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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)

- (I) PROPOSED SHARE CONSOLIDATION;
(II) PROPOSED CHANGE IN BOARD LOT SIZE;
(III) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHT
SHARE FOR EVERY TWO (2) CONSOLIDATED SHARES
HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS;
AND
(IV) PLACING OF PLACING SHARES UNDER SPECIFIC MANDATE**

Financial Adviser to the Company



INCU Corporate Finance Limited

Placing Agent



大田證券期貨有限公司

Securities & Futures Co. Limited (C.E.No BNC130)

DT Securities & Futures Co. Limited

(I) PROPOSED SHARE CONSOLIDATION

The Board intends to put forward a proposal to the Shareholders to effect the Share Consolidation which involves the consolidation of every ten (10) Existing Shares into one (1) Consolidated Share. The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM.

(II) PROPOSED CHANGE IN BOARD LOT SIZE

As at the date of this announcement, the Existing Shares are traded on the Stock Exchange in board lot size of 1,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 1,000 Existing Shares to 10,000 Consolidated Shares conditional upon the Share Consolidation becoming effective.

(III) PROPOSED RIGHTS ISSUE

Conditional upon the Share Consolidation becoming effective, the Board proposes to implement the Rights Issue on the basis of one (1) Rights Share for every two (2) Consolidated Shares held on the Record Date at the Subscription Price of HK\$0.25 per Rights Share, to raise up to approximately HK\$98.94 million before expenses by way of issuing up to 395,752,778 Rights Shares. The 395,752,778 Rights Shares to be issued pursuant to the terms of the Rights Issue represents 50.0% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective and approximately 33.3% of the total number of issued Consolidated Shares as enlarged by the allotment and issue of the Rights Shares. The Rights Issue is not underwritten and is only available to the Qualifying Shareholders and will not be extended to Excluded Shareholders.

Subject to the fulfillment and/or waiver (where applicable) of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. Any Rights Shares which remain unsold will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

The Company has not received any information or irrevocable undertaking from any Substantial Shareholder of their intention in relation to the Rights Shares to be provisionally allotted to them under the Rights Issue.

The estimated net proceeds from the Rights Issue after deducting the estimated expenses in relation to the Rights Issue will be up to approximately HK\$97.74 million. Details of the use of proceeds are set out in the section headed “Reasons for and Benefits of the Rights Issue and the Placing and Use of Proceeds” in this announcement.

(IV) PLACING OF PLACING SHARES

On 16 November 2021 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company conditionally appointed the Placing Agent and the Placing Agent conditionally agreed to act as the Placing Agent for the Company to procure, on a best effort basis, places to subscribe for the Placing Shares (i.e., the Untaken Shares and the ES Unsold Rights Shares) 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 whether through the PAL(s) or EAF(s), the Placing will not proceed.

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

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.

Shareholders and potential investors of the Company should note that each of the Rights Issue and the Placing are conditional upon, among others, conditions set out in the section headed “Conditions of the Rights Issue” and “Conditions of the Placing” in this announcement, respectively. Accordingly, if any of the applicable conditions are not fulfilled (or where applicable, waived), the Rights Issue and/or the Placing will not proceed.

Any Shareholder or other person dealing in the Existing Shares, the Consolidated Shares or in the nil-paid Rights Shares from the date of this announcement up to the date on which all the conditions to which the Rights Issue and the Placing are fulfilled will accordingly bear the risk that the Rights Issue and/or the Placing may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Existing Shares or the Consolidated Shares. Any party 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).

LISTING RULES IMPLICATIONS

The Rights Issue

As the Company has not conducted any rights issue or open offer within the 12-month period prior to the date of this announcement and the Rights Issue will not increase the issued share capital or market capitalisation of the Company by more than 50%, the Rights Issue is not subject to the Shareholders' approval under the Listing Rules. The Rights Issue will be carried out in compliance with Rule 7.19A of the Listing Rules.

The Placing

The Placing Shares will be issued under the Specific Mandate, which is subject to the Shareholders' approval at the EGM

GENERAL

A circular containing, among other things, (i) further details of the Share Consolidation, the Change in Board Lot Size and the Placing; and (ii) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Thursday, 2 December 2021.

Subject to the fulfillment of certain conditions of the Rights Issue including the approval of the Share Consolidation and the Placing, the Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders on Tuesday, 4 January 2022. The Company will despatch the Prospectus to the Excluded Shareholders for their information only but the Company will not send the PAL and EAF to the Excluded Shareholders.

(I) THE PROPOSED SHARE CONSOLIDATION

The Board intends to put forward a proposal to the Shareholders to effect the Share Consolidation which involves the consolidation of every ten (10) Existing Shares into one (1) Consolidated Share. The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM. As none of the Shareholders or their associates would have any interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution(s) relating to the Share Consolidation at the EGM.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following:

- (i) the passing of the necessary resolution(s) by the Shareholders to approve the Share Consolidation at the EGM;
- (ii) the compliance with all relevant procedures and requirements under the laws of Hong Kong (where applicable) and the Listing Rules to effect the Share Consolidation; and
- (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares arising from the Share Consolidation.

The Share Consolidation will become effective on the Business Day immediately following the fulfillment of the above conditions.

Effects of the Share Consolidation

As at the date of this announcement, 7,915,055,568 Existing Shares had been allotted and issued as fully paid or credited as fully paid.

As at the date of this announcement, the Company has no outstanding convertible securities, options or warrants, which confer any right to subscribe for or convert into or exchange into Shares.

Upon the Share Consolidation becoming effective and on the basis that no further Existing Shares will be allotted, issued or repurchased prior thereto, 791,505,556 Consolidated Shares will be in issue, which are fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other in accordance with the Company's articles of association. No fractional Consolidated Shares will be issued by the Company. Any fractional entitlements of the Consolidated Shares will be aggregated and sold for the benefits of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the shares of the Company regardless of the number of share certificates held by such holder.

Other than the expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Group or the interests or rights of the Shareholders, save for any fractional Consolidated Shares to which the Shareholders may be entitled.

Odd lots arrangements and matching services

In order to alleviate the difficulties arising from the existence of odd lots (if any) of the Consolidated Shares, the Company will procure an arrangement with a designated broker to stand in the market to provide matching services for sale and purchase of odd lots of the Consolidated Shares on a best effort basis. Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares are not warranted. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its own professional advisers. Further details in respect of the odd lots arrangement will be set out in the Circular.

Exchange of share certificates

Subject to the Share Consolidation having become effective, Shareholders may during the specified period submit the existing share certificates for the Existing Shares to the Registrar in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, in exchange, at the expense of the Company, for new share certificates for the Consolidated Shares. Thereafter, certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for certificates for Consolidated Shares at the expense of the Shareholders on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each share certificate for Existing Shares cancelled or each Consolidated Share certificate issued for Consolidated Shares (whichever is higher) but are not acceptable for trading, settlement and registration upon the Share Consolidation becoming effective.

The new share certificates for the Consolidated Shares will be issued in pink colour in order to distinguish them from the existing yellow colour.

Listing and Dealings

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of and permission to deal in the Consolidated Shares arising from the Share Consolidation and all necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS.

(II) PROPOSED CHANGE IN BOARD LOT SIZE

As at the date of this announcement, the Existing Shares are traded on the Stock Exchange in board lot size of 1,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 1,000 Existing Shares to 10,000 Consolidated Shares conditional upon the Share Consolidation becoming effective.

Based on the closing price of HK\$0.043 per Existing Share (equivalent to the theoretical closing price of HK\$0.43 per Consolidated Share) as at the date of this announcement, (i) the value of each existing board lot of Existing Shares is HK\$43; (ii) the value of each board lot of 1,000 Consolidated Shares would be HK\$430 assuming the Share Consolidation has become effective; and (iii) the estimated value per board lot of 10,000 Consolidated Shares would be HK\$4,300 assuming that the Change in Board Lot Size have become effective.

The Change in Board Lot Size will not result in change in the relative rights of the Shareholders.

Reasons for the Share Consolidation and the Change in Board Lot Size

Under Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities.

Pursuant to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 1 October 2020 (the “**Guideline**”), the expected board lot value should be greater than HK\$2,000 per board lot taking into account the minimum transaction costs for a securities trade. As at the date of this announcement, the closing price of each Existing Share is HK\$0.043, with a board lot size of 1,000 Existing Shares, the Company is trading under HK\$2,000 per board lot.

The Existing Shares has been constantly traded below HK\$1.00 for the past few years. In order to reduce transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposes to implement the Share Consolidation. It is expected that the Share Consolidation, together with the Change in Board Lot Size, will increase the value of each board lot of the Consolidated Shares to more than HK\$2,000.

Therefore, the Board believes the Share Consolidation and the Change in Board Lot Size are in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, save as disclosed in this announcement, the Company currently (i) does not have any agreement, arrangement, understanding, intention, or negotiation (either concluded or in process) on any potential fundraising activities which will involve issue of equity securities of the Company; and (ii) has no other plan or intention to carry out any future corporate actions in the next twelve months which may have an effect of undermining or negating the intended purpose of the Share Consolidation. However, in the event there is any change to the business environment and/or financial position of the Company due to unforeseeable circumstances, and the Company is required to conduct further fund raising exercises when suitable opportunities arise in order to support future development of the Group, the Company will publish further announcement(s) in compliance with the Listing Rules as and when appropriate.

(III) PROPOSED RIGHTS ISSUE

The Rights Issue is proposed to take place after the Share Consolidation has become effective, with the terms set out as follows:

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 Shares in issue as at the date of this announcement	:	7,915,055,568 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective	:	791,505,556 Consolidated Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	Up to 395,752,778 Rights Shares (assuming no change in the number of Existing Shares in issue on or before the Record Date)
Total number of Consolidated Shares in issue upon completion of the Rights Issue	:	Up to 1,187,258,334 Consolidated Shares (assuming no change in the number of Existing Shares in issue on or before the Record Date)
Gross proceeds from the proposed Rights Issue	:	Up to HK\$98.938 million before expenses (assuming all the Rights Shares are taken up or placed
Right of excess applications	:	Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment

Upon Share Consolidation becoming effective and assuming no Existing Shares or Consolidated Shares are issued and allotted on or before the Record Date, the 395,752,778 Rights Shares to be issued pursuant to the terms of the Rights Issue represents 50.0% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective and approximately 33.3% of the total number of issued Consolidated Shares as enlarged by the issue of the Rights Shares.

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 applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 41.9% to the theoretical closing price of HK\$0.430 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.043 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 43.9% to the theoretical closing price of HK\$0.446 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 44.1% to the average closing price of HK\$0.447 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price per Existing Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 32.4% to the theoretical ex-rights price of approximately HK\$0.370 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.043 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

- (v) a 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 (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 Existing Share and adjusted for the effect of the Capital Consolidation); and
- (vi) a discount of approximately 30.2% to the net asset value of the Company of approximately HK\$0.358 per Consolidated Share (after taking into account the effect of the Share Consolidation) 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.

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, the market price of the Existing Shares under the prevailing market conditions, the financial condition of the Company and the reasons 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” in this announcement. The Board considers that the terms of the Rights Issue (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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.

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.

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. In order to be registered as members of the Company on the Record Date, all transfers of the Consolidated Shares (together with the relevant share certificate(s) and/or the instrument(s) of transfer) must be lodged with the Registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on Thursday, 23 December 2021.

It is expected that the last day of dealings in the Consolidated Shares on a cum-rights basis is Tuesday, 21 December 2021, and the Consolidated Shares will be dealt with on an ex-rights basis from Wednesday, 22 December 2021.

Subject to the Share Consolidation having become effective and the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Posting Date and will despatch the Prospectus only (without the PAL and the EAF) to the Excluded Shareholders for their information only.

Closure of register of members

The register of members of the Company will be closed from Friday, 24 December 2021 to Monday, 3 January 2022 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of the Existing Shares will be registered during the above book closure periods.

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.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made 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 will be diluted.

Rights of the Overseas Shareholders (if any)

The Prospectus Documents to be issued in connection with the Rights Issue will not 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.

The Board will comply with Rule 13.36 of the Listing Rules and make necessary enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholders on account either of the legal restrictions of the relevant overseas regulatory body or stock exchange, no provisional allotment of the nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Excluded Shareholders. The basis for excluding the Excluded Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.

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.

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.

Application for the excess Rights Shares

Qualifying Shareholders shall be entitled to apply, by way of excess application, for (i) the 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;

- (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 will not be extended to beneficial owners individually and are 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.

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 in Hong Kong, 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 Thursday, 23 December 2021.

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 before Thursday, 10 February 2022, to those entitled thereto by ordinary post, at their own risk, to their registered addresses.

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Thursday, 10 February 2022, by ordinary post to the applicants, at their own risk, to their registered addresses.

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 excess Rights Shares”.

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 places 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.

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 date of this announcement, 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/its entitlements under the Rights Issue (or otherwise).

Application for listing

The Company will apply 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.

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 in board lots of 10,000 Rights Shares, which are registered in the register of members of the Company, and subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

PLACING OF PLACING SHARES UNDER SPECIFIC MANDATE

The Placing

On 16 November 2021 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company conditionally appointed the Placing Agent and 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 and the ES Unsold Rights Shares) 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) or EAF(s), the Placing will not proceed.**

The Company had approached a few brokerage companies (including the Placing Agent) to explore their interest in participating in the underwriting of the Rights Issue. None of the brokerage companies indicated their willingness, nor were they responsive, in participating in the underwriting of the Rights Issue mainly due to the lack of interest in the secondary fundraising activity and the recent downward trend of the market price, save and except for the Placing Agent which expressed interest in acting as a placing agent and on a best effort basis only.

Placing Agreement

The principal terms of the Placing Agreement are summarised below:

- Placing Agent : DT Securities & Futures Co. Limited
- Placing Agent confirms that it and its ultimate beneficial owner(s) are independent third parties.
- Placing commission and expenses : 1% of the gross proceeds from the subscription of the Placing Shares actually placed by the Placing Agent under the Placing Agreement and reimbursed for the expenses in relation to the Placing (including but not limited to all out-of-pocket expenses actually incurred by the Placing Agent for placing the Placing Shares), which the Placing Agent is authorised to deduct from the payment to be made by the Placing Agent to the Company at the Placing End Date.
- Placing price : The placing price of each of the Placing Share (as the case maybe) shall be the Subscription Price (i.e. HK\$0.25 per Placing Share). The determination of the final price is dependent on the demand and market conditions of the Placing Shares during the process of Placing.
- Placing Period : The Placing Period shall commence on Wednesday, 26 January 2022, and end on the Placing End Date (i.e., Monday, 7 February 2022 under timetable) or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Placing.

- Placees : The Placing Agent shall ensure that the Placing Shares are placed (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.
- Ranking : The Placing Shares, when issued and fully paid, will rank *pari passu* in all respects with the Shares then in issue as at the date of allotment and issue of the Placing Shares.

Placing Shares

The number of Placing Shares shall be equivalent to the number of Untaken Shares and ES Unsold Rights Shares, being the difference between (i) the total number of Rights Shares available for subscription as at the Record Date; and (ii) the total number of Rights Shares taken up by Qualifying Shareholders whether under the PAL(s) or EAF(s).

Assuming (i) there is no change in the total number of issued Shares from the date of this announcement up to and including the Record Date; and (ii) no Qualifying Shareholder subscribes for any Rights Shares, the maximum number of Placing Shares will be 395,752,778 Consolidated Shares, representing 50.0% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective and approximately 33.3% of the total number of issued Consolidated Shares as enlarged by the issue of the Placing Shares.

Placing Price

For the avoidance of doubt, the Placing will proceed only if the Rights Shares are not fully subscribed and validly taken up. The placing price of HK\$0.25 per Placing Share shall be same as the Subscription Price and represents:

- (i) a discount of approximately 41.9% to the theoretical closing price of HK\$0.430 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.043 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 43.9% to the theoretical closing price of HK\$0.446 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;

- (iii) a discount of approximately 44.1% to the average closing price of HK\$0.447 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price per Existing Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 32.4% to the theoretical ex-rights price of approximately HK\$0.370 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.043 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a 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 (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 Existing Share and adjusted for the effect of the Capital Consolidation); and
- (vi) a discount of approximately 30.2% to the net asset value of the Company of approximately HK\$0.358 per Consolidated Share (after taking into account the effect of the Share Consolidation) 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.

As stated above, the Rights Issue and the Placing are part and parcel of the overall fundraising plan of the Company. In particular, the Directors considered that priority would be given to the Qualifying Shareholders to subscribe for the Rights Shares from their provisional allotments and excess applications under the Rights Issue. Should the Qualifying Shareholders not participate in the Rights Issue and there remains any Untaken Shares, the Placing provides an equal opportunity for potential investors to invest in the Company so as to enable the Company to raise sufficient funds. The Directors are also of the view that if the placing price is set higher than the Subscription Price, it would adversely affect the results of the Placing as investors could otherwise acquire the Shares in the open market before the Record Date and participate in the Rights Issue at the Subscription Price. Therefore, although the placing price represents a discount of 43.9% to the benchmarked price of HK\$0.446 per Consolidated Share (as defined under Rule 7.27B of the Listing Rules), having balanced the interests of the Company, the Shareholders and investors who would like to participate in the Group's future development, the Directors consider that the terms of the Placing, including the placing price and the placing commission, are on normal commercial terms, fair and reasonable and the Placing is in the interests of the Company and the Shareholders as a whole.

Conditions of the Placing

The obligations of the Placing Agent and the Company under the Placing Agreement are conditional upon the following conditions being fulfilled:

- (i) the passing by the Shareholders of all the necessary resolutions to be approved at the EGM for the transactions contemplated under the Placing Agreement (including the Specific Mandate);
- (ii) the grant by the Listing Committee of the Stock Exchange of the approval for the listing of, and permission to deal in, the Placing Shares and such approval not having been withdrawn or revoked;
- (iii) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained; and
- (iv) the Rights Issue becoming unconditional.

None of the above conditions of the Placing is capable of being waived in whole or in part by the Placing Agent or the Company.

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 Wednesday, 26 January 2022, or such other date as the Company may announce. The Placing Period shall end on Monday, 7 February 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 5:00 p.m. on Tuesday, 8 February 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.

If all the Rights Shares are already fully taken up in the Rights Issue through valid applications by PAL(s), the Placing will not proceed.

Termination

The Placing Agent may terminate the Placing Agreement without any liability to the Company, by notice in writing given to the Company at any time prior to 10:00 a.m. on the completion date of the Placing (as set out in the section headed “Placing of Placing Shares under Specific Mandate – Completion of the Placing”) upon the occurrence of the following events:

- (a) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date hereof) of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a material change in, or which may result in a material change in the political, economic, fiscal, financial, regulatory or stock market conditions in Hong Kong or any other jurisdiction relevant to the Group and which in the Placing Agent's reasonable opinion would adversely affect the success of the Placing;
- (b) the imposition of any moratorium, suspension (for more than 10 trading days) or restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the Placing Agent's absolute opinion, would affect the success of the Placing;
- (c) the introduction of any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group and if in the Placing Agent's reasonable opinion any such new law or change may materially and adversely affect the business or financial prospects of the Group and/or the success of the Placing;
- (d) any litigation or claim being instigated against any member of the Group, which has or may have a material effect on the business or financial position of the Group and which in the Placing Agent's absolute opinion would affect the success of the Placing;
- (e) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
- (f) any material breach of any of the representations and warranties comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date hereof and prior to the completion date which if it had occurred or arisen before the date hereof would have rendered any of such representations and warranties untrue or incorrect or there has been a material breach by the Company of any other provision of this Agreement.

Application for listing

The Company will apply to the Stock Exchange for the approval for the listing of, and permission to deal in, the Placing Shares.

Status of the Placing Shares

The Placing Shares, when issued and fully paid, will be free from all liens, charges, encumbrances and third-party rights, interests or claims of any nature whatsoever and shall rank pari passu in all respects with the Shares then in issue, including as to the right to receive all dividends and distributions which may be declared, made or paid on or after the date of issue of the Placing Shares.

Completion of the Placing

Subject to the fulfilment of conditions of the Placing as set out in the section headed “Placing of Placing Shares under Specific Mandate – Conditions of the Placing” of this announcement, the completion of the Placing is expected to take place on the next Business Day after the Placing End Date (or such later date as the Company may announce).

The engagement between the Company and the Placing Agent of the Placing Shares was determined after arm’s length negotiation between the Placing Agent and the Company and is on normal commercial terms after considering (i) the prevailing market conditions; (ii) the funding requirements of the Group as detailed in the section headed “Reasons for and Benefits of the Rights Issue and the Placing and Use of Proceeds”; and (iii) the Subscription Price. In particular, the Directors, taking into account the range of placing commission for recent rights issues conducted by issuers listed on the Stock Exchange, consider that the terms of Placing Agreement, including the placing commission, are normal commercial terms. Given that the Placing for the Placing Shares will allow the Company to raise the shortfall of funds required where possible after the Rights Issue, the Directors consider that the Placing Agreement is fair and reasonable and in the interests of the Company and its shareholders as a whole.

CHANGES IN SHAREHOLDING STRUCTURE

The following table sets out the possible changes in the shareholding structure of the Company arising from the Share Consolidation and Rights Issue which are for illustrative purpose only.

As at the date of this announcement, the Company has 7,915,055,568 Existing Shares in issue. Set out below is the shareholding structure of the Company (i) as at the date of this announcement, (ii) immediately after the Share Consolidation becoming effective but before completion of the Rights Issue, and (iii) after the Share Consolidation becoming effective and immediately after completion of the Rights Issue, assuming all the Qualifying Shareholders take up their respective allotment of Rights Shares in full; and (iv) after the Share Consolidation becoming effective and 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 (v) after the Share Consolidation becoming effective and immediately upon completion of the Rights Issue, assuming nil acceptance by the Qualifying Shareholders and all the Untaken Shares and ES Unsold Rights Shares are fully placed to the placees.

	(i) At the date of this announcement		(ii) Immediately after the Share Consolidation but before completion of the Rights Issue		(iii) After the Share Consolidation becoming effective and immediately after completion of the Rights Issue (assuming full acceptance by the Qualifying Shareholders)		(iv) After the Share Consolidation becoming effective and 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) (Note 5)		(v) After the Share Consolidation becoming effective and immediately after completion of the Rights Issue (assuming nil acceptance by the Qualifying Shareholders and all the Untaken Shares and ES Unsold Rights Shares are fully placed to the placees)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Belton Light Limited (Note 1)	3,575,318,000	45.17	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)	1,081,500,000	13.66	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)	3,258,237,568	41.17	325,823,756	41.17	488,735,634	41.17	325,823,756	31.80	325,823,756	27.45
	<u>7,915,055,568</u>	<u>100.00</u>	<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>

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 Asia Gate Holdings Co., Ltd, which is listed on Tokyo Stock Exchange JASDAQ (Standard).
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.

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 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.

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 of approximately 20 Mega Watts. After the acquisition of SPSI, the Group shall continue to put emphasis on environmental, social and governance and implement 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 described 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.

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). 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. 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 by the end of 2022. 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 other existing businesses of the Group. 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 business. 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 arises. The Company may seek for new investment opportunities in the 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 date of this announcement, 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 date of this announcement, 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, the Group is also in negotiation with several banks, as an alternative of proposed Rights Issue which shall be on a non-underwritten basis, for addressing part of capital expenditure of the development of solar photovoltaic system projects. However, due to the prolonged approval process of the banks for additional loans, the Group does not consider it 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, additional loans will create further financial burden to the Group's financial performance. 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 twelve months from the date of this announcement.

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 date of this announcement.

EXPECTED TIMETABLE

The expected timetable for the Share Consolidation, Change in Board Lot Size, the Rights Issue and the Placing is set out below. The expected timetable is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.

Event	Date (Hong Kong time)
Expected despatch date of the Circular, proxy form and the notice of the EGM.....	Thursday, 2 December 2021
Latest time for lodging transfer of shares to qualify for attendance and voting at the EGM.....	4:30 p.m. on Monday, 13 December 2021
Closure of register of members (both days inclusive).....	Tuesday, 14 December 2021- Friday, 17 December 2021
Latest time for lodging proxy forms for the EGM.....	11:00 a.m. on Wednesday, 15 December 2021
Record date for attendance and voting at the EGM.....	Friday, 17 December 2021
Expected time and date of the EGM to approve the proposed Share Consolidation.....	11:00 a.m. on Friday, 17 December 2021
Announcement of the poll results of the EGM.....	Friday, 17 December 2021
Register of members re-opens.....	Monday, 20 December 2021
Effective date of the Share Consolidation.....	Tuesday, 21 December 2021

Commencement of dealings in the Consolidated Shares.....	9:00 a.m. on Tuesday, 21 December 2021
Original counter for trading in the Existing Shares in board lots of 1,000 Shares (in the form of existing share certificates in yellow colour) temporarily closes	9:00 a.m. on Tuesday, 21 December 2021
Temporary counter for trading in board lots of 100 Consolidated Shares (in the form of existing share certificates in yellow colour) opens	9:00 a.m. on Tuesday, 21 December 2021
First day of free exchange of existing share certificates for new share certificates in pink colour for the Consolidated Shares	Tuesday, 21 December 2021
Last day of dealings in the Consolidated Shares on cum-rights basis relating to the Rights Issue.....	Tuesday, 21 December 2021
First day of dealings in the Consolidated Shares on ex-rights basis relating to the Rights Issue	Wednesday, 22 December 2021
Latest time for the Shareholders to lodge transfer of Consolidated Shares to qualify for the Rights Issue	4:30 p.m. on Thursday, 23 December 2021
Closure of register of members for the Rights Issue (both days inclusive)	Friday, 24 December 2021- Monday, 3 January 2022
Record date for the Rights Issue	Monday, 3 January 2022
Register of members of the Company re-opens.....	Tuesday, 4 January 2022
Despatch of Prospectus, PAL and EAF	Tuesday, 4 January 2022
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares	9:00 a.m. on Wednesday, 5 January 2022

Original counter for trading in the Consolidated Shares in
board lots of 10,000 Consolidated Shares
(in the form of new share certificates) re-opens Wednesday, 5 January 2022

Parallel trading in the Consolidated Shares
(in the form of both existing and consolidated
share certificates in yellow colour and
new certificates in pink colour) commences 9:00 a.m. on
Wednesday, 5 January 2022

First day of dealings in nil-paid Rights Shares Thursday, 6 January 2022

Latest time for splitting nil-paid Rights Shares 4:30 p.m. on
Monday, 10 January 2022

Last day of dealing in nil-paid Rights Shares Thursday, 13 January 2022

Latest Time for Acceptance of and payment for the
Rights Shares and application of excess Rights Shares 4:00 p.m. on
Tuesday, 18 January 2022

Announcement of the number of the Placing Shares
subject to the Placing Tuesday, 25 January 2022

Designated broker ceases to provide matching services for
odd lots of the Consolidated Shares 4:00 p.m. on
Tuesday, 25 January 2022

Temporary counter for trading in board lots of 1,000
Consolidated Shares (in the form of existing
share certificates) closes 4:10 p.m. on
Tuesday, 25 January 2022

Parallel trading in Consolidated Shares
(represented by both existing certificates in
yellow colour and new certificates in pink colour) ends 4:10 p.m. on
Tuesday, 25 January 2022

Commencement of the Placing Period
(if there are any Placing Shares available) Wednesday, 26 January 2022

Last day for free exchange of existing share certificates for
new certificates for the Consolidated Shares Friday, 4 February 2022

Placing End Date for placing the Placing Shares (if applicable) Monday, 7 February 2022

Rights Issue Settlement Date and Placing Completion Date. Tuesday, 8 February 2022

Announcement of results of the Rights Issue, the application
for excess Rights Shares and the Placing Wednesday, 9 February 2022

Despatch of certificates for fully-paid rights shares and
refund cheques in relation to wholly or
partially unsuccessful applications for excess
Rights Shares. Thursday, 10 February 2022

Commencement of dealings in fully-paid Rights Shares
and Placing Shares Friday, 11 February 2022

EFFECT OF BAD WEATHER OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE 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:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Tuesday, 18 January 2022. Instead, the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Tuesday, 18 January 2022. Instead, the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares does not take place on or before 4:00 p.m. on Tuesday, 18 January 2022, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

WARNING OF THE RISKS OF DEALING IN THE EXISTING SHARES, THE CONSOLIDATED SHARES AND RIGHTS SHARES

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.

Shareholders and potential investors of the Company should note that each of the Rights Issue and the Placing are conditional upon, among others, conditions set out in the section headed “Conditions of the Rights Issue” and “Conditions of the Placing” in this announcement, respectively. Accordingly, if any of the applicable conditions are not fulfilled (or where applicable, waived), the Rights Issue and/or the Placing will not proceed.

Any Shareholder or other person dealing in the Existing Shares, the Consolidated Shares or in the nil-paid Rights Shares from the date of this announcement up to the date on which all the conditions to which the Rights Issue and the Placing are fulfilled will accordingly bear the risk that the Rights Issue and/or the Placing may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Existing Shares or the Consolidated Shares. Any party 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).

LISTING RULES IMPLICATIONS

The Rights Issue

As the Company has not conducted any rights issue or open offer within the 12-month period prior to the date of this announcement and the Rights Issue will not increase the issued share capital or market capitalisation of the Company by more than 50%, the Rights Issue is not subject to the Shareholders’ approval under the Listing Rules. The Rights Issue will be carried out in compliance with Rule 7.19A of the Listing Rules.

The Placing

The Placing Shares will be issued under the Specific Mandate, which is subject to the Shareholders’ approval at the EGM.

GENERAL

A circular containing, among other things, (i) further details of the Share Consolidation, the Change in Board Lot Size and the Placing; and (ii) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Thursday, 2 December 2021.

Subject to the fulfillment of certain conditions of the Rights Issue including the approval of the Share Consolidation and the Placing, the Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders on Tuesday, 4 January 2022. The Company will despatch the Prospectus to the Excluded Shareholders for their information only but the Company will not send the PAL and EAF to the Excluded Shareholders.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	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
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	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
“Change in Board Lot Size”	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
“Circular”	the circular to be despatched to the Shareholders giving details of the Share Consolidation, the Placing and containing the notice of the EGM
“Company”	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)
“Consolidated Share(s)”	ordinary share(s) in the share capital of the Company upon the Share Consolidation having become effective
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company

“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for the excess Rights Shares
“EGM”	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)
“ES Unsold Rights Share(s)”	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
“Excluded Shareholder(s)”	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
“Existing Share(s)”	ordinary share(s) in the share capital of the Company prior to the Share Consolidation having become effective
“Extreme Conditions”	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
“General Rules of CCASS”	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
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Last Trading Day”	16 November 2021, being the last trading day of the Existing Shares on the Stock Exchange immediately prior to the publication of this announcement
“Latest Lodging Date”	4:30 p.m. on Thursday, 23 December 2021 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
“Latest Time for Acceptance”	4:00 p.m. on Tuesday, 18 January 2022, being the last time for acceptance and payment of the Rights Shares, or such other date as the Company may determine
“Listing Committee”	has the same meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Overseas Shareholder(s)”	Shareholder(s) whose address(es) on the register of members of the Company on the Record Date are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) for the Rights Issue
“Placing”	placing of the Placing Shares by the Placing Agent on a best efforts basis to investors who are independent third parties
“Placing Agent”	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
“Placing Agreement”	the placing agreement dated 16 November 2021 and entered into among the Company and the Placing Agent in relation to the Placing
“Placing End Date”	Monday, 7 February 2022
“Placing Long Stop Date”	5:00 p.m. on Tuesday, 8 February 2022
“Placing Period”	the period from Wednesday, 26 January 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

“Placing Share(s)”	the Untaken Shares and the ES Unsold Rights Shares
“Posting Date”	Tuesday, 4 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)
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus to be despatched to the Qualifying Shareholders (and the Excluded Shareholder(s) for information only) on the Posting Date in connection with the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL(s) and the EAF(s)
“Qualifying Shareholders”	Shareholder(s), whose names appear on the register of members of the Company as at the Record Date, other than the Excluded Shareholder(s)
“Record Date”	Monday, 3 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
“Registrar”	Tricor Secretaries Limited, the Company’s branch share registrar and transfer office in Hong Kong
“Rights Issue”	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
“Rights Share(s)”	the new Consolidated Share(s) to be allotted and issued under the Rights Issue
“Settlement Date”	the date being the second Business Day following (but excluding) the Latest Time for Acceptance or such later date as the Company may agree
“SFC”	the Securities and Futures Commission of Hong Kong

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the Existing Share(s) or Consolidated Share(s) (as the case may be)
“Shareholder(s)”	holder(s) of the Share(s)
“Share Consolidation”	the consolidation of every ten (10) issued Existing Shares into one (1) Consolidated Share
“Specific Mandate”	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
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price in respect of each Rights Share, being HK\$0.25
“Substantial Shareholder(s)”	has the meaning as ascribed to this term under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“Untaken Shares”	the number of unsubscribed Rights Share(s) not taken up by the Qualifying Shareholder(s) or renounee(s) or transferee(s) of nil-paid rights under PAL(s)
“%”	per cent.

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

Hong Kong, 16 November 2021

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