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## **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)**

### **DISCLOSEABLE TRANSACTION RELATING TO THE PAYMENT OF EARNEST MONEY UNDER THE MEMORANDUM OF UNDERSTANDING**

#### **THE POSSIBLE ACQUISITION**

The Company and the Vendor are in discussion with respect to which it is proposed that the Company will acquire and the Vendor will sell not less than 50% of the equity interest in the Target Company in order to jointly develop the Gold Mines. The aggregate area of the Gold Mines is approximately 400 hectares. In order to facilitate continued negotiations on the Possible Acquisition, the Company and the Vendor entered into the MOU on 22 December 2023 (after trading hours on the Stock Exchange).

#### **THE MOU**

Pursuant to the MOU, the Vendor and the Company intends to carry out the Pumillahue Project through various forms of corporation such as acquisition, joint venture or other ways of cooperation.

The Company shall pay the Earnest Money to the Vendor and it will be paid by the Company within 14 days from the date of the MOU. If the Formal Agreement is executed within the Exclusivity Period, the Earnest Money should be applied towards payment of a part or whole consideration for the Possible Acquisition. If the Formal Agreement is not executed within the Exclusivity Period, the MOU shall terminate and the Vendor shall return the Earnest Money (without interest) to the Company within 14 days from the expiry of the Exclusivity Period.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the highest applicable percentage ratio in respect of the payment of the Earnest Money exceeds 5% but is less than 25%, the payment of the Earnest Money by the Company will constitute a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

In case the Formal Agreement will be entered into by the Company and the Vendor in respect of the Possible Acquisition, further announcement(s) will be made by the Company in respect thereof in accordance with the requirements of the Listing Rules.

**Shareholders and potential investors of the Company should note that as at the date of this announcement, the MOU may or may not lead to the entering into of the Formal Agreement and the Possible Acquisition may or may not proceed. Therefore, Shareholders and potential investors of the Company are advised to exercise caution when dealing in or investing in the securities of the Company.**

## **THE POSSIBLE ACQUISITION**

The Company and the Vendor are in discussion with respect to which it is proposed that the Company will acquire and the Vendor will sell not less than 50% of the equity interest in the Target Company in order to jointly develop the Gold Mines. The aggregate area of the Gold Mines is approximately 400 hectares. In order to facilitate continued negotiations on the Possible Acquisition, the Company and the Vendor entered into the MOU on 22 December 2023 (after trading hours on the Stock Exchange).

The principal terms of the MOU are summarised below:

### **THE MOU**

Date: 22 December 2023 (after trading hours)

Parties: (a) the Company, being the purchaser; and  
(b) Mr. Song Tai (宋泰), being the vendor.

To the best knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Vendor is a third party independent of and not connected with the Company and its connected persons and associates (as defined under the Listing Rules).

## **Major terms of the MOU**

### **Subject matter**

Pursuant to the MOU, the Vendor and the Company intends to enter into the Possible Acquisition with a view to carry out the Pumillahue Project through various forms of collaboration such as acquisition, joint venture or other ways of cooperation. As at the date of this announcement, the mining rights of the Gold Mines are indirectly wholly-owned by the Vendor. It is intended that the Vendor shall transfer the mining rights of the Gold Mines to the Target Company before the signing of the Formal Agreement.

### **Consideration**

The consideration for the Possible Acquisition and the manner of payment shall be further negotiated between the Vendor and the Company and shall be set out in the Formal Agreement upon the parties agreeing to proceed with the Possible Acquisition.

### **Term and exclusivity**

The MOU shall be valid for a period of 12 months from the date of the MOU (the “**Exclusivity Period**”) and the Vendor shall not terminate the MOU during the Exclusivity Period. The Vendor agreed with the Company that during the Exclusivity Period, the Vendor shall not, directly or indirectly, initiate, assist, solicit, negotiate, encourage or accept any offer or inquiry from any person (other than as contemplated in the MOU) in relation to the Pumillahue Project and the Possible Acquisition. The parties may mutually agree in writing to extend the Exclusivity Period.

### **Confidentiality**

Save for the disclosure at the request of the Stock Exchange, Securities and Futures Commission of Hong Kong or other regulatory authorities or pursuant to applicable laws, neither party shall make any announcement, publish or disclose any information regarding the MOU or the proposed transaction without the written consent of the other party (other than to their respective professional advisers and lawyers under a duty of confidentiality).

### **Earnest Money**

The Company shall pay the Earnest Money to the Vendor and it will be paid by the Company within 14 days from the date of the MOU. If the Formal Agreement is executed within the Exclusivity Period, the Earnest Money should be applied towards payment of a part or whole consideration for the Possible Acquisition.

If the Formal Agreement is not executed within the Exclusivity Period, the MOU shall terminate and the Vendor shall return the Earnest Money (without interest) to the Company within 14 days from the expiry of the Exclusivity Period.

The Earnest Money was determined following arm’s length negotiations between the Company and the Vendor with reference to the estimated cost of the due diligence and exploration work required on the Gold Mines.

## **Due diligence and exploration work**

Upon signing the MOU, the Vendor will commence the due diligence work for the exploration of the Gold Mines. Except for the cost of mine expert, who is to be nominated by the Company, the cost of the due diligence and exploration work will be responsible by the Vendor. The Vendor agrees to provide the necessary assistance, including but not limited to providing equipment and completing forest clearing at the site where the mine expert intends to explore and drill for purpose of due diligence. Following the due diligence and exploration work, if the results are satisfactory to the Company, the Company and the Vendor shall proceed to negotiate the terms of the Formal Agreement.

## **Non-binding nature of the MOU**

Save and except for the provisions in relation to confidentiality, the Exclusivity Period, the Earnest Money, termination and governing law jurisdiction which are legally binding, all other provisions in the MOU are non-legally binding.

## **INFORMATION OF THE PARTIES**

The Company is a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and is an investment holding company operating its business through its subsidiaries. The Group is principally engaged in the production and sales of marble and marble related products in the PRC.

The Vendor is a PRC individual resident, indirectly owning 100% of the mining rights of the Gold Mines and is the sole beneficial owner of the Target Company. Based on the information provided by the Vendor, the Target Company is a company incorporated in Chile and is principally engaged in procurement, development, exploration and exploitation of deposit and mining concessions.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor and the Target Company are third parties independent of the Company and connected persons of the Company as at the date of this announcement.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE MOU AND THE PAYMENT OF THE EARNEST MONEY**

The Directors consider that the Possible Acquisition and the Pumillahue Project is a good opportunity for the Group to enter into the gold mining business in Chile and provides potential for the Company to enhance its future development and strengthen its revenue bases. The entering into the MOU allows the Group to conduct further due diligence on the feasibility of the Pumillahue Project, including but not limited to the exploration of the Gold Mines. The provisions of the MOU were arrived at following arm's length negotiations between the Company and the Vendor, taking into account, among other things, the cost of due diligence and exploration works required for the Gold Mines.

The Earnest Money was requested by the Vendor to show the sincerity of the Company and to justify the grant of exclusive negotiation right to the Company and will enable the Company to obtain an exclusivity right during the course of the negotiations with the Vendor. As the Company is optimistic with the outlook of the Gold Mines and the Pumillahue Project, it is desirable to lock the opportunity by insisting on the exclusive negotiation right. The Earnest Money shall be fully refundable in the event that the Possible Acquisition does not proceed.

Based on the above, the Directors consider that the terms of the MOU and the payment of the Earnest Money are fair and reasonable and are entered into on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the highest applicable percentage ratio in respect of the payment of the Earnest Money exceeds 5% but is less than 25%, the payment of the Earnest Money by the Company will constitute a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

In case the Formal Agreement will be entered into by the Company and the Vendor in respect of the Possible Acquisition, further announcement(s) will be made by the Company in respect thereof in accordance with the requirements of the Listing Rules.

**Shareholders and potential investors of the Company should note that as at the date of this announcement, the MOU may or may not lead to the entering into of the Formal Agreement and the Possible Acquisition may or may not proceed. Therefore, Shareholders and potential investors of the Company are advised to exercise caution when dealing in or investing in the securities of the Company.**

## **DEFINITIONS**

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

“Board”	the board of Directors
“Chile”	Republic of Chile
“Company”	China Kingstone Mining Holdings Limited, a company incorporated in Cayman Islands and continued in Bermuda with limited liability, and whose shares are listed on the Main Board of the Stock Exchange (stock code: 1380)
“connected person(s)”	having the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Earnest Money”	the refundable earnest money of US\$1.0 million to be paid by the Company to the Vendor under the MOU

“Formal Agreement”	the formal equity transfer agreement in relation to the Possible Acquisition which may or may not be entered into between the Company and the Vendor within 12 months from the date of the MOU
“Gold Mines”	the two gold mines located in Mariquina Commune, Valdivia Province, Los Rios Region in southern Chile
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the memorandum of understanding dated 22 December 2023 entered into between the Company and the Vendor in relation to the Possible Acquisition
“Possible Acquisition”	the possible acquisition by the Company of not less than 50% of the equity interest in the Target Company in order to jointly develop the Gold Mines with the Vendor
“PRC”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Pumillahue Project”	the proposed cooperation between the Company and the Vendor in relation to the development of the Gold Mines
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Sino-South America Trading SPA, a company incorporated in Chile
“Vendor”	Mr. Song Tai (宋泰), a PRC individual resident, indirectly owning 100% of the mining rights of the Gold Mines
“%”	per cent

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

Hong Kong, 22 December 2023

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