7% per annum and maturity of one year;
- (iv) the sale and purchase agreement dated 30 August 2021 entered into among EPI Energy Investments Limited (as purchaser), SinoPower Solar Investments Co., Limited, an indirect wholly-owned subsidiary of the Company (as vendor) and the Company (as vendor guarantor) in relation to the disposal of certain solar photovoltaic systems as mentioned in the section headed “Reasons for and Benefits of the Rights Issue and the Placing and Use of Proceeds” in this Prospectus; and
- (v) the facility agreement dated 29 December 2021 entered into among SPSI (as borrower) and ORIX Asia Limited, (as lender) and the Company, First Gain Global Limited and Mr. Xu Zhuliang (as guarantors) in relation to a bank facility with in an aggregated amount of HK\$35 million with interest rate of 7.0% per annum as mentioned in the section headed “Reasons for and Benefits of the Rights Issue and the Placing and Use of Proceeds” in this Prospectus; and
- (vi) the Placing Agreement.

## 9. EXPERT AND CONSENT

The following are the qualifications of the expert who have given their opinions, letters or advice contained in this Prospectus:

<b>Name</b>	<b>Qualifications</b>
Yongtuo Fuson CPA Limited	Certified Public Accountants Registered Public Interest Entity Auditor

The above expert has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of its letter, advice or report, as the case may be, and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above expert did not have any shareholding, directly or indirectly, in any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which had been, since 31 December 2020 (the date to which the latest published audited financial statements of the Group were made up), acquired, or disposed of by or leased to, or were proposed to be acquired, disposed of by or leased to any member of the Group.

**10. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE**

<b>Registered Office and Principal Place of Business in Hong Kong:</b>	17th Floor, V Heun Building, No. 138 Queen's Road Central, Central, Hong Kong
<b>Authorised Representatives</b>	Mr. Zong Hao  17th Floor, V Heun Building, No. 138 Queen's Road Central, Central, Hong Kong  Mr. Lee Tao Wai  17th Floor, V Heun Building, No. 138 Queen's Road Central, Central, Hong Kong
<b>Company Secretary</b>	Mr. Lee Tao Wai (member of the Hong Kong Institute of Certified Public Accountants)
<b>Financial Adviser to the Company</b>	INCUB Corporate Finance Limited  Unit D, 6/F, Bank of China Building, 2A Des Voeux Road Central, Central, Hong Kong
<b>Legal Adviser to the Company</b>	CFN Lawyers  Units 4101-4104, 41/F, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong
<b>Reporting Accountant of the Company</b>	Yongtuo Fuson CPA Limited Certified Public Accountants Registered Public Interest Entity Auditor  Unit 1020 on 10th Floor, Tower B, New Mandarin Plaza, No. 14 Science Museum Road, Tsim Sha Tsui East, Kowloon
<b>Principal Banker</b>	HSBC 1 Queen's Road Central, Hong Kong
<b>Principal share registrar and Transfer Office</b>	Tricor Secretaries Limited  Level 54, Hopewell Centre 183 Queen's Road East, Hong Kong

## 11. EXPENSES

The expenses in connection with the Rights Issue, including but not limited to the financial advising fees, printing, registration, translation and legal and accounting fees are estimated to be approximately HK\$1.2 million and are payable by the Company.

## 12. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

### *Executive Directors*

**Mr. Xu Zhuliang**, aged 52, obtained a diploma from Taiyuan University of Technology in 1991. Mr. Xu holds the Safety Qualification Certificate issued by the State Administration of Work Safety. Since 2009, Mr. Xu has been the Assistant to President and Vice President of Beida Jade Bird Group, and is primarily responsible for the management of the company's coal mine and chemical projects. During the period from 2006 to 2008, Mr. Xu was the manager of Shanxi Tianchengdayang Energy Chemical Industry Co. Ltd., a company specialized in the development, production and processing of energy chemical products. Prior to that, Mr. Xu was the manager of Shanxi Glamour Science & Technology Co. Ltd. During the period from 2002 to 2006, he was responsible for the research and development, investment, construction and operation of the coal mine and chemical projects of that company. He was appointed as the executive director of the Company on 12 March 2013 and became the chairman of the Company on 1 March 2020. He is also the chairman of the nomination committee of the Company.

**Mr. Zong Hao**, aged 52, obtained a degree of the Master of Laws from Buffalo Law School, the State University of New York in 1997. Mr. Zong has been an independent director of Suzhou Electrical Apparatus Science Academy Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300215) from 2009 to 2015 and is currently an independent non-executive director of Sincere Watch (Hong Kong) Limited, a company listed on the Stock Exchange (stock code: 444) since December 2016. Mr. Zong was the chief representative of Cherry Lane Music Publishing Company Inc. Beijing office from 2003 to 2010. He was also the executive vice president of Quintana China and Taggart China LLC from 2007 to January 2013. He was appointed as the executive director and chief executive officer of the Company on 1 February 2013.

**Ms. He Qing**, aged 53, graduated from China University of International Business and Economics with a Bachelor Degree in Chinese. From May 1993 to October 1994, Ms. He was the chief financial officer of Beijing Zhongzhilu Business Conference Service Company Limited. From October 1994 to October 2009, she was the chief financial officer of Beijing Foreign Enterprise Air Service Co., Ltd.. Since October 2009, Ms. He has been the vice president of Beijing Beida Jade Bird Co., Ltd., responsible for investment management. She has over 20 years of experience in finance and corporate management. She was appointed as the executive director of the Company on 18 April 2017 and is a member of the remuneration committee of the Company.

*Independent non-executive Directors*

**Mr. Chiu Sui Keung**, aged 54, has over 16 years' experience in the strategic management in various listed companies, financial industry and accounting field. He has possessed extensive experience in corporate finance including initial public offerings, takeovers, mergers and acquisitions, fund raising and corporate advisory. Mr. Chiu graduated with a Bachelor's Degree in Commerce from the University of Melbourne, Australia and has obtained a Master's Degree in Applied Finance from Macquarie University in Sydney, Australia. He has also obtained a Diploma in Practices in Chinese Laws and Regulations Affecting Foreign Businesses jointly organized by Southwest University of Political Science and Law, the PRC and the Hong Kong Management Association. He is currently the executive director and chief executive officer of Elife Holdings Limited (stock code: 223), a company listed on the Stock Exchange. He was appointed as the independent non-executive director of the Company on 18 January 2010. Mr. Chiu is the chairman of the audit committee and the remuneration committee of the Company and a member of the nomination committee of the Company.

**Mr. Lee Ping**, aged 61, holds a Bachelor's Degree in Mathematics and Computer Science from State University of New York at Buffalo, a Master's Degree in Computer Science and a Doctor of Philosophy in Mathematics from Cornell University. He has over 21 years' experience in energy and petroleum industry. Currently, Mr. Lee is the President and General Manager of BG Group China, a world leader in natural gas industry. He has responsibility in managing BG Group's overall portfolio in relation with China, domestic and international. Prior to joining BG Group, Mr. Lee served as President of Schlumberger China, the world largest oilfield services company, responsible for oilfield operations, technology development, engineering and manufacturing, global sourcing, and developing and implementing long term growth strategy. He also spent ten years in Schlumberger-Doll Research and Austin Research as senior and principal research scientist, and is a holder of over twenty scientific publications and two patents. He was appointed as the independent non-executive director of the Company on 8 April 2013 and is a member of the audit committee of the Company.



**Mr. Lee Kwok Wan**, aged 58, graduated with a Master in Finance in 1989 from Macquarie University and has more than 30 years of experience in merger and acquisitions, manufacturing, banking, and investment management. He also has an in-depth knowledge and experience of a wide array of business sectors having worked as both the vice president in Beijing and consultant in Hong Kong of Elion Resources group, after being acted as the director of China-Ukraine Fund and Association, senior vice president of private equity in charge of operations of Jin Dou Development Fund under the platform of China Investment Corporation (CIC) in Kazakhstan, and held a series of management positions with multinational companies and OCBC Baking Group of Singapore in Singapore, Malaysia, Abu Dhabi of United Arab Emirates, Germany, Hong Kong, Kazakhstan and China. Currently, he is the general manager of Heritage Resources Limited which serves as a private equity fund service provider platform. He was appointed as the independent non-executive director of the Company on 8 November 2019 and is a member of the audit committee, nomination committee and remuneration committee of the Company.

#### *Senior Management*

**Mr. Lee Tao Wai**, aged 43, is the company secretary and one of the authorised representatives of the Company. He is a member of the Hong Kong Institute of Certified Public Accountants and has over 16 years of experience in auditing, accounting and corporate field. Prior to joining the Company in April 2010, he worked in an international accounting firm and a listed company in Hong Kong as senior executive. He holds a Bachelor Degree in Business Administration in Professional Accountancy from The Chinese University of Hong Kong, a Master Degree in Investment Management from The Hong Kong University of Science and Technology and a Master Degree in International Economic Law from The Chinese University of Hong Kong.

#### **Business address of the Directors**

The business address of the Directors is the same as the Company's head office and principal place of business in Hong Kong at 17th Floor, V Heun Building, 138 Queen's Road Central, Central, Hong Kong.

### **13. MISCELLANEOUS**

- (a) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) The English text of this Prospectus and the accompanying form of proxy shall prevail over the respective Chinese text in the case of inconsistency.

**14. BINDING EFFECT**

The Prospectus Documents, and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, so far as applicable.

**15. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

A copy of each of the Prospectus Documents and the written consent as referred to under the paragraph headed “Expert and Consent” in this Appendix, have been registered by the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance.

**16. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at 17th Floor, V Heun Building, 138 Queen’s Road Central, Central, Hong Kong, and on the websites of the Company (<http://www.663hk.com>), for 14 days from the date of this Prospectus:

- (a) the articles of association of the Company;
- (b) the annual reports of the Company for the three years ended 31 December 2018, 2019 and 2020;
- (c) the interim report of the Company for the six months ended 30 June 2021;
- (d) the report from Yongtuo Fuson CPA Limited on the unaudited pro forma financial information of the Group as set out in Appendix II of this Prospectus;
- (e) the material contracts referred to in the section headed “Material Contracts” to this appendix;
- (f) the written consent referred to in the section headed “Expert and Consent” in this appendix; and
- (g) this Prospectus and the PAL(s) and the EAF(s).