



King Stone Energy Group Limited
Enters Into Framework Agreement For the Acquisition of Two Shanxi Coal Mines

(Hong Kong, 9 June 2010) King Stone Energy Group Limited (the “Company” or “King Stone Energy”, Stock Code: 00663.HK) announced today that, further to the signing of MOU with All Aces Investments Limited (“All Aces”, “vendor”) on 26 April, a framework agreement was entered into with the vendor to acquire two coal mines in Shanxi owned by the target company. The preliminary valuation of the coal mines is estimated at HK\$6,000 million. King Stone Energy plans to acquire 60% of the issued share capital of the target company at a consideration of HK\$3,600 million and is entitled to a call option to acquire the remaining 40% of the share capital of the target company for a consideration of HK\$2,400 million.

The vendor has provided a profit guarantee of approximately HK\$1,700 million for the two years ending 2011 and 2012 and the consideration for the acquisition was determined with reference to the geological coal resources and the profit guarantee. The consideration for acquiring 60% interest in the target company of HK\$3,600 million will be satisfied by cash payment of not less than one-third but not more than half of the total consideration and issue of new shares and/or convertible bonds by the Company for the remaining balance. The consideration for acquiring the remaining 40% interest of HK\$2,400 million will be satisfied by cash payment of not less than one-third but not more than half of the total consideration and issue of convertible bonds for the remaining balance. The issue price of the new shares and the conversion price of the convertible bonds will be determined with reference to the average closing prices of King Stone Energy’s shares from the date of the signing of framework agreement up to the date of the signing of formal acquisition agreement and in principle shall be not less than HK\$0.20 per share. The Company targets to sign a formal acquisition agreement with the vendor within three months after signing this framework agreement.

The two target coal mines are located in Shuozhou City, Shanxi Province and primarily produce gas coal which can be used for power generation and coking. Coal Mine A has a coal mining area of approximately 5.31 sq. km., geological coal resources of approximately 115 million tons under the PRC standard and a designed production capacity of not less than 3 million tons per annum. It is currently under operation with a daily output of approximately 12,000 tons. Coal Mine B has a coal mining area of approximately 8.51 sq. km., geological coal resources of approximately 108 million tons under the PRC standard and a designed production capacity of not less than 1.8 million tons per annum. Coal Mine B is expected to commence production in the third quarter of 2011.

Dr. Wang Da Yong, chairman and CEO of King Stone Energy, says, “This acquisition is in line with our long-term development. The Company will be growing rapidly in the next two years and aims to achieve an annual production capacity of 20 million tons by 2012 through mergers and acquisitions. Together with our coal mines in Eerduosi City, Inner Mongolia which has an annual production capacity of 6.6 million tons, our total annual production capacity after completion of this acquisition will exceed 11 million tons, bringing us one step closer to our goal.”

The Company further diversifies its products from thermal coal to gas coal through the proposed acquisition in Shanxi. Looking ahead, Dr. Wang says, "We believe the acquisition in Shanxi will create synergy with our existing operation in Inner Mongolia. The Company will continue to expand production capacities and diversify its product range by actively identifying targets for mergers and acquisitions. To achieve our goal, the Company has established an experienced management team. Mr. Wang Tongtian, former deputy general manager of China Shenhua Group Coal Transportation and Distribution Company, has been re-designated from non-executive director to executive director recently in order to devote more time on the Company's mine operation and production safety."

Furthermore, Dr. Wang became the largest shareholder of the Company by acquiring additional one billion shares in early May and his stake in the Company has increased from 5.04% to 11.34%. This demonstrates his confidence in the long term development of the Company.

-End-

King Stone Energy Group Limited (Stock Code: 00663.HK)

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 synergies resulting from mergers and acquisitions.

Media Enquiry:

Ketchum Newscan Public Relations Ltd.

Sharon Fung / Polly Tong

Tel: 3141 8082 / 3141 8122

Fax: 2510 8199

Email: sharon.fung@knprhk.com / polly.tong@knprhk.com