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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)

ANNOUNCEMENT STRATEGIC COOPERATION AGREEMENT

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

The Board is pleased to announce that the Company and CITIC Trust entered into the Strategic Cooperation Agreement dated 26 April 2011, pursuant to which the Company and CITIC Trust agreed to form a strategic alliance for the joint development and investment in the areas of coal resources, environmentally-clean production and integrated utilization of coal, clean energy, energy-saving emission reduction.

The Board wishes to emphasize that the cooperation under the Strategic Cooperation Agreement is at a preliminary stage. Both parties will further negotiate about the detailed terms of cooperation and further announcement will be made by the Company as and when required under the Listing Rules.

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

THE STRATEGIC COOPERATION AGREEMENT

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that the Company and CITIC Trust Co., Ltd. (“**CITIC Trust**”) (中信信託有限責任公司) entered into a strategic cooperation agreement (the “**Strategic Cooperation Agreement**”) dated 26 April 2011, pursuant to which the Company and CITIC Trust agreed to form a strategic alliance for the joint development and investment in the areas of coal resources, environmentally-clean production and integrated utilization of coal, clean energy, energy-saving emission reduction (the “**Projects**”).

The Strategic Cooperation Agreement sets out the following principal terms:

- (1) both parties will jointly explore the investment opportunities, cooperate, develop and invest in the Projects;
- (2) CITIC Trust will provide the Company with full-ranged financial support including financial advisory and consultancy services, recommendations in financial strategies, assistance in exploring investment projects, fund-raising and corporate financing services, and managerial advisory and consultancy services;
- (3) CITIC Trust or its associate companies have the right to acquire the issued shares of the Company subject to compliance with the relevant laws and regulations;
- (4) CITIC Trust will recommend two persons well experienced in the financial sector to act as non-executive Directors subject to both the approvals of the Board and the Stock Exchange; and
- (5) both parties will jointly set up a fund for the development and investment of the Projects in the areas of development of coal resources, environmentally-clean production and integrated utilization of coal, clean energy investment, energy-saving emission reduction. The matters in respect of establishment of the fund will be further agreed and announced by CITIC Trust and the Company in due course.

INFORMATION ON CITIC TRUST

To the best knowledge, information and belief of the Directors, CITIC Trust is the national non-banking financial institution under the direct regulation of the China Banking Regulatory Commission and is a wholly-owned subsidiary of CITIC Group (中國中信集團公司) principally engaged in trust and established business in which the trust business mainly comprises financing trust, investment trust and administration trust and the established business mainly comprises financing, securities investment and equity investment etc. CITIC Group is an independent third party not connected with the Company and its connected persons within the meaning of the Listing Rules.

REASONS FOR ENTERING INTO THE STRATEGIC COOPERATION AGREEMENT

The Group is principally engaged in the mining and selling of coal, trading of phosphorus products and trading of optical products.

The entering into of the Strategic Cooperation Agreement will enable the Group to benefit from the full-ranged and integrated financial services provided by CITIC Trust. Therefore, the forming of a strategic alliance with CITIC Trust will enable the Group to further develop its coal businesses by leveraging the financial experience, business networks and resources of CITIC Group.

In view of the above, the Directors consider that terms of the Strategic Cooperation Agreement, which have been negotiated on an arm's length basis and on normal commercial terms, are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

The Board wishes to emphasize that the cooperation under the Strategic Cooperation Agreement is at a preliminary stage. Both parties will further negotiate about the detailed terms of cooperation and further announcement will be made by the Company as and when required under the Listing Rules.

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

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

Hong Kong, 26 April 2011

As at the date of this announcement, the executive Directors are Mr. Wang Da Yong, Mr. Tian Wenwei and Mr. Wang Tongtian, 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.

for identification purposes only