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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)**

### **UPDATE ON THE RECENT DEVELOPMENT OF THE GROUP**

References are made to (i) the announcements of the Company dated 4 August 2015 and 24 August 2015 in relation to the placing of 668,000,000 new shares (the “2015 Placing”); (ii) the circular (the “Circular”) and announcement of the Company dated 3 March 2016 and 4 May 2016 respectively, in relation to the placing of 3,000,000,000 new shares (the “2016 Placing”); and (iii) the annual report of the Company for the year ended 31 December 2015 in which disclosed the Company’s fund raising exercises and the development for the Stone Paper Business. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Circular.

As stated in the Circular, (i) the actual use of proceeds from the 2015 Placing would be used as intended, i.e. for financing the Stone Paper Business; (ii) the proceeds from the 2016 Placing would be used as to 75% for the Stone Paper Business and as to 25% for general working capital of the Group; and (iii) it was estimated that the joint venture agreement in relation to the Stone Paper Business would be signed within three months after completion of the 2016 Placing, i.e. 4 May 2016. The Board wishes to update and inform the Shareholders and investors that the Company is currently awaiting certain key technology test results to be provided from the Business Partner and formulating the business plan of the Stone Paper Business. Assuming that the Board has satisfied with the evaluation of the Stone Paper Business and all the key commercial terms can be agreed with the Business Partner, it is expected that the formal joint venture agreement will be signed within three months from the date of this announcement. It is still the intention of the Board that the proceeds from both the 2015 Placing and the 2016 Placing will be applied for the Stone Paper Business and general working capital as intended. Before the proceeds from the 2015 Placing and the 2016 Placing are to be so applied (which depend on the terms of the joint venture agreement), such proceeds have been kept by the Company for its general working capital use.

Further announcement will be made by the Company when the joint venture agreement is entered into in compliance with the requirements under the Listing Rules.

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

Hong Kong, 29 July 2016

*As at the date of this announcement, the executive Directors are Mr. Zhang Wanzhong, Mr. Zong Hao, Mr. Xu Zhuliang and Mr. Benjamin Clark Danielson, and the independent non-executive Directors are Mr. Chiu Sui Keung, Mr. Lu Binghui, Mr. Lee Ping and Mr. Liu Shengming.*