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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO DELAY IN PUBLICATION OF THE 2023 ANNUAL RESULTS ANNOUNCEMENT

Reference is made to the announcement of King Stone Energy Group Limited dated 28 March 2024 in relation to delay in publication of the 2023 Annual Results announcement (the “**Announcement**”). Unless otherwise state, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

In the Announcement, it was disclosed that Asian Alliance (HK) CPA Limited (the “**Former Auditors**”) requested the Company to provide additional information to address the audit matters, among other matters, the Prepayment Matter and the Investment In Associates Matter (collectively the “**Audit Matters**”).

In mid March 2024, the Company received a letter from the Former Auditors enquiring about, among other matters, the rationale and commercial substances, and impairment assessment of outstanding prepayments made to suppliers as at 31 December 2023 which amounted to approximately RMB77.7 million and impairment assessments of the investment in an associate (i.e. South Ray Investment Limited (“**South Ray**” together with its subsidiaries, the “**South Ray Group**”) as at 31 December 2023. Despite the fact that the Company provided explanations and reasons for making the prepayment to suppliers and advised that the Company’s investment in South Ray has reduced to 17% shareholding (the “**17% Interest**”) after the disposal of 4% equity interest in South Ray (the “**4% Disposal**”) in November 2023 and the major shareholder of South Ray had undertaken to acquire the 17% Interest, the Former Auditors still considered that the Company’s reply was not to their satisfaction.

On 25 March 2024, which is three days before 28 March 2024, being the scheduled date for the publication of 2023 Annual Results, the Former Auditors issued a second letter to the Company setting out follow-up queries. In the second letter, in respect of the Prepayment Matter, in particular, the Former Auditors enquired about the rationale and commercial substance for making several repayments to a Brazil manganese supplier given that such supplier has repeatedly delayed in delivery of the products. The Former Auditors further requested for documentary evidence for the prepayments made to a such supplier.

In respect of the Investment In Associates Matter, the Former Auditors enquired about the rationale and commercial substance for accepting delay payment of the consideration for the 4% Disposal. The Former Auditors also enquired about the rationale and commercial substance for the major shareholder of South Ray to undertake to purchase the 17% Interest in view of the decrease in the valuation of the 17% Interest due to the decrease in valuation of the mining output of South Ray's subsidiaries. The Former Auditors also stressed that the mine operation held by South Ray was sold in December 2023 while part of the sale proceeds was lent out to a third party borrower, they raised their concern on the credit risk of the borrower. The Company would like to emphasize that South Ray was an associate of the Company before November 2023. After the 4% Disposal, South Ray was treated as an investment. After the South Ray Group has disposed sale of the mine operation, the South Ray Group has used part of the sale proceeds for granting of loan to third party borrower without notifying the Company, the Company has been continuing negotiate with the major shareholder of South Ray who finally agreed and undertook to acquire the 17% Interest.

In the second letter, the Former Auditors requested the audit committee of the Company to follow up on the Former Auditor Matters. The Former Auditors also expressed that they need time to perform additional audit procedures when additional information on the Audit Matters is ready. The Company also needs additional time to prepare and provide the information as requested by the Former Auditors and hence, this causes the delay in the despatch of the 2023 Annual Results.

CONTINUED SUSPENSION OF TRADING IN THE SHARES

At the request of the Company, trading in the shares of the Company on the Stock Exchange had been suspended since 9:00 a.m. on 2 April 2024 and will remain suspended until further notice.

Shareholders and potential investors of the Company 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, 22 May 2024

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