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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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of King Stone Energy Group Limited (the “Company”) will be held at Suite 3603, 36th Floor, One Exchange Square, Central, Hong Kong at 11:30 a.m. on Friday, 24 June 2011 for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions as special resolutions of the Company:

SPECIAL RESOLUTIONS

1. **“THAT** conditional upon (i) the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant the listing of, and permission to deal in, the Adjusted Shares (as defined below); (ii) the registration by the Registrar of Companies in Hong Kong of a copy of resolution passed by the holders of the shares of the Company, a copy of a minute containing the particulars required under section 61A of the Companies Ordinance (Laws of Hong Kong, Cap 32) (the “Companies Ordinance”) and a statement in the prescribed form signed by an officer of the Company certifying that the relevant conditions under the Companies Ordinance have been satisfied:
 - i. every 20 existing shares of HK\$0.01 each will be consolidated into 1 share (the “Consolidated Share”) of HK\$0.20 (the “Share Consolidation”);
 - ii. subject to the Share Consolidation becoming effective, the authorised share capital of the Company will be reduced from HK\$3,000,000,000 divided into 15,000,000,000 Consolidated Shares of HK\$0.20 each to HK\$1,500,000,000 divided into 15,000,000,000 adjusted shares of HK\$0.10 each (each an “Adjusted Share”) and that such reduction be effected by cancelling share capital paid up or credited as paid up to the extent of HK\$0.10 per share upon each of the Shares in issue and by reducing the nominal value of all the issued and unissued Consolidated Shares in the share capital of the Company from HK\$0.20 per Consolidated Share to HK\$0.10 per Adjusted Share (the “Capital Reduction”);

- iii. subject to the Capital Reduction taking effect, the credit arising from the Capital Reduction be credited to the share premium account of the Company;
 - iv. all of the Adjusted Shares resulting from the Capital Reduction and the Share Consolidation shall rank pari passu in all respects and have the rights and privileges and be subject to the restrictions contained in the Company's articles of association; and
 - v. the directors (the "Directors") of the Company be and are hereby authorised generally to do all things they may consider appropriate and desirable to effect and implement the Capital Reduction, the Share Consolidation and the application of credit arising from the Capital Reduction."
2. "THAT pursuant to the circular of the Company dated 25 May 2011 (the "Circular"), a copy of which has been tabled at the meeting and initialled by the chairman for identifiable purposes, conditional upon: (i) the Court of First Instance of the High Court of the Hong Kong (the "Court") making an order confirming the Reduction of Share Premium Account (as defined in the Circular) pursuant to sections 58 to 60 of the Companies Ordinance; (ii) the registration by the Registrar of Companies in Hong Kong a copy of the said Court order confirming the Reduction of Share Premium Account and a copy of the minute containing the particulars required under section 61 of the Companies Ordinance; and (iii) the compliance with any conditions as may be imposed by the Court in relation to the Reduction of Share Premium Account:
- i. the amount standing to the credit of the share premium account of the Company be reduced by the sum of HK\$2,953,243,000 and the Directors of the Company as at the effective date (as defined in the Circular) be and are hereby authorised to apply the same amount of credit arising from such reduction towards the elimination of the accumulated losses of the Company as at 31 December 2010 (the "Reduction of Share Premium Account"); and
 - ii. the Directors be and are hereby authorised generally to do all acts and things, and to approve, sign and execute any documents, which in their opinion may be necessary, desirable or expedient to implement or to give effect to the foregoing including, without limitation, to seek confirmation from the Court, and authorise counsel on behalf of the Company to provide any undertaking as necessary to, the Court, in relation to the Reduction of Share Premium Account."

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

Hong Kong, 25 May 2011

*Registered office and principal place of
business in Hong Kong:*

Suite 3603, 36th Floor
One Exchange Square
Central
Hong Kong

Notes:

1. A form of proxy to be used for the meeting is enclosed.
2. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend on the same occasion.
3. To be valid, the instrument appointing a proxy must be in writing under the hand of the appointer or of his attorney duly authorised in writing, or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited at office of the Company's share registrar, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or any adjourned meeting, and in default the instrument of proxy shall not be treated as valid.
5. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.

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