
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in King Stone Energy Group Limited (the “Company”), you should at once hand this circular, together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)****GENERAL MANDATES TO ISSUE NEW SHARES
AND TO REPURCHASE SHARES,
RE-ELECTION OF RETIRING DIRECTORS,
REFRESHMENT OF THE SCHEME MANDATE LIMIT,
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the annual general meeting of the Company to be held at Unit 7603, 76th Floor, The Center, 99 Queen’s Road Central, Hong Kong at 11:30 a.m. on Tuesday, 7 June 2016 is set out on pages 15 to 19 of this circular.

A form of proxy for use at the annual general meeting is enclosed herewith. Whether or not you are able to attend the meeting in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s share registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

29 April 2016

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DEFINITIONS

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

| | |
|----------------------------|--|
| “2002 Share Option Scheme” | the share option scheme adopted by the Company on 28 May 2002 and expired on 27 May 2012 |
| “2013 AGM” | the annual general meeting of the Company held on 31 May 2013 |
| “2015 AGM” | the annual general meeting of the Company held on 11 June 2015 |
| “AGM” | the annual general meeting of the Company to be held at Unit 7603, 76th Floor, The Center, 99 Queen’s Road Central, Hong Kong at 11:30 a.m. on Tuesday, 7 June 2016, notice of which is set out on pages 15 to 19 of this circular, or any adjournment thereof |
| “Articles of Association” | the articles of association of the Company as amended, supplemented or modified from time to time |
| “Board” | the board of Directors |
| “close associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Companies Ordinance” | the Companies Ordinance (Chapter 622 of Laws of Hong Kong) |
| “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 |
| “core connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Directors” | the directors of the Company |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Issue Mandate” | the proposed general mandate to issue Shares to be granted to the Directors at the AGM |

DEFINITIONS

| | |
|---------------------------|---|
| “Latest Practicable Date” | 22 April 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular |
| “Listing Committee” | the listing committee of the Stock Exchange |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Notice” | the notice convening the AGM as set out on pages 15 to 19 of this circular |
| “Option(s)” | the share option(s) granted by the Company under the 2002 Share Option Scheme and/or the Share Option Scheme |
| “Placing” | the proposed placing, on a best effort basis, of up to 3,000,000,000 new Shares at HK\$0.139 per Share pursuant to the placing agreement entered into between the Company and Fulixin Securities Limited dated 6 November 2015 (as supplemented on 25 January 2016), details of which are set out in the circular of the Company dated 3 March 2016 |
| “Repurchase Mandate” | the proposed general mandate to repurchase Shares to be granted to the Directors at the AGM |
| “Scheme Mandate Limit” | the maximum number of Shares which may be issued upon the exercise of all options to be granted under the share option scheme of the Company |
| “SFO” | Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) |
| “Share Option Scheme” | the share option scheme adopted by the Company on 30 May 2012 |
| “Share(s)” | ordinary share(s) of the Company |
| “Shareholder(s)” | holder(s) of Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Takeovers Code” | The Code on Takeovers and Mergers |
| “%” | per cent. |

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Zong Hao

Mr. Zhang Wanzhong

Mr. Xu Zhuliang

Mr. Benjamin Clark Danielson

*Registered office and principal place
of business in Hong Kong:*

Unit 7603, 76th Floor

The Center

99 Queen's Road Central

Hong Kong

Independent Non-Executive Directors:

Mr. Chiu Sui Keung

Mr. Lu Binghui

Mr. Lee Ping

Mr. Liu Shengming

29 April 2016

To the Shareholders

Dear Sir or Madam,

**GENERAL MANDATES TO ISSUE NEW SHARES
AND TO REPURCHASE SHARES,
RE-ELECTION OF RETIRING DIRECTORS,
REFRESHMENT OF THE SCHEME MANDATE LIMIT,
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to give you notice of the AGM and to provide you with information regarding the ordinary resolutions to be proposed at the AGM relating to (i) the granting to the Directors of the Issue Mandate and the Repurchase Mandate; (ii) the re-election of Directors; and (iii) the refreshment of the Scheme Mandate Limit.

LETTER FROM THE BOARD

GENERAL MANDATES TO ISSUE NEW SHARES AND TO REPURCHASE SHARES

At the 2015 AGM, general mandates were granted to the Directors authorising them, inter alia, (a) to exercise the powers of the Company to allot, issue and deal with new Shares not exceeding 20% of the total number of issued Shares; (b) to repurchase Shares not exceeding 10% of the total number of issued Shares; and (c) to extend the general mandate to issue Shares by the number of Shares purchased under the repurchase mandate mentioned in (b) above. Such general mandates would expire at the earlier of (i) the conclusion of the AGM or (ii) the date on which the ordinary resolutions approving such mandates are revoked or varied by the Shareholders in a general meeting of the Company. From the 2015 AGM and up to the Latest Practicable Date, only 668,000,000 Shares were issued upon completion of placing on 24 August 2015, details of which are set out in the announcements of the Company dated 4 August 2015 and 24 August 2015. No Shares were repurchased by the Company since the 2015 AGM. The general mandates which have not been utilised will lapse at the conclusion of the AGM.

Accordingly, ordinary resolutions will be proposed at the AGM to grant to the Directors general mandates authorising them, inter alia, (a) to exercise the power of the Company to allot, issue and deal with new Shares not exceeding 20% of the total number of issued Shares as at the date of the passing of such resolution; (b) to repurchase Shares not exceeding 10% of the total number of issued Shares as at the date of the passing of such resolution and (c) subject to the passing of the proposed ordinary resolutions to approve the Issue Mandate and the Repurchase Mandate at the AGM, to extend the Issue Mandate by the number of Shares repurchased under the Repurchase Mandate.

As at the Latest Practicable Date, there were 4,010,055,568 Shares in issue. Subject to the passing of the ordinary resolutions to approve the Issue Mandate and the Repurchase Mandate at the AGM and on the basis that no further Shares will be issued or repurchased between the Latest Practicable Date and the date of the AGM, the Company would be allowed to issue up to a maximum of 802,011,113 Shares under the Issue Mandate (assuming the Repurchase Mandate has not been utilised) and to repurchase up to a maximum of 401,005,556 Shares under the Repurchase Mandate. If the Placing is completed and a maximum number of 3,000,000,000 Shares have been issued before the AGM, there will be 7,010,055,568 Shares in issue at the AGM. The Company would be allowed to issue up to a maximum of 1,402,011,113 Shares under the Issue Mandate (assuming the Repurchase Mandate has not been utilised) and to repurchase up to a maximum of 701,005,556 Shares under the Repurchase Mandate.

The Directors have no present intention to exercise the Issue Mandate to issue and allot Shares and to exercise the Repurchase Mandate to repurchase Shares.

An explanatory statement providing all the information required under the Listing Rules regarding the Repurchase Mandate is set out in Appendix I to this circular.

LETTER FROM THE BOARD

RE-ELECTION OF RETIRING DIRECTORS

Pursuant to the Articles of Association, Mr. Chiu Sui Keung, Mr. Lu Binghui and Mr. Lee Ping will retire from office and offer themselves for re-election at the AGM. Brief biographical and other details of the retiring Directors offering themselves for re-election at the AGM, which are required to be disclosed under the Listing Rules, are set out in Appendix II to this circular.

REFRESHMENT OF THE SCHEME MANDATE LIMIT

The Company adopted the Share Option Scheme on 30 May 2012 in compliance with Chapter 17 of the Listing Rules after expiry of the 2002 Share Option Scheme on 27 May 2012. Pursuant to the Share Option Scheme, the maximum number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other scheme(s) of the Company (if any) shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of approval of the Share Option Scheme. The Scheme Mandate Limit may be refreshed by the Shareholders in general meeting from time to time provided that:

- (i) the Scheme Mandate Limit as refreshed shall not exceed 10% of the total number of Shares in issue as at the date of approval of the refreshment of the Scheme Mandate Limit;
- (ii) Options previously granted under the Share Option Scheme and any other scheme(s) of the Company (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other scheme(s) of the Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed; and
- (iii) the total number of Shares which may be issued upon exercise of all Options granted and yet to be exercised under the Share Option Scheme or any other share option scheme(s) adopted by the Company must not exceed 30% of the Shares in issue from time to time.

At the 2013 AGM, the Scheme Mandate Limit was refreshed to allow the Company to grant Options entitling the holders thereof to subscribe for Shares not exceeding 10% of the issued share capital of the Company as at the date of approval of such refreshment, which amounted to 298,428,416 Shares. During the period from the 2013 AGM and up to the Latest Practicable Date, (i) 3,116,000 Options under the 2002 Share Option Scheme were lapsed and no Options were granted, exercised or cancelled under the 2002 Share Option Scheme and the Share Option Scheme; and (ii) no Scheme Mandate Limit was refreshed. As at the Latest Practicable Date, there were no Options which remain outstanding and exercisable under the 2002 Share Option Scheme and the Share Option Scheme.

LETTER FROM THE BOARD

Based on 4,010,055,568 Shares in issue as at the Latest Practicable Date and assuming no further Shares will be issued and repurchased between the Latest Practicable Date and the date of the AGM, if the refreshment of the Scheme Mandate Limit is approved at the AGM, the Scheme Mandate Limit will be refreshed to 401,005,556 Shares and the Company will be allowed to grant Options under the Share Option Scheme and any other share option scheme(s) of the Company (if any) entitling holders thereof to subscribe for a maximum of 401,005,556 Shares, representing 10% of the Shares in issue as at the Latest Practicable Date. If the Placing is completed and a maximum number of 3,000,000,000 Shares have been issued before the AGM, there will be 7,010,055,568 Shares in issue at the AGM. The Scheme Mandate Limit would be refreshed to 701,005,556 Shares and the Company will be allowed to grant Options under the Share Option Scheme and any other share option scheme(s) of the Company (if any) entitling holders to subscribe for a maximum of 701,005,556 Shares.

To the extent that there are any unutilised Options under the Scheme Mandate Limit, all such unutilised Options will be considered as lapsed upon the approval of the refreshment of the Scheme Mandate Limit at the AGM and the Company will not be allowed to grant any further Options pursuant thereto. No Options may be granted if it would result in the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company (if any) exceed 30% of the Shares in issue from time to time.

The Directors consider that given the increase in issued Shares since the 2013 AGM mainly due to (i) issue of 330,000,000 Shares upon completion of subscription of Shares in December 2014 (details of which are set out in the announcement of the Company dated 24 October 2014 and the circular of the Company dated 14 November 2014); and (ii) issue of 668,000,000 Shares upon completion of placing in August 2015 as stated above, the Company should refresh the Scheme Mandate Limit so that the Company will have more flexibility to provide incentives or rewards to participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. The Directors consider that the refreshment of the Scheme Mandate Limit is for the benefit of the Company and the Shareholders as a whole.

The refreshment of the Scheme Mandate Limit is conditional on:

- (a) the passing of the resolution to approve the refreshment of the Scheme Mandate Limit by the Shareholders at the AGM; and
- (b) the Listing Committee granting the listing of, and permission to deal in, such number of Shares which may fall to be issued pursuant to the exercise of the Options granted under the Scheme Mandate Limit as refreshed.

LETTER FROM THE BOARD

An ordinary resolution will be proposed at the AGM to approve the refreshment of the Scheme Mandate Limit. Application will be made to the Listing Committee for the grant of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of Options granted under the Scheme Mandate Limit as refreshed.

ANNUAL GENERAL MEETING

The Notice is set out on pages 15 to 19 of this circular at which resolutions will be proposed, inter alia, to approve the grant of the Issue Mandate and the Repurchase Mandate, re-election of the retiring Directors and refreshment of the Scheme Mandate Limit.

A form of proxy for use at the AGM is enclosed herewith. Whether or not you propose to attend the AGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for holding the AGM or any adjourned meeting thereof. Completion and return of the form of proxy will not prevent you from attending and voting at the AGM or any adjourned meeting thereof (as the case may be) should you wish to do so.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll (except where the resolution relates purely to a procedural or administrative matter which may be voted on by a show of hands) and accordingly, all resolutions proposed at the AGM will be taken by poll. To the best of the Directors' knowledge, information and belief, none of the Shareholders is required to abstain from voting on the ordinary resolutions to be proposed at the AGM pursuant to the Listing Rules and/or the Articles of Association.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the grant of the Issue Mandate and the Repurchase Mandate, the re-election of the retiring Directors and refreshment of the Scheme Mandate Limit are all in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all the ordinary resolutions to be proposed at the AGM.

OTHER INFORMATION

Your attention is also drawn to the information as set out in the appendices to this circular.

Yours faithfully,
By order of the Board of
KING STONE ENERGY GROUP LIMITED
Zong Hao
Executive Director

This appendix serves as an explanatory statement as required by the Listing Rules and also constitutes the memorandum required under section 239 of the Companies Ordinance to provide the requisite information to you for your consideration of the Repurchase Mandate.

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 4,010,055,568 Shares. Subject to the passing of the ordinary resolution to approve the Repurchase Mandate at the AGM and on the basis that no further Shares will be issued or repurchased between the Latest Practicable Date and the date of the AGM, the Company would be allowed under the Repurchase Mandate to repurchase up to a maximum of 401,005,556 fully paid up Shares, representing 10% of the issued share capital of the Company as at the Latest Practicable Date. If the Placing is completed and a maximum number of 3,000,000,000 Shares have been issued before the AGM, there will be 7,010,055,568 Shares in issue at the AGM. The Company would be allowed under the Repurchase Mandate to repurchase up to a maximum of 701,005,556 fully paid up Share.

2. REASONS FOR REPURCHASES

The Directors believe that the Repurchase Mandate is in the best interests of the Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the value of the net assets and/or earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders as a whole.

3. FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the Articles of Association and the laws of Hong Kong. A share repurchase may only be made out of the distributable profits of the Company and/or the proceeds of a new issue of Shares.

As compared to the financial position of the Company as at 31 December 2015 (being the date of the Company's latest audited accounts), the Directors consider that the repurchases of securities could have a material adverse impact on the working capital and the gearing position of the Company in the event that the Repurchase Mandate were to be exercised in full during the proposed repurchase period. The Directors do not, however, propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

4. DISCLOSURE OF INTEREST

None of the Directors, nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates, have any present intention to sell any Shares to the Company under the Repurchase Mandate if it is approved by the Shareholders.

No core connected person of the Company has notified the Company that he/she/it has a present intention to sell any Shares to the Company or its subsidiaries, or has undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

5. UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange that if they shall exercise the power of the Company to make repurchases pursuant to the Repurchase Mandate they will exercise the same in accordance with the Listing Rules and the laws of Hong Kong and all applicable laws.

6. SHARE PRICES

The highest and lowest prices at which the Shares were traded on the Stock Exchange during each of the twelve months preceding the Latest Practicable Date were as follows:

| | Highest <i>HK\$</i> | Lowest <i>HK\$</i> |
|---|-------------------------------|------------------------------|
| 2015 | | |
| April | 0.365 | 0.295 |
| May | 0.465 | 0.350 |
| June | 0.475 | 0.340 |
| July | 0.460 | 0.250 |
| August | 0.355 | 0.250 |
| September | 0.300 | 0.232 |
| October | 0.265 | 0.203 |
| November | 0.305 | 0.195 |
| December | 0.255 | 0.203 |
| 2016 | | |
| January | 0.220 | 0.140 |
| February | 0.175 | 0.140 |
| March | 0.225 | 0.151 |
| April (up to and including the Latest Practicable Date) | 0.249 | 0.165 |

7. SHARE REPURCHASE MADE BY THE COMPANY

There have been no repurchases by the Company, or any of its subsidiaries, of any Shares in the six months immediately preceding the Latest Practicable Date (whether on the Stock Exchange or otherwise).

8. EFFECT OF THE TAKEOVERS CODE

If a shareholder's proportionate interest in the voting rights of the Company increases as a result of the Directors exercising the powers of the Company to repurchase Shares pursuant to the Repurchase Mandate, such increase will be treated as an acquisition of voting rights for the purpose of Rule 32 of the Takeovers Code.

As at the Latest Practicable Date, to the best of the Directors' information, belief and knowledge, Belton Light Limited, which is wholly owned by Jade Bird Energy Fund II, L.P., is able to exercise or control the exercise of approximately 47.0% of the voting rights in general meeting of the Company. Save as aforesaid, no other Shareholder held more than 10% of the Shares in issue as at the Latest Practicable Date. Accordingly, on the basis that no further Shares are issued or repurchased and there is no change in shareholding structure, an exercise of the Repurchase Mandate in full would give rise to any obligation on Belton Light Limited to make a mandatory general offer under the Takeovers Code. However, the Directors have no intention to exercise the Repurchase Mandate which would render any Shareholder or group of Shareholders (including Belton Light Limited) obliged to make a general mandatory offer under the Takeovers Code.

The Directors have no present intention to exercise the Repurchase Mandate to such an extent that would result in the Company failing to comply with the public float requirements under Rule 8.08 of the Listing Rules.

APPENDIX II DETAILS OF DIRECTORS TO BE RE-ELECTED AT THE AGM

The details of the Directors who will retire from office by rotation at the AGM and being eligible, would offer themselves for re-election at the AGM, are set out below:

Mr. Chiu Sui Keung – Independent non-executive Director

Mr. Chiu, aged 49, has over 15 years experience in the strategic management in listed companies, financial industry and accounting field. He possessed extensive experience in corporate finance including initial public offerings, takeovers, mergers and acquisitions, fund raising and corporate advisory. Mr. Chiu graduated with a Bachelor's Degree in Commerce from the University of Melbourne, Australia and has obtained a Master's Degree in Applied Finance from Macquarie University in Sydney, Australia. He has also obtained a Diploma in Practices in Chinese Laws and Regulations Affecting Foreign Businesses jointly organized by Southwest University of Political Science and Law, the People's Republic of China and the Hong Kong Management Association. Currently, he is the executive director and chief executive officer of Sino Resources Group Limited (stock code: 223) and was the non-executive director of China New Energy Power Group Limited (stock code: 1041) during the period from September 2008 to July 2009, both companies are listed on the Stock Exchange. Mr. Chiu was appointed as the independent non-executive Director on 18 January 2010 and is the chairman of the audit committee and remuneration committee, a member of nomination committee of the Company.

Save as disclosed above, Mr. Chiu does not hold any position with the Group and he does not hold any other major appointments and has not held any position or directorships in any other listed public companies during last three years preceding the Latest Practicable Date.

There is no service contract between Mr. Chiu and the Company and he has no fixed term of service with the Company. His remuneration was HK\$180,000 per annum with reference to the prevailing market rate and his duties and responsibilities in the Company.

As confirmed by Mr. Chiu, Mr. Chiu does not have any relationships with any directors, senior management, substantial shareholders or controlling shareholders (as defined in the Listing Rules) of the Company. As at the Latest Practicable Date, Mr. Chiu does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

Saved as disclosed above, Mr. Chiu is not aware of any other matters that need to be brought to the attention of the Shareholders nor is there any information to be disclosed by the Company pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

Mr. Lu Binghui – Independent Non-Executive Director

Mr. Lu, aged 40, graduated from Beijing University with a Bachelor Degree in Philosophy and a Master Degree in Economics. He has extensive experience of investment management in investment banks and private equity. From 2010 to 2012, he was the principal of Kohlberg Kravis Roberts & Co, a private equity, where he was mainly responsible for proprietary deal sourcing, transaction execution and post-investment management focusing on energy and natural resources sectors. Prior to that, he worked in Goldman Sachs Gaohua Securities Company Limited and Goldman Sachs China Business as executive director and A-share Sponsorship Representative from 2005 to 2010. From 2000 to 2005, he worked in investment banking department of Bank of China International. He was appointed as the independent non-executive Director on 22 March 2013 and is a member of the audit committee, remuneration committee and of nomination committee of the Company.

Save as disclosed above, Mr. Lu does not hold any position with the Group. Mr. Lu does not hold any other major appointments and has not held any position or directorships in any other listed public companies during last three years preceding the Latest Practicable Date.

There is no service contract between Mr. Lu and the Company. He is entitled to receive a director's fee of HK\$180,000 per annum which is determined with reference to the prevailing market rate and his duties and responsibilities in the Company.

As confirmed by Mr. Lu, Mr. Lu does not have any relationships with any directors, senior management, substantial shareholders or controlling shareholders (as defined in the Listing Rules) of the Company. As at the Latest Practicable Date, Mr. Lu does not have any interests in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Lu is not aware of any other matters that need to be brought to the attention of the Shareholders nor is there any information to be disclosed by the Company pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

Mr. Lee Ping – Independent Non-Executive Director

Mr. Lee, aged 55, holds a Bachelor's Degree in Mathematics and Computer Science from State University of New York at Buffalo, a Master's Degree in Computer Science and a Doctor of Philosophy in Mathematics from Cornell University. He has over 20 years' experience in energy and petroleum industry. Currently, Mr. Lee is the President and General Manager of BG Group China, a world leader in natural gas industry. He has responsibility in managing BG Group's overall portfolio in relation with China, domestic and international. Prior to joining BG Group, Mr. Lee served as President of Schlumberger China, the world largest oilfield services company, responsible for oilfield operations, technology development, engineering and manufacturing, global sourcing, and developing and implementing long term growth strategy. He also spent ten years in Schlumberger-Doll Research and Austin Research as senior and principal research scientist, and is a holder of over twenty scientific publications and two patents. He was appointed as an independent non-executive Director on 8 April 2013 and is a member of the audit committee of the Company.

Save as disclosed above, Mr. Lee does not hold any position with the Group. Mr. Lee does not hold any other major appointments and has not held any position or directorships in any other listed public companies during last three years preceding the Latest Practicable Date.

There is no service contract between Mr. Lee and the Company. He is entitled to receive a director's fee of HK\$180,000 per annum which is determined with reference to the prevailing market rate and his duties and responsibilities in the Company.

As confirmed by Mr. Lee, Mr. Lee does not have any relationships with any directors, senior management, substantial shareholders or controlling shareholders (as defined in the Listing Rules) of the Company. As at the Latest Practicable Date, Mr. Lee does not have any interests in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Lee is not aware of any other matters that need to be brought to the attention of the Shareholders nor is there any information to be disclosed by the Company pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

NOTICE OF AGM



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)

NOTICE IS HEREBY GIVEN that the annual general meeting of King Stone Energy Group Limited (the “Company”) will be held at Unit 7603, 76th Floor, The Center, 99 Queen’s Road Central, Hong Kong at 11:30 a.m. on Tuesday, 7 June 2016 to transact the following ordinary businesses:

ORDINARY RESOLUTIONS

1. To receive, consider and adopt the audited financial statements, the directors’ report and the auditors’ report for the year ended 31 December 2015.
2. (A) To re-elect Mr. Chiu Sui Keung as an independent non-executive director of the Company;
(B) To re-elect Mr. Lu Binghui as an independent non-executive director of the Company;
(C) To re-elect Mr. Lee Ping as an independent non-executive director of the Company; and
(D) To authorise the board of directors to fix the remuneration of the directors of the Company.
3. To re-appoint Messrs. Ernst & Young as the auditors of the Company and to authorise the board of directors to fix their remuneration.

NOTICE OF AGM

As special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions of the Company:

4. **“THAT:**

- (a) subject to sub-paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to issue, allot and deal with additional shares of the Company and to make or grant offers, agreements and options, including warrants, bonds, notes and debentures convertible into shares of the Company which would or might require the exercise of such power, subject to and in accordance with all applicable laws and the memorandum and articles of association of the Company, be and is hereby generally and unconditionally approved;
- (b) the approval in sub-paragraph (a) above shall be in addition to any authorisation given to the directors of the Company and shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, notes and debentures convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the total number of shares of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in sub-paragraphs (a) and (b) above, otherwise than (i) pursuant to a Rights Issue (as hereinafter defined); or (ii) any issue of shares of the Company on the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any bonds, notes, debentures and securities which are convertible into shares of the Company; or (iii) an issue of shares of the Company under any share option scheme or similar arrangement providing for the grant to employees (including directors) of the Company and/or any of its subsidiaries of the rights to subscribe for shares of the Company; or (iv) an issue of shares of the Company in lieu of the whole or part of a dividend on share in accordance with the articles of association of the Company, shall not exceed 20 per cent. of the total number of shares of the Company in issue as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and

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(d) for the purposes of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws of Hong Kong to be held; or
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“**Rights Issue**” means an offer of shares of the Company open for a period fixed by the directors of the Company to the holders of shares of the Company whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the law of, or the requirements of any recognized regulatory body or any stock exchange in, any territory applicable to the Company).”

5. “**THAT:**

- (a) subject to sub-paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

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- (b) the approval in sub-paragraph (a) of this resolution shall be in addition to any other authorisation given to the directors of the Company and shall authorise the directors of the Company on behalf of the Company during the Relevant Period to procure the Company to purchase its securities at a price determined by the directors of the Company;
- (c) the total number of shares of the Company to be repurchased by the Company pursuant to the approval in sub-paragraphs (a) and (b) above shall not exceed 10 per cent. of the total number of shares of the Company in issue as at the date of passing this resolution, and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws of Hong Kong to be held; or
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

6. “**THAT**, conditional upon resolutions numbered 4 and 5 as set out in the notice convening this meeting being passed, the total number of shares of the Company which are repurchased by the Company under the authority granted to the directors of the Company pursuant to and in accordance with the said resolution numbered 5 above shall be added to the total number of shares of the Company that may be allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the directors of the Company pursuant to and in accordance with the resolution numbered 4 as set out in the notice convening this meeting.”

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- 7 “**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of, and permission to deal in, the shares of the Company (representing a maximum of 10% of the shares in issue as at the date of the passing of this resolution) to be issued pursuant to the exercise of options which may be granted under the Company’s share option scheme adopted on 30 May 2012 (the “Scheme”), the refreshment of the scheme limit on grant of options under the Scheme and any other scheme(s) of the Company up to 10% of the shares of the Company in issue as at the date of the passing of this resolution (the “Refreshed Mandate Limit”) be and is hereby approved and that the directors of the Company be and are hereby authorised, from time to time, to grant options under the Scheme up to the Refreshed Mandate Limit, to exercise all powers of the Company to allot, issue and deal with ordinary shares of the Company pursuant to the exercise of such options and to do such acts and execute such documents for or incidental to such purpose.”

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

Hong Kong, 29 April 2016

Registered Office and Principal Place of Business in Hong Kong:
Unit 7603, 76th Floor
The Center
99 Queen’s Road Central
Hong Kong

Notes:

- (1) A shareholder entitled to attend and vote at the meeting may appoint one or more than one proxy to attend and to vote instead of him. A proxy need not be a shareholder of the Company.
- (2) In the case of joint holders of any share, any one of such persons may vote at the said meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders is present at the said meeting, personally or by proxy, that one of the said persons so present whose name stands first on the Register of Members in respect of such share shall alone be entitled to vote in respect thereof.
- (3) In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company’s share registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting. Completion and return of a form of proxy will not preclude shareholders from attending and voting in person should they so desire.