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KINGSTONE
金石礦業

CHINA KINGSTONE MINING HOLDINGS LIMITED

中國金石礦業控股有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 1380)

PROPOSED ISSUE OF CONVERTIBLE NOTES

SUBSCRIPTION AGREEMENT

The Board is pleased to announce that on 22 September 2023 (after trading hours), the Company entered into the Subscription Agreement with the Subscribers, pursuant to which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, the Convertible Notes in an aggregate nominal value of up to HK\$200 million at the Issue Price, being 100% of the nominal value of the Convertible Notes.

The Convertible Notes comprise two equal tranches of a nominal value of HK\$100 million each. Each of Tranche 1 Notes and Tranche 2 Notes shall comprise 50 equal sub-tranches of HK\$2 million each.

Assuming the Convertible Notes are issued in full, the net proceeds from the issue of the Convertible Notes, after deduction of professional fees and all related expenses, are estimated to be approximately HK\$14.9 million. The Company shall issue and the Subscribers shall subscribe for at least five sub-tranches under Tranche 1 Notes for an aggregate nominal value of HK\$10 million, which shall be converted in accordance with the Conditions, on the Closing Date for the first drawdown of Tranche 1 Notes.

LISTING RULES IMPLICATIONS

The Directors (including the independent non-executive Directors) have approved the entering into of the Subscription Agreement and the transactions contemplated thereunder and are of the view that (i) the Subscription Agreement is on normal commercial terms; (ii) the terms of which are fair and reasonable; and (iii) the entering into of the Subscription Agreement is in the interest of the Company and the Shareholders as a whole.

Pursuant to Rule 13.36(1)(a) of the Listing Rules, the issue of the Convertible Notes carrying the right to convert into Conversion Shares is subject to approval by the Shareholders. The Company will convene the SGM to seek the approval of the Shareholders on the Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the relevant Conversion Shares upon the exercise of the Conversion Right in respect of the Convertible Notes.

GENERAL INFORMATION

A circular containing, among other matters, further details of the Subscription Agreement and the transactions contemplated thereunder, together with a notice convening the SGM, is expected to be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

Shareholders and potential investors of the Company should note that completion under the Subscription Agreement is subject to conditions precedent and may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

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PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are as follows:

Date

22 September 2023 (after trading hours)

Parties

- (1) the Company as the issuer; and
- (2) AOF VCC and AOF I as the Subscribers.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Subscribers and their respective ultimate beneficial owners are Independent Third Parties.

Securities to be issued

The Convertible Notes, being 2.0% redeemable convertible notes convertible into the Shares with an aggregate nominal value of up to HK\$200 million.

Issue and subscription of the Convertible Notes

The Convertible Notes comprise two equal tranches of a nominal value of HK\$100 million each. Each of Tranche 1 Notes and Tranche 2 Notes shall comprise 50 equal sub-tranches of HK\$2 million each.

(A) *Tranche 1 Notes*

Subject to the terms and conditions of the Subscription Agreement, the Company shall issue, and the Subscribers shall subscribe for, Tranche 1 Notes at the Issue Price by delivering a Drawdown Notice for the first sub-tranche of Tranche 1 Notes to the Subscribers.

The first sub-tranche of Tranche 1 Notes shall be issued and subscribed for on the fifth Business Day immediately after the last of the conditions precedent in respect of Tranche 1 Notes is fulfilled (or such other date as the parties may agree in writing). The subsequent sub-tranches of Tranche 1 Notes shall be issued and subscribed for on the fifth Business Day after the Shares Issuance Date in respect of the immediately preceding sub-tranche of Tranche 1 Notes (or such other date as the parties may agree in writing).

The Company shall issue and the Subscribers shall subscribe for at least five sub-tranches under Tranche 1 Notes for an aggregate nominal value of HK\$10 million, which shall be converted in accordance with the Conditions, on the Closing Date for the first drawdown of Tranche 1 Notes.

(B) *Tranche 2 Notes*

Subject to the terms and conditions of the Subscription Agreement, between the Shares Issuance Date in respect of the last sub-tranche of Tranche 1 Notes up to and including the tenth Business Day thereafter (or such other period as the parties may agree in writing), the Company may exercise its right to issue, and the Subscribers shall subscribe for, Tranche 2 Notes at the Issue Price by delivering a Drawdown Notice for the first sub-tranche of Tranche 2 Notes to the Subscribers.

If the Company exercises its aforementioned right, the first sub-tranche of Tranche 2 Notes shall be issued and subscribed for on the fifth Business Day immediately after the date of the Drawdown Notice (or such other date as the parties may agree in writing). The subsequent sub-tranches of Tranche 2 Notes shall be issued and subscribed for on the fifth Business Day after the Shares Issuance Date in respect of the immediately preceding sub-tranche of Tranche 2 Notes (or such other date as the parties may agree in writing).

The allocation of the Convertible Notes in respect of each sub-tranche of Tranche 1 Notes or Tranche 2 Notes among the Subscribers shall be at the sole discretion of the Subscribers, who shall jointly issue an Allocation Notice to the Company informing the Company of the Convertible Notes to be subscribed for by the Subscribers respectively at least three Business Days before the Closing Date of each sub-tranche of Tranche 1 Notes or Tranche 2 Notes.

The Subscribers may elect to concurrently subscribe for subsequent multiple sub-tranche(s) of Tranche 1 Notes or Tranche 2 Notes notwithstanding the last Convertible Note comprised in the immediately preceding sub-tranche has yet to be converted.

The Company shall have the right to suspend any further issuance of any sub-tranche of Tranche 1 Notes or Tranche 2 Notes (as the case may be) if the Company has issued in aggregate 60,000,000 Conversion Shares (the “**Maximum Conversion Shares**”) (subject to adjustment in the event of stock splits, consolidation and/or re-classification of the Shares) following the Subscribers’ exercise of the Conversion Right of Tranche 1 Notes or Tranche 2 Notes (as the case may be).

The Maximum Conversion Shares represent (i) approximately 34.46% of the issued share capital of the Company as at the date of this announcement and (ii) approximately 25.63% of the issued share capital of the Company as enlarged by the allotment and issue of the Maximum Conversion Shares (assuming there will be no change in the issued share capital of the Company from the date of this announcement until the completion of the issue of the Maximum Conversion Shares in full).

The Company shall have the right to increase the Maximum Conversion Shares that can be issued under the Subscription Agreement (i) at any time before the allotment and issuance of the Maximum Conversion Shares has been reached; or (ii) within three months from the date the allotment and issuance of the Maximum Conversion Shares has been reached (or such other date as the parties may agree in writing), on the basis that the exercise of such right shall be subject to the approval of the Shareholders, the Board and regulators including but not limited to the Stock Exchange and mutual agreement between the parties. In the event the Company fails to obtain the relevant approvals to increase the Maximum Conversion Shares, any unissued sub-tranches of Tranche 1 Notes or Tranche 2 Notes (as the case may be) shall lapse and the Company shall not be obliged to issue, and the Subscribers shall not be obliged to subscribe and pay for, such unissued Convertible Notes and the Subscription Agreement shall terminate.

Representations, Warranties and Undertakings by the Subscribers

The Subscribers agree not to, whether individually or together with any persons acting in concert with it (as defined under the Takeovers Code), directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with it/them, hold more than 20% interest in the share capital of the Company, at any time and from time to time without the prior written approval of the Company.

Each of the Subscribers represents that it is subscribing for the Convertible Notes for investment purposes only and has no intention of influencing the management or exercising control over the Company. Each of the Subscribers agrees that there will be no conversion of the Convertible Notes by the Subscribers if such conversion would result in:

- (i) the Subscribers and any persons acting in concert with it (as defined under the Takeovers Code) becoming controlling shareholder(s) (as defined under the Listing Rules) of the Company;
- (ii) the Subscribers and any persons acting in concert with it (as defined under the Takeovers Code) holding in aggregate, directly or indirectly, 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level that would trigger a mandatory general offer for the securities of the Company under the Takeovers Code) or more of the total issued share capital and/or voting power at the general meetings of the Company at any time and from time to time; or
- (iii) the Company breaching the minimum public float requirement stipulated under Rule 8.08 of the Listing Rules.

PRINCIPAL TERMS AND CONDITIONS OF THE CONVERTIBLE NOTES

Aggregate Nominal Value:	Up to HK\$200 million.
Form and Denomination:	The Convertible Notes are issued in registered form in multiples of HK\$250,000.
Transferability:	The Convertible Notes may be transferred at any time and from time to time (save for during the period of 15 Business Days ending on the due date for any payment of any principal or interest on the Convertible Notes, or after the certificate in respect of such Convertible Note has been deposited for conversion), provided that any transfer of the Convertible Notes by the Noteholders to any core connected person (as defined under the Listing Rules) of the Company will be subject to the requirements (if any) that the Stock Exchange may impose from time to time.
Status of the Convertible Notes:	The Convertible Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Company, rank <i>pari passu</i> and rateably without any preference among themselves, and save as otherwise provided under any applicable laws or regulations, equally with all other unsecured obligations (other than subordinated obligations, if any) of the Company from time to time outstanding.
Voting rights:	The Convertible Notes do not confer any voting rights at general meetings of the Company on the Noteholders.
Interest:	2.0% per annum on the outstanding nominal value of Tranche 1 Notes or Tranche 2 Notes (as the case may be) from the respective dates on which Tranche 1 Notes or Tranche 2 Notes (as the case may be) are issued up to the Maturity Date, payable quarterly in arrears on 31 March, 30 June, 30 September and 31 December in each year.

The issued Convertible Notes shall cease to bear interest on conversion into Shares in accordance with the Conditions, or from the due date for redemption thereof.

Conversion:

A Noteholder may, at any time from and including the dates on which Tranche 1 Notes or Tranche 2 Notes (as the case may be) are issued and up to the close of business on the day falling seven days prior to the Maturity Date, convert the Convertible Notes held by the Noteholder into Conversion Shares by dividing the aggregate nominal value of the Convertible Notes to be converted by the applicable Conversion Price on the relevant Conversion Date, provided that the Maximum Conversion Shares has not been reached.

The Company may from time to time give not more than 35 days' and not less than 14 days' written notice to all Noteholders specifying a period being not more than four Business Days commencing on the expiry of the notice during which the Convertible Notes will not be convertible, provided that the aggregate of the days on which the Convertible Notes are not convertible shall not exceed 12 Business Days in any year.

No Conversion Right may be exercised by a Noteholder if and to the extent that following such exercise:

- (i) the aggregate Conversion Shares held by the Noteholders after the allotment and issue of such Conversion Shares results in the Noteholders and any persons acting in concert with it (as defined under the Takeovers Code) becoming controlling shareholder(s) of the Company;
- (ii) the aggregate Conversion Shares held by the Noteholder and any persons acting in concert with it (as defined under the Takeovers Code) after the allotment and issue of such Conversion Shares amount to 30% (or such other amount as may be as may from time to time be specified in the Takeovers Code as being the level that would trigger a mandatory general offer for the securities of the Company under the Takeovers Code) or more of the total issued share capital and/or voting power at general meetings of the Company; or
- (iii) the aggregate Conversion Shares held by the Noteholder after the allotment and issue of such Conversion Shares results in the Company being in breach of the minimum public float requirement stipulated under Rule 8.08 of the Listing Rules.

Conversion Price: The Conversion Price shall be 90% of the average closing price per Share (subject to adjustment) on any three consecutive Business Days as selected by the Noteholder during the 45 Business Days immediately preceding the relevant Conversion Date on which Shares were traded on the Stock Exchange.

The Conversion Price shall not be below the par value of the Conversion Share. In the event the Conversion Price is below par value, the Company shall allot and issue to the Noteholders such number of Conversion Shares subject to the Maximum Conversion Shares and pay the Noteholders such amount in cash based on the formulae set out in the Conditions.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscribers after considering the Group's financial position, current market sentiment and historical Share prices.

- Redemption:
- (i) Subject to there being no event of default as specified in the Conditions, the Company may at any time and from time to time, redeem the issued Convertible Notes at 115% of its nominal value, or such other amount as may be agreed between the Company and the relevant Noteholder.
 - (ii) The Company may (but is under no obligation to) redeem any Convertible Notes presented for conversion in cash at the redemption amount if the Conversion Price is less than or equal to the Conversion Downside Price.

The redemption amount is calculated according to the formula below:

$$N \times \{P + [8\% \times P \times (D/365)] + I\}$$

where,

“D” represents the number of days elapsed since the relevant Closing Date in respect of each sub-tranche of the Convertible Notes;

“N” represents the number of Convertible Notes presented for conversion;

“P” represents HK\$250,000 being the face value of the Convertible Note presented for conversion; and

“I” represents the remaining unpaid interest accrued on the Convertible Note presented for conversion.

Adjustment to the
Conversion
Downside Price:

The Conversion Downside Price is subject to adjustment if the Company shall:

- (a) make a stock split, consolidation or reclassification of Shares into other securities of the Company;
- (b) grant, issue or offer to the Shareholders rights or warrants entitling them to subscribe for or purchase Shares, or securities convertible into or exchangeable for Shares, at less than 95% of the current market price per Share;
- (c) distribute to the Shareholders evidences of its indebtedness, Shares (other than the Conversion Shares), assets (excluding annual dividends or interim dividends) or rights or warrants to subscribe for or purchase securities (other than those rights and warrants referred to in sub-paragraph (b) above);
- (d) issue any securities convertible into or exchangeable for Shares (other than the Convertible Notes or in any of the circumstances described in sub-paragraph (b) above and sub-paragraph (f) below) or where such securities are issued to the vendors of assets being acquired for full value by the Company and the consideration per Share receivable by the Company shall be less than 95% of the current market price per Share;
- (e) issue any Shares (other than Shares issued pursuant to a merger and other than Shares issued on exercise of the Conversion Right attaching to the Convertible Notes or pursuant to a scrip dividend or pursuant to an exercise of any rights attached to securities the issue of which had given rise to an adjustment under sub-paragraph (d) above or did not require any adjustment) and the consideration per Share receivable by the Company shall be less than 95% of the current market price per Share;
- (f) issue any rights or warrants to subscribe for or purchase Shares or securities convertible into or exchangeable for Shares (other than the Convertible Notes and any rights or warrants granted, issued or offered to the Shareholders or pursuant to the terms of any securities) and the consideration per Share receivable by the Company shall be less than 95% of the current market price per Share;
- (g) issue securities of a type falling within sub-paragraphs (d) to (f) above which otherwise require an adjustment to the Conversion Downside Price pursuant thereto; or

- (h) make a capital distribution which does not fall within subparagraphs (a) to (g) above.

Maturity Date: All Convertible Notes issued by the Company to the Subscribers which are not redeemed by the Company or converted into Shares by the Subscribers on or before the Maturity Date shall be converted into Shares by the Company at the Conversion Price on the Maturity Date, provided that the Maximum Conversion Shares has not been reached or there has been no occurrence of any event of default as specified in the Conditions.

Event of default: If any event of default as specified in the Conditions has occurred and is continuing, the Noteholder may, by notice in writing to the Company, declare any Convertible Note immediately due and payable, whereupon it shall become immediately due and payable at the Redemption Sum (the “**Default Redemption Amount**”), together with accrued interest. Default interest shall accrue on the Default Redemption Amount on a daily basis at the rate of 3.0% per month (the “**Default Interest**”) from the Business Day immediately following the date of the notice from the Noteholder up to and including the date on which the Noteholder receives full payment of the Default Redemption Amount and the Default Interest.

Administration Fee

5.5% of the aggregate nominal value subscribed of each sub-tranche of the Convertible Notes issued is payable to ACP (or such other party as may be jointly notified by the Subscribers) on each Closing Date of each sub-tranche of the Convertible Notes.

Cancellation fee

\$100,000 is payable to the Subscribers in the event the Subscription Agreement is terminated by the Company prior to the Closing Date of the first sub-tranche of Tranche 1 Notes, except in a case where the necessary approvals, consents and waivers for the transactions contemplated under the Subscription Agreement are not obtained prior to the Closing Date of the first sub-tranche of Tranche 1 Notes.

Conditions precedent to the closing of the first sub-tranche and subsequent sub-tranches of Tranche 1 Notes

The Subscribers shall not be obliged to subscribe and pay for the first sub-tranche of Tranche 1 Notes and the subsequent sub-tranches of Tranche 1 Notes unless the following conditions precedent have been satisfied or waived (as the case may be):

- (a) on the date of the Subscription Agreement, there shall have been delivered to the Subscribers, a list setting out the names of the substantial shareholders (as defined under the Listing Rules) of the Company as at the date of the Subscription Agreement;

- (b) the Company shall, within two Business Days from the date of publication on the Stock Exchange website, serve to the Subscribers a copy of the circular issued by the Company in regards to seeking the Shareholders' approval for the issuance of Tranche 1 Notes and the allotment and issue of the Conversion Shares under Tranche 1 Notes;
- (c) the approvals of Shareholders obtained at the SGM for the invitation for subscription, or the issue, of Tranche 1 Notes, the allotment and issue of the Conversion Shares under Tranche 1 Notes in accordance with the terms of the Subscription Agreement and all other matters in relation thereto and in connection therewith shall remain effective and not have been amended, withdrawn, revoked, rescinded or cancelled and, where such approvals were obtained subject to any conditions and/or amendments, such conditions and/or amendments being reasonably acceptable to the Subscribers, and to the extent that any such conditions are required to be fulfilled on or before each subsequent Closing Date, they are fulfilled;
- (d) the Stock Exchange shall have granted or agreed to grant the listing of and permission to deal in the Conversion Shares under Tranche 1 Notes and such approval and permission shall not have been subsequently revoked or withdrawn;
- (e) all the representations, warranties, undertakings and covenants of the Company as set forth in the Subscription Agreement shall be accurate and correct in all respects, and the Company shall have performed all of its undertakings or obligations to be performed under the Subscription Agreement;
- (f) where applicable, all other necessary approvals, consents and waivers (including any governmental, regulatory and/or corporate approvals and consents), for the transactions contemplated under the Subscription Agreement (in particular but without limitation the issue by the Company and the subscription by the Subscribers of Tranche 1 Notes, including any Shareholders or directors' approval and other regulatory and/or corporate approvals and consents required by the Subscribers) shall have been obtained and shall remain valid and subsisting as at the Closing Date for the first sub-tranche of Tranche 1 Notes and each of the subsequent sub-tranches of Tranche 1 Notes;
- (g) there shall have been delivered to the Subscribers, each in form and substance reasonably satisfactory to the Subscribers certified on or dated, as the case may be, on the Closing Date for the first sub-tranche of Tranche 1 Notes and each of the subsequent sub-tranches of Tranche 1 Notes the required documents pursuant to the Subscription Agreement; and
- (h) all Approvals for the transactions contemplated under the Subscription Agreement obtained by the Company shall not have been amended, withdrawn, revoked, rescinded or cancelled and, where such Approvals were obtained subject to any conditions and/or amendments, such conditions and/or amendments being reasonably acceptable to the Subscribers, and to the extent that any such conditions are required to be fulfilled on or before each subsequent Closing Date, they are fulfilled.

The Subscribers may at their discretion jointly waive compliance with the whole or any of the above conditions precedent which are capable of being waived (save for the conditions precedent set out in (c), (d), (f) and (h) above which cannot be waived).

In respect of the first sub-tranche of Tranche 1 Notes, if any of the above conditions precedent are not satisfied (or, if capable of being waived, jointly waived by the Subscribers) on or before the date falling three months from the date of the Subscription Agreement (or such other date as the parties may agree in writing), the Subscription Agreement shall cease and the parties shall be released and discharged from their respective obligations thereunder except for any antecedent breaches.

In respect of the subsequent sub-tranches of Tranche 1 Notes, if any of the above conditions precedent is not satisfied (or, if capable of being waived, jointly waived by the Subscribers) on or before the applicable Closing Date in respect of such sub-tranche of Tranche 1 Notes, the Subscribers and the Company may by mutual agreement in writing (i) fix a new Closing Date in respect of such sub-tranche of Tranche 1 Notes; (ii) elect not to proceed with completion of the subscription of such sub-tranche of Tranche 1 Notes; or (iii) terminate the Subscription Agreement.

Conditions precedent to the closing of the first sub-tranche and subsequent sub-tranches of Tranche 2 Notes

The Subscribers shall not be obliged to subscribe and pay for the first sub-tranche of Tranche 2 Notes and the subsequent sub-tranches of Tranche 2 Notes unless the following conditions precedent have been satisfied or waived (as the case may be):

- (a) the approvals of Shareholders obtained at the SGM for the invitation for subscription, or the issue, of Tranche 2 Notes, the allotment and issue of the Conversion Shares under Tranche 2 Notes in accordance with the terms of the Subscription Agreement and all other matters in relation thereto and in connection therewith shall remain effective and not have been amended, withdrawn, revoked, rescinded or cancelled and, where such approvals were obtained subject to any conditions and/or amendments, such conditions and/or amendments being reasonably acceptable to the Subscribers, and to the extent that any such conditions are required to be fulfilled on or before each subsequent Closing Date, they are fulfilled;
- (b) the Stock Exchange shall have granted or agreed to grant the listing of and permission to deal in the Conversion Shares under Tranche 2 Notes and such approval and permission shall not have been subsequently revoked or withdrawn;
- (c) all the representations, warranties, undertakings and covenants of the Company as set forth in the Subscription Agreement shall be accurate and correct in all respects, and the Company shall have performed all of its undertakings or obligations to be performed under the Subscription Agreement;
- (d) where applicable, all other necessary approvals, consents and waivers (including any governmental, regulatory and/or corporate approvals and consents), for the transactions contemplated under the Subscription Agreement (in particular but without limitation the issue by the Company and the subscription by the Subscribers of Tranche 2 Notes, including any Shareholders or directors' approval and other regulatory and/or corporate approvals and consents required by the Subscribers) shall have been obtained and shall remain valid and subsisting as at the Closing Date for the first sub-tranche of Tranche 2 Notes and each of the subsequent sub-tranches of Tranche 2 Notes;

- (e) there shall have been delivered to the Subscribers, each in form and substance reasonably satisfactory to the Subscribers certified on or dated, as the case may be, on the Closing Date for the first sub-tranche of Tranche 2 Notes and each of the subsequent sub-tranches of Tranche 2 Notes the required documents pursuant to the Subscription Agreement; and
- (f) all Approvals for the transactions contemplated under the Subscription Agreement obtained by the Company shall not have been amended, withdrawn, revoked, rescinded or cancelled and, where such Approvals were obtained subject to any conditions and/or amendments, such conditions and/or amendments being reasonably acceptable to the Subscribers, and to the extent that any such conditions are required to be fulfilled on or before each subsequent Closing Date, they are fulfilled.

The Subscribers may at their discretion jointly waive compliance with the whole or any of the above conditions precedent which are capable of being waived (save for the conditions precedent set out in (a), (b), (d) and (f) above which cannot be waived). In respect of the first sub-tranche of Tranche 2 Notes, if any of the above conditions precedent (a) to (e) is not satisfied (or, if capable of being waived, jointly waived by the Subscribers) on or before the fifth Business Days following the date of the Drawdown Notice (or such other date as the parties may agree in writing), or in respect of the subsequent sub-tranches of Tranche 2 Notes, if any of the above conditions precedent (a) to (f) is not satisfied (or, if capable of being waived, jointly waived by the Subscribers) on or before the applicable Closing Date in respect of such sub-tranche of Tranche 2 Notes, the Subscribers and the Company may by mutual agreement in writing (i) fix a new Closing Date in respect of such sub-tranche of Tranche 2 Notes; (ii) elect not to proceed with completion of the subscription of such sub-tranche of Tranche 2 Notes; or (iii) terminate the Subscription Agreement.

Completion

Completion shall take place on each Closing Date, where the Company shall procure the names of the Subscribers to be entered in the register of Noteholders as the holders of the relevant sub-tranche of the Convertible Notes and shall deliver the duly executed certificates representing the aggregate nominal value of the relevant sub-tranche of the Convertible Notes to or to the order of the Subscribers; and the Subscribers shall pay the relevant subscription moneys for the relevant sub-tranche of the Convertible Notes to the Company.

Termination

The Subscribers may by notice in writing to the Company, terminate the Subscription Agreement at any time before the time on the relevant Closing Date when payment would otherwise be due, in any of the following circumstances:

- (a) there shall have come to the notice of the Subscribers any breach of, or any event rendering untrue or incorrect in any material respect, any of the representations, warranties, undertakings and covenants contained in the Subscription Agreement which will cause a material adverse effect and continues for a period of seven Business Days following the service by the Subscribers on the Company of notice in writing requiring the same to be remedied;

- (b) the Maximum Conversion Shares have been fully issued and the Company has failed to obtain the relevant approvals to increase the Maximum Conversion Shares;
- (c) the increased Maximum Conversion Shares have been fully issued and the Company has failed to obtain the relevant approvals to further increase the increased Maximum Conversion Shares;
- (d) if any of the conditions precedent have not been satisfied to the reasonable satisfaction of the Subscribers or waived (as the case may be);
- (e) pursuant to the provisions in relation to completion and/or conditions precedent under the Subscription Agreement;
- (f) if:
 - (i) there shall have been any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations, or affecting the properties, which materially and adversely affect the ability of the Company or the Group taken as a whole to perform its obligations under the Subscription Agreement and the Convertible Notes; or
 - (ii) there shall have been an imposition of a new legal or regulatory restriction not in effect on the date of the Subscription Agreement, or any change in the interpretation of existing legal or regulatory restrictions, that materially and adversely affects the ability of the Company or the Group taken as a whole, to perform its obligations under the Subscription Agreement, or the offering, sale or delivery of the Convertible Notes or the Conversion Shares;
- (g) an event of default shall have occurred in respect of any notes, debentures, bonds or other similar securities of the Company or any of its subsidiaries issued and outstanding which has materially and adversely affected the Company's ability to comply with its obligations under the Subscription Agreement;
- (h) there shall have been a suspension, or material limitation, of trading in the Shares on the Stock Exchange for five consecutive Business Days (unless such suspension was either caused by administrative or technical error not due to the Company or due to a corporate transaction, the announcement or circular of which is pending clearance by the Stock Exchange or other regulatory or governmental bodies);
- (i) there shall have been a delisting or an order for delisting or a threatened delisting of the Shares from the Stock Exchange;

- (j) an event of default under the Conditions has occurred and is continuing;
- (k) any of the approvals, consents or waivers obtained by the Company under the Subscription Agreement are amended, withdrawn, revoked, rescinded or cancelled prior to the relevant Closing Date or, where any of such approvals, consents or waivers were obtained subject to any conditions which were required to be fulfilled on or before each such applicable Closing Date, they were not fulfilled; or
- (l) there is a default in any payment by the Company pursuant to the Conditions and such default is not remedied by the Company within seven Business Days from the due date of such payment.

If the Subscription Agreement is terminated due to the occurrence of any of the above events, save as for events (b), (c) and (f)(ii), a compensation fee of US\$50,000 is liable to be paid by the Company to each of the Subscribers. If the Subscription Agreement is terminated due to the occurrence of events (b), (c) or (f)(ii), all outstanding Notes shall immediately become redeemable in cash at the discretion of the Subscribers at 115% of the principal amount of the outstanding Convertible Notes (the “**Special Situation Redemption Amount**”), together with all accrued interest. Interest shall accrue on the Special Situation Redemption Amount on a daily basis at the rate of 3.0% per month (the “**Special Situation Default Interest**”) from the date the notice of termination is being given by the Subscribers up to and including the date on which the Subscribers receives full payment of the Special Situation Redemption Amount, together with the Special Situation Default Interest.

APPLICATION FOR LISTING

No application will be made by the Company for the listing of the Convertible Notes. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares under Tranche 1 Notes and Tranche 2 Notes.

SPECIFIC MANDATE

The Company will seek the Specific Mandate from the Shareholders at the SGM for the allotment and issue of the Conversion Shares upon exercise of the Conversion Right attaching to Tranche 1 Notes and Tranche 2 Notes.

EFFECT OF THE FULL CONVERSION OF THE CONVERTIBLE NOTES ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after conversion in full of the Convertible Notes assuming the Maximum Conversion Shares were issued in full, are set out below:

Name of Shareholders	As at the date of this announcement		Immediately after conversion in full of the Convertible Notes assuming the Maximum Conversion Shares were issued in full	
	No. of Shares	Approximate percentage (%) (Note 1)	No. of Shares	Approximate percentage (%) (Note 2)
Zheng Yonghui (Note 2)	28,235,877	16.22	28,235,877	12.06
Subscribers	–	–	60,000,000 (Note 3)	25.63 (Note 3)
Public Shareholders (excluding the Subscribers)	145,868,261	83.78	145,868,261	62.31
Total	174,104,138	100.00	234,104,138	100.00

Notes:

1. Certain percentage figures in this table have been subject to rounding adjustments to the nearest 2 decimal places. Accordingly, the aggregate of the percentage figures in the above table may not add up to 100% due to rounding.
2. These Shares included the 14,399,877 Shares held by Oasis Tycoon Investments Limited, which is directly wholly-owned by Mr. Zheng Yonghui.
3. This is for illustration purpose only and in practice part of the Shares held by the Subscribers would be transferred to Independent Third Parties in the event the percentage of Shares held by the Subscribers would be over 20% of the total issued shareholding of the Company at any point in time, as the Subscribers shall not at any time, whether individually or together with any persons acting in concert with it (as defined under the Takeovers Code), directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with it/them, hold more than 20% interest in the share capital of the Company.

Shareholders and potential investors of the Company should note that the above table is solely for illustrative purposes only. As disclosed above in the principal terms and conditions of the Convertible Notes, the Subscribers may not be able to exercise any Conversion Right under certain circumstances, and the exercise of Conversion Right is subject to the redemption of the Convertible Notes by the Company pursuant to the Conditions.

INFORMATION ON THE SUBSCRIBERS AND ACP

AOF VCC is an umbrella variable capital company incorporated in Singapore, acting for and on behalf of and for the account of AOF Hong Kong Opportunities Fund. AOF VCC has appointed ZICO Asset Management Pte. Ltd. (“ZICOAM”) to serve as the discretionary investment manager of all its investments. ZICOAM has been granted a capital markets services licence to conduct fund management activities regulated under the Securities and Futures Act 2001 of Singapore by the Monetary Authority of Singapore (“MAS”).

AOF I is an open-ended fund incorporated as an exempted company with limited liability in the Cayman Islands in 2016. AOF I is structured as a regulated mutual fund for the purposes of the mutual funds law of the Cayman Islands and is registered with the Cayman Islands Monetary Authority. As AOF I is a collective investment scheme which offers its participating shares to accredited investors in Singapore, AOF I is registered as a restricted foreign scheme with MAS.

As a restricted foreign scheme registered with MAS, the laws of Singapore requires the investment funds of AOF I to be fully managed by a fund manager licensed and regulated by MAS. AOF I has appointed ZICOAM to serve as the discretionary investment manager of all its investments.

ACP is a company registered in Singapore. The Subscribers have vide an authorisation notice dated 22 September 2023, appointed ACP as the recipient of the Administrative Fee until and unless otherwise instructed by the Subscribers.

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, save for the Proposed Issue and the transactions contemplated thereunder, the Company, its directors and the connected persons of the Company at the issuer level do not have any other agreement, arrangement or undertaking with the Subscribers, their respective directors and ultimate beneficial owners as at the date of this announcement.

REASONS FOR AND BENEFITS OF THE ISSUE OF THE CONVERTIBLE NOTES

The Group is principally engaged in the production and sales of marble and marble related products in the PRC.

Use of proceeds

For illustrative purposes only, 90% of the lowest average of the closing prices of three consecutive Business Days during the 45 Business Days on which the Shares were traded on the Stock Exchange immediately preceding the date of the Subscription Agreement (being the average of the closing prices per Share from 4 September 2023 to 6 September 2023) is approximately HK\$0.276. The above Conversion Price of HK\$0.276 per Share represents a discount of approximately 44.2% to the closing price of HK\$0.495 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement.

On the basis that (i) the Maximum Conversion Shares are issued in full; and (ii) the Convertible Notes to be issued to the Subscribers will be converted at the Conversion Price of HK\$0.276 per Share, the Company can issue and the Subscribers can subscribe for Convertible Notes in the aggregate nominal value of approximately HK\$16.6 million.

The gross proceeds and net proceeds, after deduction of all related expenses (including but not limited to legal expenses), from the issue of such Convertible Notes are estimated to be approximately HK\$16.6 million and HK\$14.9 million, respectively. The net price per Conversion Share based on the above net proceeds will be approximately HK\$0.248. The Company intends to apply such net proceeds towards potential growth and acquisition opportunities and general working capital of the Group.

The Convertible Notes as compared to other funding alternatives

To support its business development, the Group has been actively seeking various methods to support its financing needs and to this end, the Directors have considered other possible funding alternatives including (a) placement of Shares, (b) placement of warrants and (c) issuance of bonds.

Prior to discussions of the Proposed Issue with the Subscribers, the Company had approached several banks and financial institutions to discuss the possibilities of obtaining additional loan, banking facilities and/or other possible funding options, including the possibilities of placing of the Shares and issuance of new bonds. However, given the prevailing market conditions and the financial situation of the Company, discussions with these banks and financial institutions were not fruitful.

The introduction of an experienced fund house through the Proposed Issue would provide (i) financial support to the Group's business development and operations; (ii) a strong financial expert and literacy to the growth of the Group; and (iii) a solid institutional shareholder's base to the Company. The Directors are of the view that, given the current market conditions, the issue of the Convertible Notes offers a good opportunity to raise further capital to strengthen the financial position and broaden the capital base of the Group.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the Subscription Agreement is on normal commercial terms, the terms of which are fair and reasonable and that the entering into of the Subscription Agreement is in the interest of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has conducted the following equity fund raising activity in the past twelve months before the date of this announcement:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
31 March 2023 and 9 April 2023	Issue of new Shares under general mandate.	The gross proceeds and net proceeds from the issuance of the new Shares amounted to HK\$3.5 million and HK\$3.38 million, respectively.	The net proceeds from the issue of the new Shares was intended to be used as the Group's general working capital including but not limited to the repayment of any loan taken out by the Group which was due.	All of the net proceeds were applied towards the Group's general working capital.
9 September 2023 and 18 September 2023	Issue of new Shares under general mandate.	The gross proceeds and net proceeds from the issuance of the new Shares amounted to HK\$8.16 million and approximately HK\$7.945 million, respectively.	The net proceeds from the issue of the new Shares was intended to be used as the Group's general working capital including but not limited to the repayment of the interest-bearing loan of the Group.	HK\$7.83 million were applied towards the Group's general working capital and HK\$0.33 million has not been utilised and is currently placed with bank and to be used as intended.

Save for the aforesaid, the Company did not raise funds on any issue of equity securities raising activities during the past twelve months immediately preceding the date of this announcement.

LISTING RULES IMPLICATIONS

Pursuant to Rule 13.36(1)(a) of the Listing Rules, the issue of the Convertible Notes carrying the right to convert into Conversion Shares is subject to approval by the Shareholders. The Company will convene the SGM to seek the approval of the Shareholders on the Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the relevant Conversion Shares upon the exercise of the Conversion Right in respect of the Convertible Notes.

GENERAL INFORMATION

A circular containing, among other matters, further details of the Subscription Agreement and the transactions contemplated thereunder, together with a notice convening the SGM, is expected to be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

Shareholders and potential investors of the Company should note that completion under the Subscription Agreement is subject to conditions precedent and may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“ACP”	Advance Capital Partners Pte. Ltd., a company incorporated in Singapore, being the appointed recipient of the Administrative Fee by the Subscribers
“Administrative Fee”	an administrative fee of 5.5% of the aggregate nominal value subscribed of each sub-tranche of the Convertible Notes issued
“Allocation Notice”	a notice to be issued jointly by the Subscribers to the Company in accordance with the Subscription Agreement, to inform the Company of the allocation of the Convertible Notes to be subscribed for by the Subscribers respectively
“AOF I”	Advance Opportunities Fund I, an open-ended fund incorporated as an exempted company with limited liability in the Cayman Islands
“AOF VCC”	Advance Opportunities Fund VCC, an umbrella variable capital company incorporated in Singapore (acting on behalf of and for the account of AOF Hong Kong Opportunities Fund, a sub-fund set up under Advance Opportunities Fund VCC)
“Approvals”	all necessary approvals, consents and/or waivers (as the case may be) of all requisite regulatory authorities (including the Stock Exchange) in respect of (i) the offer or sale, or invitation for subscription or purchase or issue of the relevant Convertible Notes, (ii) the allotment and issue of the relevant Conversion Shares upon the exercise of the Conversion Right, (iii) the listing of and permission to deal in the relevant Conversion Shares on the Stock Exchange; and (iv) such other matters in relation thereto and in connection therewith
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday, public holiday or a day on which a tropical cyclone warning signal no. 8 or above or a “black rainstorm warning signal” is hoisted or in effect between 9:00 a.m. and 12:00 noon (Hong Kong time) and is not lowered or discontinued at or before 12:00 noon (Hong Kong time)) on which banks are generally open for business in Hong Kong and the Stock Exchange is generally open for trading, ending at 5:00 p.m. (Hong Kong time)
“Closing Date”	in respect of each sub-tranche of the Convertible Notes, the date on which such sub-tranche of the Convertible Notes is subscribed for and issued

“Company”	China Kingstone Mining Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, and the shares of which are listed on the Stock Exchange (Stock Code: 1380)
“Conditions”	terms and conditions of the Convertible Notes
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Date”	the date on which the emailed conversion notice is received by the Company (or the next Business Day if the conversion notice is received by the Company after 3:30 p.m. Hong Kong time) where a Noteholder elects to exercise the Conversion Right
“Conversion Downside Price”	65% of the average of the daily traded VWAP per Share for the 45 consecutive Business Days prior to relevant Closing Date in respect of each first sub-tranche of the respective tranches of the Convertible Notes
“Conversion Price”	the price at which the Convertible Notes are converted into the Conversion Shares
“Conversion Right”	the right of the Noteholders to convert any Convertible Notes into Conversion Shares
“Conversion Shares”	Shares to be allotted and issued by the Company to the Subscribers upon the conversion of the Convertible Notes in accordance with the provisions of the Subscription Agreement and the Conditions
“Convertible Notes”	2.0% redeemable convertible notes convertible into the Shares with an aggregate nominal value of up to HK\$200 million comprising two equal tranches of a nominal value of HK\$100 million each (individually, the two tranches of the Convertible Notes shall be referred to as “ Tranche 1 Notes ” and “ Tranche 2 Notes ” respectively)
“Director(s)”	the director(s) of the Company
“Drawdown Notice”	a notice to be issued by the Company to the Subscribers in accordance with the Subscription Agreement, to notify the Subscribers of the exercise of the Company’s right to issue the Convertible Notes to the Subscribers
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	person(s) who or company(ies) together with its/their ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/ are third party(ies) independent of the Company and its connected person(s) in accordance with the Listing Rules
“Issue Price”	the amount equivalent to 100% of the nominal value of each sub-tranche of the Convertible Notes
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended, supplemented or as otherwise modified from time to time
“Maturity Date”	the date falling 36 months from the Closing Date of the first sub-tranche of Tranche 1 Notes
“Noteholder(s)”	holder(s) of the Convertible Notes who is(are) registered on the register of the Noteholders
“PRC”	the People’s Republic of China, for the purpose of this announcement, not including Hong Kong, the Macau Special Administrative Region of the PRC, and Taiwan
“Proposed Issue”	the proposed issue of the Convertible Notes under the Subscription Agreement
“Redemption Sum”	the sum of the aggregate nominal value of the outstanding Convertible Notes and a premium calculated at a rate of 15% per annum on the aggregate nominal value of the outstanding Notes, calculated from and including the Closing Date of the relevant sub-tranche of the Convertible Notes up to and including the date on which the Redemption Sum is paid in full, such premium shall accrue daily and be calculated on the basis in accordance with the Conditions
“S\$”	Singapore dollars, the lawful currency of Singapore
“SFC”	the Securities and Futures Commission of Hong Kong
“SGM”	the special general meeting of the Company to be convened and held for the purposes of, among other things, approving the Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the Conversion Shares upon the exercise of the Conversion Right in respect of Convertible Notes, and the Specific Mandate

“Share(s)”	the ordinary share(s) of par value of HK\$0.20 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Shares Issuance Date”	the date the Conversion Shares is delivered to the Subscribers pursuant to the Conditions
“Singapore”	the Republic of Singapore
“Specific Mandate”	specific mandate to be sought from the Shareholders at the SGM to grant to the Board the authority for the allotment and issue of the relevant Conversion Shares upon exercise of the Conversion Right in respect of the Convertible Notes
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber(s)”	AOF VCC and AOF I
“Subscription Agreement”	the subscription agreement dated 22 September 2023 entered into by the Company and the Subscribers in relation to the issue by the Company and the subscription by the Subscribers of the Convertible Notes
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“US\$”	United States dollars, the lawful currency of the United States of America
“VWAP”	volume weighted average price
“%”	per cent.

By Order of the Board
China Kingstone Mining Holdings Limited
Cheung Wai Kee
Company Secretary

Hong Kong, 22 September 2023

As at the date of this announcement, the Board comprises Mr. Zheng, Yonghui, Ms. Zhang, Cuiwei, Mr. Zhang, Weijun and Mr. Zhang, Mian as executive Directors, and Mr. Andreas Varianos, Mr. Yang, Ruimin and Ms. Zu, Rui as independent non-executive Directors.