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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)

GRANT OF SHARE OPTIONS

This announcement is made pursuant to Rule 17.06A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The board of directors (the “**Board**”) of King Stone Energy Group Limited (the “**Company**”) announces that on 26 August 2010, the Company granted share options (“**Options**”) to subscribe for up to a total of 60,000,000 ordinary shares of HK\$0.01 each in the capital of the Company (the “**Shares**”) under the share option scheme of the Company adopted on 28 May 2002 (the “**Scheme**”) to certain eligible participants (as defined in the rules of the Scheme), subject to the acceptance of the eligible participants.

Details of such grant are set out below:

Date of grant:	26 August 2010
Exercise price of Options granted:	HK\$0.248 per Share
Closing price of the Shares on the date of grant:	HK\$0.154 per Share
Number of Options granted:	60,000,000 Options (each Option shall entitle the grantee to subscribe for one Share)

Details of grantees:	Name of grantees	No. of Options granted
	Mr. Wang Tongtian (<i>Executive Director</i>)	10,000,000
	Mr. Su Bin (<i>Non-Executive Director</i>)	20,000,000
	Mr. Cao Kuangyu (<i>Independent Non-Executive Director</i>)	10,000,000
	Mr. Chiu Sui Keung (<i>Independent Non-Executive Director</i>)	10,000,000
	Mr. Jacobsen William Keith (<i>Independent Non-Executive Director</i>)	<u>10,000,000</u>
	Total	<u><u>60,000,000</u></u>

Validity period of the Options:

The exercise period of the Options is as follows:

- (i) The first 50% of the Options shall be exercisable for a period of 2 years commencing on 26 August 2011; and
- (ii) The remaining 50% of the Options shall be exercisable for a period of 1 year commencing on 26 August 2012.

By Order of the Board
King Stone Energy Group Limited
Wang Da Yong
Chairman

Hong Kong, 26 August 2010

As at the date of this announcement, the Board comprises three executive Directors: Mr. Wang Da Yong, Mr. Tian Wenwei and Mr. Wang Tongtian, two non-executive Directors: Mr. Li Yi and Mr. Su Bin and three independent non-executive Directors: Mr. Jacobsen William Keith, Mr. Cao Kuangyu and Mr. Chiu Sui Keung.