



**Press Release
To: Business Editors**

For Immediate Release



King Stone Announces 2010 Annual Results

**Coal mining business posts superb results:
Revenue grows 10 times to HK\$1 billion;
Operating profit reaches HK\$230 million**

(Hong Kong, 24 March 2011) King Stone Energy Group Limited (“the Company” or “King Stone Energy”, stock code: 00663.HK) announced today its annual results for the year ended 31 December 2010 (“the period”). During the period, the revenue of the Company was HK\$1,008 million (2009: HK\$88.70 million), representing a growth of more than 10 times yoy. Both gross profit and gross profit margin were up significantly at HK\$525 million (2009: HK\$6.30 million) and 52.1% (2009: 7.1%) respectively, with the gross profit margin basically on a par with other peers in the coal mining business. In the period, loss attributable to shareholders was HK\$905 million. This loss was resulted mainly from the fair value loss of convertible notes and had no impacts on neither the cash flow nor the business operation of the Company. Excluding the convertible note factor, operational profit attributable to shareholders in the period was HK\$230 million (2009: HK\$24.70 million loss). With over HK\$600 million of cash on hand and a lowered debt ratio to 48%, the financial situation of the Company was sound and steady. The Board of Directors does not recommend the payment of any final dividend.

King Stone Energy operates a large coal mine in Inner Mongolia which produces premium thermal coal for power generation. This coal mine had a breakthrough in production capacity in 2010. Following successive production of No. 2 and No. 3 working faces in February and October respectively in the year, annual production capacity of the mine has reached 6.60 million tonnes. With actual sales volume exceeding 4 million tonnes during the year, the mine contributed significant profits and cash flow to the Company.

Apart from continuing to enhance the production capacity of the Inner Mongolia mine, the Company had also been active in pursuing new M&A targets as a way of expanding its coal business. In October 2010, the Company entered into an agreement to acquire two coal mines at Shanyin County, Shuozhou City of Shanxi Province. Long flame coal and gas coal are the essential products of these two mines, which together have a designed annual capacity of 6.5 million tonnes. The acquisition is expected to be completed in the second quarter of 2011 and, upon the completion, the coal production capacity of King Stone Energy will be given a further boost.

King Stone Energy chairman and CEO Dr. Wang Da Yong explained, “Ever since its successful transformation into a coal energy enterprise at the end of 2009, the Company has been striving to expand its business scope both horizontally and vertically. The execution of the Shanxi acquisition last year will serve to help King Stone Energy develop horizontally, and, with the



completion of the construction of washing plants, the Company will be in a capacity to provide its customers with refined coal. This will help towards a change of product mix and an enhancement of the Company's profitability. In addition, by entering into strategic cooperation agreements with major corporations including rail logistic companies, the Company's business will be extended towards downstream customers and thus vertical competitiveness will be enhanced. We are convinced that the use of rail transportation can effectively expand the coverage of our sales network, further reduce our costs and raise our profit margin."

Looking ahead, Dr. Wang said, "It is expected that coal prices will hover at a high level in 2011. King Stone Energy will expand its production capacity to 20 million tonnes through M&A and will add coking coal and anthracite coal to its product portfolio, becoming a diversified coal mine company and achieving profit growth. The Company will in the future be more active in carrying out share capital restructuring and will bring in large and long-term international investors as a way to improve and optimise its shareholding structure."

While endeavouring to expand its production capacity and size, the Company has also adopted a range of measures in ensuring safety in coal production. In July 2010, a mine production safety production committee was formed. In addition, experienced mine professionals were recruited to provide guidance and supervision on the production safety of the Company's mines. The objectives are to raise further the overall technical level for production safety, to guarantee production safety and to improve corporate management. Furthermore, the Company gives high priorities to environmental protection and the operation of its mines is in strict compliance with government regulations.

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King Stone Energy Group Limited (Stock Code: 663.HK)

In December 2009, King Stone Energy expanded its business in coal mining through the acquisition of Eerduosi Hengtai Coal Company Limited. The Company currently owns and operates coal mines located in Eerduosi, Inner Mongolia and Shuozhou, Shanxi. Under the leadership of a professional management team and backed by extensive operational and corporate governance experience, with the synergies of organic growth and acquisition, 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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