



**King Stone Energy Group Limited**  
**Announces 2009 Annual Results and New Coal Mine Acquisition Plan**

**Focusing on developing new business and**  
**Seizing opportunities in coal market**

(Hong Kong, 26 April 2010) King Stone Energy Group Limited (the “Company” or “King Stone Energy”, Stock Code: 00663.HK) announced today its annual results for the financial year ended 31 December 2009 (“the period”). Total revenue for the period was HK\$88,710,000, down 86% compared to the same period in 2008. Loss for the year from the continuing operations was approximately HK\$1,078,660,000, mainly attributable to a fair value loss of HK\$1,053,831,000 of convertible notes issued by the Company in December 2009, but it will not affect the cash flow and operations of the company. The Board of Directors does not recommend the payment of final dividend for the year.

In face of difficulties in developing the existing business, and after considering the long-term development of the Company and the interests of its shareholders, King Stone Energy started to venture into coal business in late 2009. Through the acquisition of Triumph Fund A Limited on 21 December 2009, it obtained ownership of a premium coal mine in Inner Mongolia, thereby forging into the highly promising coal business. At present, the Company’s financial position is sound and its cash and bank balance has increased 69.4% from HK\$84,435,000 as at 31 December 2008 to HK\$143,024,000, while its gearing ratio has decreased from 105% to the current 62%.

The Company currently operates a coal mine in Eerduosi City of Inner Mongolia which commenced commercial operation in late 2009. The coal mine with a designed annual production capacity of 6.6 million tons, produces high quality thermal coal with calorific value of 5000 kcal or above. Since the Company’s coal business commenced in late 2009 and its revenue and profit contribution could not be reflected in the 2009 results, the management is highly optimistic of the Company’s future development. In fact, the growth momentum of the Company’s coal business had already been revealed in the first quarter of 2010. In the three months ended 31 March 2010, volume of coal production reached 539,000 tons. Dr. Wang Da Yong, the chairman and CEO of King Stone Energy, says, “We are actively expanding our production capacity and we have a clear-cut development plan. Our planned production volume this year is 4.5 million tons and our target for next year will be 6.5 million tons. If things go smoothly with the approval of the new mining rights, our production volume will reach 9 million tons in 2012.”

On 26 April, the Company and All Aces Investments Limited entered into a Memorandum of Understanding in respect of the acquisition of two coal mines in Shanxi. The coal mines to be acquired primarily produce thermal coal, with a total resource of approximately 230 million tons and a total designed production capacity of around 4.5 million tons per year. This signals a further step in the expansion of the Company’s coal business.

To optimize its business and increase profits, the Company has already terminated some of its chemical manufacturing businesses, including the disposal during the period of Huahai Chemicals Co. Ltd, the Company’s phosphorus manufacturing and trading arm. After one year of observation, the management believes that there would only be limited development in the trading of phosphorus and optical products, therefore it is considering further contracting related business lines.

King Stone Energy will focus on the coal industry in future. In order to strengthen the development of this business, the Company has already recruited influential talents within the coal industry and established a strong and professional management team. This will provide a sound foundation for long-term development and enable the seizing of any developmental opportunities that may arise. Apart from Dr. Wang, chairman and CEO, and Tian Wenwei, executive director, both of whom have extensive experience in the coal industry, King Stone Energy has invited Li Yi, former chairman of Shanxi Xishan Coal and Electricity Power, and Wang Tongtian, former deputy general manager of China Shenhua Group Coal Transportation and Distribution Company, to be its non-executive directors.

In addition, the Company established an advisory committee in March this year with members include Mr. Wang Senhao, former minister of China Ministry of Coal Industry and Governor of Shanxi Province, Mr. Chen Bitang, former chairman of Shenhua Group, and Mr. Zhang Changsheng, former deputy general manager of China Netcom. The Company believes that having committee members with strong state-owned enterprise backgrounds and in leading positions in the coal industry, who can provide valuable advice on areas such as industry outlook, government relations and resource exploration, will enhance the long-term development of the Company's coal business. Meanwhile, in order to optimize its governance structure, the Company has set up a strategy and investment committee, a remuneration committee and an audit committee under the Board of Directors. Each of these committees will be taken charge by people with extensive industrial and corporate governance experience. These committees will offer directional guidance on King Stone Energy's development and will supervise the Company's governance policies so that the Company would secure a significant place in the coal industry.

Looking ahead, Dr. Wang says, "With good prospects in the coal industry, extensive industry experience and connections of the management, and a sound governance structure, King Stone Energy is confident in the long-term development of its coal business. With the ambition of becoming a leading and diversified coal enterprise in China, the Company will, in addition to expanding existing coal production capacities, continue to proactively identify targets for mergers and acquisitions, grasp opportunities, diversify its product range, enhance its competitiveness and increase income sources."

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In December 2009, King Stone Energy expanded its business in coal mining through the acquisition of Eerduosi Hengtai Coal Company Limited. Eerduosi Hengtai Coal Company Limited owns and operates coal mines located in Eerduosi, Inner Mongolia, a location with the richest coal reserves in China. Under the leadership of a professional management team and backed by extensive operational and corporate governance experience, King Stone Energy Group aims at becoming a top diversified coal enterprise in China through organic growth and the synergies resulting from mergers and acquisitions.

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