

[For Immediate Release]

King Stone Energy Announces its 2011 Annual Results

(Hong Kong, 30 March 2012) – King Stone Energy Group Limited (“the Company” or “King Stone Energy”; stock code: 663.HK) announced today its annual results for the twelve months ended 31 December 2011 (“the reviewing period”).

HK\$' 000	2011	2010
Revenue	995,100	1,007,740
Gross Profit	382,852	524,685
Profit before tax	105,830	(785,589)
Profit attributable to shareholders	55,339	(905,164)
Earnings per share attributable to Shareholder	HK\$0.04	(HK\$1.15)

For the year ended 31 December 2011, the Company recorded a revenue of HK\$995 million and a gross profit of HK\$383 million. Hengtai Coal Mine (“Hengtai”) contributed revenue of approximately HK\$834 million, while the newly acquired Liaoyuan Coal Mine (“Liaoyuan”) contributed revenue of approximately HK\$161 million for a five-month period. The Company has achieved a turnaround profit with an earnings per share attributable to shareholders of HK\$0.04; the profit before tax was HK\$106 million, representing a significant increase compared to a loss of HK\$785 million in 2010; profit attributable to shareholders was HK\$55.34 million, while in 2010 the Company recorded a loss for the year of HK\$905 million. Gross profit for the year decreased as a result of the decrease in production in the fourth quarter. However, the operation and production of the Company has resumed to normal since December 2011 and it is thus anticipated that gross profit for 2012 will improve.

Despite the volatility in global markets, the Company has taken proactive steps and measures to achieve steady and sustainable growth. Under the reviewing period, the Group completed the acquisition of the entire interest in Liaoyuan, increasing the Group's annual production capacity and reserves. As Liaoyuan is located close to the Group's existing Hengtai mine, it enhances the Group's cost efficiency in operation and management and provides synergies that will benefit the Group's long term development. Additionally, in order to optimize coal production and operation, a new working face of Hengtai was constructed. Following commencement of service, Hengtai's output has significantly increased and is expected to largely contribute to the Group's revenue in 2012.

Apart from expanding existing sites, the Group is continuously looking for strategic alliances externally while optimizing internal structures. In February 2011, the Group entered into strategic agreement with China Railway Energy. China Railway Energy will build or acquire railway stations and logistic parks for coal in regions such as Eerduosi in Inner Mongolia and Shanxi Province, while the Company will co-invest in related construction. The Company is entitled to priority usage of their coal transporting facilities, which will significantly enhance the Group's competitiveness. Furthermore, the court has approved the reduction of share premium account which has improved the financial position of the Company. The Group's net assets has increased from HK\$2,029 million in 2010 to HK\$2,498 million in 2011.

The Chairman of King Stone Energy, Mr. Wang Da Yong commented, "A major reason for the drop in cash flow is the Group's acquisition of Liaoyuan at a total consideration of RMB500 million last year, which was entirely financed by internal cash resources. The Company is currently in close talks with banks regarding loan facilities to improve short-term cash flow. Upon the complete takeover of Liaoyuan, it will bring to the Group actual profits and improve revenue and cash flow. Operational efficiency will also be enhanced following the setup of Hengtai's new working face. Looking ahead, the Company will embrace attractive opportunities, seek strategic alliances and pursue potential M&A opportunities to further expand its business. The management team is committed to supporting the operation of the Company. The Group will continue to strengthen its operation, management and structure, at the same time, look for new prospects, strive to become a leading diversified coal enterprise in China and bring great returns to our shareholders."

About King Stone Energy Group Company Limited

King Stone Energy principally engages in the production and sale of coal. The Company owns and operates coal mines located in Eerduosi, Inner Mongolia. The coal mines possess sizeable resource and reserve, and produce superior quality coal, with high heat value and low ash and sulphur. The Group forms strategic alliances with various corporations and achieves its expansion through vertical and horizontal integration. 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.

This press release is distributed by Kreab Gavin Anderson on behalf of King Stone Energy Group Company Limited

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