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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)

(1) TERMINATION OF DISCLOSEABLE TRANSACTION; AND (2) FURTHER EXTENSION OF EXCLUSIVITY PERIOD OF THE PROPOSED ACQUISITION

(1) TERMINATION OF DISCLOSEABLE TRANSACTION

Reference is made to the announcement of King Stone Energy Group Limited (the “**Company**” and its subsidiaries, together (the “**Group**”)) dated 24 March 2020 in relation to the disposal of 19.5% equity interests in an associate of the Group.

After careful consideration of all the circumstances surrounding the Disposal including uncertainty and impact caused by the outbreak of the COVID-19 epidemic throughout 2020, the Purchaser decided not to proceed with the Disposal. Accordingly, after amicable discussion between the Vendor and the Purchaser, on 22 December 2020, the Vendor and the Purchaser entered into a termination agreement to terminate the Disposal Agreement effective from 22 December 2020. Each of the parties also confirmed that it has no claim against the other party in respect of any matter under or arising from the Disposal Agreement.

The Company has been actively seeking the new purchaser for the Disposal and the Board considers that the termination of the Disposal Agreement will not have any material adverse impact on the financial and operation of the Group.

(2) FURTHER EXTENSION OF EXCLUSIVITY PERIOD OF THE PROPOSED ACQUISITION

Reference is made to the announcements of the Company dated 4 December 2017, 29 June 2018, 27 December 2018, 28 June 2019, 27 December 2019 and 26 June 2020 in respect of, among others, the proposed acquisition of 51% equity interests in a target company.

As additional time is required for the Group to evaluate the business and prospects of the Target Group, the Vendor, the Company and the Guarantor entered into a further supplemental memorandum of understanding dated 22 December 2020 to extend the exclusivity period for the Proposed Acquisition to 30 June 2021. Such extended date shall also apply to the terms on the refund of the Earnest Money under the MOU, i.e. the MOU shall be terminated in the event that the Formal Agreement cannot be entered into on or before 30 June 2021, and the Earnest Money shall be fully refunded together with interest calculated at 3% per annum by the Vendor to the Company.

Save for the above, all other material terms and conditions of the MOU shall remain unchanged and continue in full force and effect.

The Company will make further announcement(s) in relation to the development of the Proposed Acquisition as and when appropriate.

The Board wishes to emphasise that the Proposed Acquisition may or may not proceed. If the Proposed Acquisition materialises, it will constitute a notifiable transaction on the part of the Company pursuant to the Listing Rules. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 22 December 2020

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