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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)**

### **DISCLOSEABLE TRANSACTION: ACQUISITION OF 51% EQUITY INTERESTS IN SHAANXI WANXI LOGISTICS CO., LTD.**

The Board is pleased to announce that the Purchaser, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with Vendor on 10 October 2018 (after trading hours), pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell 51% of the equity interests in the Target for a cash consideration of RMB3,000,000 (equivalent to approximately HK\$3,450,000) in accordance with the terms and conditions of the Acquisition Agreement.

#### **LISTING RULES IMPLICATION**

As the applicable percentage ratios for the transaction under the Acquisition Agreement are more than 5% but less than 25%, the Acquisition Agreement and the transactions contemplated thereunder constitute a discloseable transaction on the part of the Company under Rule 14.07 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **THE ACQUISITION AGREEMENT**

The Board is pleased to announce that the Purchaser, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with Vendor on 10 October 2018 (after trading hours), pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell 51% of the equity interests in the Target for a cash consideration of RMB3,000,000 (equivalent to approximately HK\$3,450,000) in accordance with the terms and conditions of the Acquisition Agreement. The principal terms of the Acquisition Agreement are set out below:

Date: 10 October 2018

Parties:

Purchaser: Zhuhai Jinwei Environmental Protection Technology Co., Ltd.\* (珠海金維環保科技有限公司)

Vendor: Huaxin Xinneng Logistics Co., Ltd.\* (華燃新能物流有限公司)

The Purchaser is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company.

The Vendor is a company established in the PRC principally engaged in warehouse services and transportation. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its beneficial owners are Independent Third Parties.

### **Acquisition of the Equity Interests**

Pursuant to the Acquisition Agreement, the Purchaser has agreed to purchase the Equity Interests, representing 51% of the equity interests in the Target as at the date of this announcement.

### **Consideration**

The Consideration is RMB3,000,000 (equivalent to approximately HK\$3,450,000). The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser, having considered the net assets value and business prospects of the Target. The Consideration will be satisfied by the Purchaser in cash within 5 days after the date of the Acquisition Agreement.

Having considered the factors taken into account by the parties in arriving at the Consideration, the Directors are of the view that the Consideration is fair and reasonable.

## Transfer of the Equity Interests

The Vendor shall register the transfer of the Equity Interests and business registration amendments within 5 days after the full payment of the Consideration by the Purchaser.

Upon the completion of the Acquisition, the Target will become an indirect 51% owned subsidiary of the Company and the financial results, assets and liabilities of the Target will be consolidated into the books of the Company.

## INFORMATION ON THE TARGET

The Target is a company established in the PRC and is wholly owned by the Vendor immediately prior to the completion of the Acquisition. It is principally engaged in packaging and loading and unloading services for goods; warehousing services (except dangerous goods); property management; transportation of dangerous goods (Category 2, item 1); general cargo transportation; muck transportation; trading of liquefied natural gas (“LNG”), compressed natural gas, and liquefied petroleum gas trade (no storage, bills trading only).

The Target currently holds a Hazardous Chemical Products Operating Permit\* (危險化學品經營許可證) and a Road Transport Permit (道路運輸許可證) which are required under the relevant laws and regulations for the Target to operate its existing business.

Set out below is a summary of the unaudited financial information of the Target, prepared in accordance with the generally accepted accounting principles in the PRC, for the two financial years ended 31 December 2016 and 31 December 2017, respectively:

	<b>For the year ended 31 December 2017</b>	<b>For the year ended 31 December 2016</b>
	<i>RMB</i>	<i>RMB</i>
Net loss before tax	(1,635,234)	(1,560,050)
Net loss after tax	(1,635,234)	(1,560,050)

According to the unaudited financial information of the Target, the net asset of the Target as at 31 December 2017 was RMB5,895,663 (equivalent to approximately HK\$6,780,012).

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in exploring and drilling natural gas and oil in the United States of America, silver mining and provision of asset financing service in the PRC.

The Board is of the view that by entering into the Acquisition Agreement and the Acquisition will diversify the businesses of the Group and increase revenue base of the Group. The Board also considers that the Acquisition will provide a platform for potential LNG investment and LNG trading business.

The terms of the Acquisition Agreement were arrived at by the parties thereto after arm's length negotiations, with reference to prevailing commercial practice and the financial position of the Target.

In view of the above, the Board considers that the terms of the Acquisition Agreement and the transaction contemplated thereunder are on normal commercial terms and the Acquisition Agreement is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As the applicable percentage ratios for the transaction under the Acquisition Agreement are more than 5% but less than 25%, the Acquisition Agreement and the transactions contemplated thereunder constitute a discloseable transaction on the part of the Company under Rule 14.07 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context requires otherwise, the following terms shall have the same following meanings as set out below:

“Acquisition”	the acquisition of the Equity Interests by the Purchaser from the Vendor pursuant to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the acquisition agreement dated 10 October 2018 and entered into between the Vendor and the Purchaser in relation to the Acquisition

“Board”	the board of Directors
“Company”	King Stone Energy Group Limited, a company incorporated in Hong Kong with limited liability whose issued shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Consideration”	the cash consideration payable by the Purchaser for the Equity Interests under the Acquisition Agreement
“Director(s)”	the director(s) of the Company
“Equity Interests”	51% of the equity interests in the Target
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) who, together with his/her ultimate beneficial owner(s), is/are persons independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, shall exclude Hong Kong, Taiwan and Macau Special Administrative Region of the PRC
“Purchaser”	Zhuhai Jinwei Environmental Protection Technology Co., Ltd.* (珠海金維環保科技有限公司), a wholly owned subsidiary of the Company established in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of issued share(s) of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Shaanxi Wanxi Logistics Co., Ltd* (陝西萬喜物流有限公司), a company established in the PRC which is wholly owned by the Vendor immediately prior to the completion of the Acquisition
“Vendor”	Huaxin Xinneng Logistics Co., Ltd.* (華燃新能物流有限公司), a company established in the PRC
“%”	per cent.

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

Hong Kong, 10 October 2018

*The English transliteration of the Chinese name(s) in this announcement, where indicated with “\*”, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese names.*

*In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.15. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.*

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