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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)**

### **PROFIT WARNING**

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

The Board wishes to inform the shareholders of the Company and potential investors that the Group is expected to record a significant increase in loss for the six months period ended 30 June 2010 as compared to the results for the six months period ended 30 June 2009. The expected loss of the Group for the six months period ended 30 June 2010 was mainly attributable to change in the fair value of the convertible notes issued by the Company in December 2009. The Board is of the view that the Fair Value Change does not have any immediate impact on the cashflow and business operation of the Group.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

This announcement is made by King Stone Energy Group Limited (the “Company” and together with its subsidiaries, the “Group”) pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The board of directors of the Company (the “Board”) wishes to inform shareholders of the Company and potential investors that based on preliminary review of the unaudited consolidated management accounts of the Group, it is expected the Group will record a significant increase in loss for the six months period ended 30 June 2010 as compared to the results for the six months period ended 30 June 2009. The expected loss of the Group for the six months period ended 30 June 2010 was mainly attributable to change in the fair value of the convertible notes issued by the Company in December 2009 (the “Fair Value Change”). The Board is of the view that the Fair Value Change does not have any immediate impact on the cashflow and business operation of the Group.

The Company is still in the process of finalising the Group's unaudited results for the six months period ended 30 June 2010. The information contained in this announcement is only based on the Company's preliminary review of the unaudited consolidated management accounts of the Group, which have not been audited or reviewed by the Company's auditors. Detailed financial information of the Group will be disclosed in the Company's 2010 interim report, which is expected to be published in August 2010.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

By Order of the Board  
**Wang Da Yong**  
*Chairman*

Hong Kong, 4 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.*