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## **KING STONE ENERGY GROUP LIMITED**

**金山能源集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 00663)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO FACTORING AGREEMENT**

The Board is pleased to announce that Qingrui Factoring, a wholly-owned subsidiary of the Company, entered into the Factoring Agreement dated 1 August 2019 with Shanghai Henglu pursuant to which Qingrui Factoring has agreed to provide account receivable factoring services with revolving facilities in the principal sum of RMB50,000,000 (equivalent to approximately HK\$56,500,000) to Shanghai Henglu in accordance with the terms and conditions of the Factoring Agreement.

#### **LISTING RULES IMPLICATION**

As one or more of the applicable percentage ratios for the transactions contemplated under the Factoring Agreement calculated in accordance with the Listing Rules are more than 5% but less than 25%, the Factoring Agreement and the transactions contemplated thereunder constitute a discloseable transaction on the part of the Company under Rule 14.07 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **THE FACTORING AGREEMENT**

Qingrui Factoring, a wholly-owned subsidiary of the Company, entered into the Factoring Agreement dated 1 August 2019 with Shanghai Henglu, pursuant to which Qingrui Factoring has agreed to provide account receivable factoring services with revolving facilities in the principal sum of RMB50,000,000 (equivalent to approximately HK\$56,500,000) to Shanghai Henglu. The principal terms of the Factoring Agreement are set out below:

Date: 1 August 2019

Parties:

(A): Qingrui Business Factoring Company Limited\* (青瑞商業保理有限公司)

(B): Shanghai Henglu International Trading Company Limited\* (上海恒路國際貿易有限公司)

Qingrui Factoring is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company and holds a business factoring licence in the PRC.

Shanghai Henglu is a company established in the PRC principally engaged in trading of various products such as metals and materials. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Shanghai Henglu and its beneficial owners are Independent Third Parties.

### **Credit limit**

Pursuant to the Factoring Agreement, Qingrui Factoring has agreed to provide account receivable factoring services with revolving facilities in the principal sum of RMB50,000,000 (equivalent to approximately HK\$56,500,000) to Shanghai Henglu in accordance with the terms and conditions of the Factoring Agreement.

### **Financing term**

Subject to the terms of the Factoring Agreement, the financing term shall be for a fixed term of 3 years (i.e. from 1 August 2019 to 31 July 2022). Shanghai Henglu shall transfer the account receivables due by debtor(s) (who shall be Independent Third Parties) in favour of Qingrui Factoring such that the debtor(s) shall repay to Qingrui Factoring all outstanding sum together with accrued interest due by them to Shanghai Henglu.

## **Interest and management fee**

The rate of interest applicable to the facilities shall be at a floating rate in accordance with the prevailing bank lending interest rate with a 20% margin. The management fee of the factoring service shall be RMB1,000 for each sum of account receivables transferred. All interest and management fee shall be paid in advance quarterly by the 20th day of the first month in the following quarter.

## **Repurchase**

In the event that either: (i) any debtor has failed to pay the respective outstanding debt to Qingrui Factoring in full upon the expiry of the financing term; or (ii) an event of default has occurred under the Factoring Agreement, Qingrui Factoring shall have the right to terminate the Factoring Agreement and/or request Shanghai Henglu to repurchase the account receivable due by the debtor and repay all the outstanding sum due to Qingrui Factoring under the Factoring Agreement.

## **REASONS FOR AND BENEFITS OF THE FACTORING AGREEMENT**

The Group is principally engaged in exploring and drilling natural gas and oil in the United States of America, silver mining, provision of asset financing services and trading of liquefied natural gas in the PRC.

Qingrui Factoring is a company principally engaged in factoring business, financial investments and related activities and has been duly registered and classified as being in the “financing leasing service” industry in the Tianjin Pilot Free Trade Zone in the PRC. In entering into the Factoring Agreement, Qingrui Factoring was carrying out its ordinary course of business within its business scopes and as stated in its business licence.

The terms of the Factoring Agreement were arrived at by the parties thereto after arm’s length negotiations, with reference to prevailing commercial practice and the financial position of the counterparties. The Board is of the view that the transactions contemplated under the Factoring Agreement can create a stable source of revenue and cashflow to the Group from the interests accrued.

In view of the above, the Board considers that the terms of the Factoring Agreement and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group. Accordingly, the Directors consider that the terms of the Factoring Agreement are fair and reasonable and the entering into of the Factoring Agreement and the transactions contemplated thereunder are in the interest of the Company and the Shareholders as a whole.

## LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios for the transactions under the Factoring Agreement calculated in accordance with the Listing Rules are more than 5% but less than 25%, the Factoring Agreement and the transactions contemplated thereunder constitute a discloseable transaction on the part of the Company under Rule 14.07 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

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

“Board”	the board of Directors
“Company”	King Stone Energy Group Limited, a company incorporated in Hong Kong with limited liability whose issued shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Factoring Agreement”	the factoring agreement dated 1 August 2019 and entered into between Qingrui Factoring and Shanghai Henglu in respect of the provision of the factoring services by Qingrui Factoring to Shanghai Henglu
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) who, together with his/her ultimate beneficial owner(s), is/are persons independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China, which, for the purpose of this announcement, shall exclude Hong Kong, Taiwan and Macau Special Administrative Region of the PRC
“Qingrui Factoring”	Qingrui Business Factoring Company Limited* (青瑞商業保理有限公司), a company established in the PRC with limited liability and a wholly owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Henglu”	Shanghai Henglu International Trading Company Limited* (上海恒路國際貿易有限公司), a company established in the PRC with limited liability
“Shareholder(s)”	holder(s) of issued share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By Order of the Board  
**King Stone Energy Group Limited**  
**Zong Hao**  
*Executive Director*

Hong Kong, 1 August 2019

*The English transliteration of the Chinese name(s) in this announcement, where indicated with “\*”, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

*In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.13. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.*

*As at the date of this announcement, the executive Directors are Ms. Gloria Chang Wong, Mr. Zong Hao, Mr. Xu Zhuliang, Mr. Benjamin Clark Danielson and Ms. He Qing, and the independent non-executive Directors are Mr. Chiu Sui Keung, Mr. Lu Binghui, Mr. Lee Ping and Mr. Liu Shengming.*