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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)

INSIDE INFORMATION UPDATED INFORMATION OF A LOAN OF A SUBSIDIARY OF THE COMPANY

This announcement is made by King Stone Energy Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to the requirements of rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The Company has been seeking to develop and acquire new energy projects and has explored external financing methods to fund and capture such potential opportunities. As such, the Company has considered different solutions to improve its outstanding indebtedness to secure better funding terms and has commenced a restructuring process for certain outstanding and overdue liabilities that are material to the Group. As part of the preliminary work carried out for such restructuring process, an indirect non-wholly owned subsidiary of the Company in the People’s Republic of China (the “**PRC**”), which bears material outstanding and overdue liabilities to the Group, has engaged a PRC legal advisor to conduct an internal review and to issue a legal report (the “**PRC Legal Report**”) on its outstanding and overdue liabilities and legal proceedings, among which, one of the outstanding and overdue liabilities within the scope of the PRC Legal Report comprises of a loan (the “**Loan**”) with the principal amount of RMB20,000,000 (approximately HK\$22,200,000) which is subject to an overdue penalty of 0.5% per day on the loan principal as stated in the agreement of the Loan. The Loan was included in “Other loans” in the unaudited consolidated statement of financial position of the Company as at 30 June 2022 with loan principal of approximately HK\$23.4 million and overdue interest/penalty of approximately HK\$277.9 million as of 30 June 2022.

Based on the PRC Legal Report issued on 30 December 2022, the interest/penalty agreed for the Loan is subject to the limit imposed by the applicable laws and regulations:

- (i) Article 30 of the Provisions of the Supreme People’s Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases (Fa Shi 2015 No. 18) stipulates that if the lender and the borrower agreed upon the overdue interest rate and have also agreed on liquidated damages or other fees, the lender can choose to claim overdue interest, liquidated damages or other fees, or can also claim altogether, but the court will not support the part that exceeds the annual interest rate of 24% in total;
- (ii) Article 29 of the Provisions of the Supreme People’s Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases (Fa Shi 2020 No. 17) (“**Second Amendment**”) stipulates that if the lender and the borrower agreed upon the overdue interest rate and have also agreed on liquidated damages or other fees, the lender can choose to claim overdue interest, liquidated damages or other fees, or can also claim altogether, but the court will not support the part that exceeds 4 times the one-year loan prime rate (LPR) after executing the loan contract.

The Company has also engaged a second PRC legal advisor to review the PRC Legal Report and the second PRC legal advisor has also agreed with the findings of the PRC Legal Report.

Having reviewed the PRC Legal Report which has also been agreed by the second PRC legal advisor, the board of directors of the Company (the “**Board**”) noted that part of the accrual of interest/penalty of the Loan pursuant to the terms of the agreement of the Loan made in prior years should not be enforceable in the PRC courts as the overdue interest rate has exceeded the legal interest limit pursuant to the applicable PRC laws and regulations. In this connection, the Board expects that there would be a potential one-off write back on the accrual of interest/penalty of approximately HK\$200 million made in prior years recognised in the consolidated statement of profit and loss of the Company for the year ending 31 December 2022. Such write back is a non-cash item and does not have any impact on the Group’s cash flows and operations.

The Company is still in the process of finalising the Group’s financial statements for the year ending 31 December 2022. The information contained in this announcement is only based on the Company’s preliminary review of the unaudited management accounts of the Group for the year ending 31 December 2022, which have not been audited or reviewed by the Company’s auditors.

The Company will make further the announcement(s) in respect of the above as and when appropriate or required in accordance with the requirements of the Listing Rules.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 30 December 2022

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.

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\$1.11. 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.