KINGSTONE
金 石 礦 業

CHINA KINGSTONE MINING HOLDINGS LIMITED
中國金石礦業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1380)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL HIGHLIGHTS

We commenced commercial production at our Zhangjiaba Mine in September 2010 and began generating revenue in October 2010, recording revenue of approximately RMB6.62 million for the year ended 31 December 2010. Compared with 2009, during which time we focused on mine planning, construction and infrastructure development and did not generate revenue from our operations, we had a significant growth in 2010.

The consolidated total comprehensive losses attributable to owners of the Company for the year ended 31 December 2010 were approximately RMB23.62 million (2009: RMB5.37 million, which has been disclosed in the financial statements of the Company).

No information on loss per share is presented because, for the purpose of this announcement, such information is not considered meaningful due to the reorganization and the basis of preparation of the results for the years ended 31 December 2010 and 2009 as disclosed in note 2.1 to the financial statements.

The board of directors (the "Board") of China Kongstone Mining Holdings Limited is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010 together with the comparative figures for the corresponding period in 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	Note	2010 RMB'000	2009 RMB'000
Revenue	4	**6,615**	—
Cost of sales		**(2,023)**	—
Gross profit		**4,592**	—
Other income	4	**64**	2
Selling and distribution costs		**(477)**	(270)
Administrative expenses		**(25,748)**	(2,610)
Other expenses		**(1,371)**	(690)
Finance costs		**(2,320)**	(2,042)
Loss before tax	5	**(25,260)**	(5,610)
Income tax benefit	6	**4,205**	241
Loss for the year		**(21,055)**	(5,369)
Other comprehensive loss:			
Exchange differences on translation of foreign operations		**(2,568)**	—
Total comprehensive loss for the year attributable to owners of the Company	7	**(23,623)**	(5,369)
Loss per share attributable to ordinary equity holders of the Company:			
— Basic	8	**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment		**87,863**	23,812
Intangible assets		**23,645**	23,677
Prepaid land lease payments		**2,389**	—
Goodwill		**2,966**	2,966
Deferred tax assets		**384**	—
		117,247	50,455
Current assets			
Cash and cash equivalents		**80,082**	5,670
Pledged deposits		**3,308**	—
Trade receivables	*10*	**5,675**	—
Prepayments, deposits and other receivables	*11*	**10,243**	422
Inventories	*12*	**1,839**	—
		101,147	6,092
Current liabilities			
Interest-bearing borrowings	*13*	**73,308**	11,860
Trade payables	*14*	**998**	—
Other payables and accruals	*15*	**16,325**	5,396
Tax payable		**462**	—
Due to the ultimate controlling shareholder		**—**	27,419
		91,093	44,675
Net current assets/(liabilities)		**10,054**	(38,583)
Total assets less current liabilities		**127,301**	11,872
Non-current liabilities			
Deferred income		**207**	230
Deferred tax liabilities		**—**	4,283
		207	4,513
Net assets		**127,094**	7,359
Equity			
Equity attributable to owners of the Company			
Share capital		**—**	—
Reserves		**127,094**	7,359
Total equity		**127,094**	7,359

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 29 March 2010 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands under the name of China Kingstone Mining Holdings Limited. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at 43rd Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the production and sale of marble and marble related products. There were no significant changes in the nature of the Group's principal activities during the year.

The consolidated financial statements have been presented in Renminbi ("RMB"), as this is the principal currency of the economic environment in which the Group operates.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which comprise standards and interpretations issued by the International Accounting Standards Board (the "IASB"), and the International Accounting Standards ("IAS") and the Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consisting accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

The acquisition of the subsidiaries pursuant to the reorganization was regarded as a business combination under common control. Accordingly, the consolidated financial statements have been prepared in accordance with the principles of merger accounting. On this basis, the Company has been treated as the holding company of its subsidiaries since the beginning of the financial periods presented rather than from their respective dates of acquisition. Accordingly, the consolidated results for the years ended 31 December 2010 and 2009 include the results of the Company and its subsidiaries with effect from 1 January 2009 or since their respective dates of incorporation, whichever is shorter. The comparative consolidated statement of position as at 31 December 2009 has been prepared as if the existing Group had been in place at that date.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 3 (Revised)	*Business Combinations*
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*

Other than as further explained below regarding the impact of amendments to IFRS 3 (Revised) and IAS 27 (Revised) included in *Improvements to IFRSs 2009*, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

(a) The changes introduced by IFRS 3 (Revised) and IAS 27 (Revised) must be applied prospectively and will affect the accounting of future acquisitions, loss of control and transactions with non-controlling interests.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisition, loss of control and transactions with non-controlling interests after 1 January 2010.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the consolidated financial statements.

IAS 32 Amendment	Presentation — Classification of Rights Issues[1]
IFRS 1 Amendment	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[2]
IFRS 1 Amendment	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[4]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[2]
IAS 24 (Revised)	Related Party Disclosures[3]
IFRIC 14 Amendments	Prepayments of a Minimum Funding Requirement[3]
IFRS 7 Amendments	Financial Instruments: Disclosures — Transfers of Financial Assets[4]
IFRS 9	Financial Instruments[6]
IAS 12 Amendments	Deferred Tax: Recovery of Underlying Assets[5]

Apart from the above, the IASB has issued Improvements to IFRSs 2010 which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010 while the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 February 2010

2 Effective for annual periods beginning on or after 1 July 2010

3 Effective for annual periods beginning on or after 1 January 2011

4 Effective for annual periods beginning on or after 1 July 2011

5 Effective for annual periods beginning on or after 1 January 2012

6 Effective for annual periods beginning on or after 1 January 2013

The IFRS 1 Amendment relieves first-time adopters of IFRSs from providing the additional disclosures introduced by Improving Disclosures about Financial Instruments (Amendments to IFRS 7) issued in March 2009. As the Group is not a first-time adopter of IFRSs when IFRS 1 becomes effective, the amendment will not have any financial impact on the Group.

IFRS 9 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories as currently required by IAS 39, an entity shall classify financial assets as subsequently measured at either amortized cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirement of IAS 39.

In October 2010, the IASB added to IFRS 9 the requirements for classification and measurement of financial liabilities. The Group expects to adopt IFRS 9 from 1 January 2013.

IAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt IAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly. The adoption of the revised standard is unlikely to have any significant impact on the related party disclosures of the Group. The Group is not a government entity.

The IAS 32 Amendment revises the definition of financial liabilities such that rights, options or warrants issued to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments, provided that the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The Group expects to adopt the IAS 32 Amendment from 1 January 2011. As the Group currently has no such rights, options or warrants in issue, the amendment is unlikely to have any financial impact on the Group.

The IFRIC 14 Amendments remove an unintended consequence arising from the treatment of prepayments of future contributions in certain circumstances when there is a minimum funding requirement. The amendments require an entity to treat the benefit of an early payment as a pension asset. The economic benefit available as a reduction in future contributions is thus equal to the sum of (i) the prepayment for future services and (ii) the estimated future services costs less the estimated minimum funding requirement contributions that would be required as if there were no prepayments. The Group expects to adopt the IFRIC 14 Amendments from 1 January 2011. As the Group has no defined benefit scheme, the amendments will not have any financial impact on the Group.

IFRIC 19 addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The Group expects to adopt the interpretation from 1 January 2011. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are a consideration paid in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and the difference between the carrying amount of the financial liability extinguished, and the consideration paid, shall be recognized in profit or loss. The consideration paid should be measured based on the fair value of the equity instrument issued or, if the fair value of the equity instrument cannot be reliably measured, the fair value of the financial liability extinguished. The interpretation will only have a material financial impact on the Group in the event that it undertakes such a transaction in the future.

IFRS 7 Amendments introduce more extensive quantitative and qualitative disclosure requirements regarding transfer transactions of financial assets, including information for understanding the possible effects of any risks that may remain with the entity that transferred the assets. The Group expects to adopt the amendments from 1 January 2012 and the comparative disclosures are not required for any period beginning before that date.

Improvements to IFRSs 2010 issued in May 2010 sets out amendments to a number of IFRSs. The Group expects to adopt all these amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies and additional disclosures, none of these amendments are expected to have a significant financial impact on the Group.

3. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services. The Group has one operating segment, which is mining development, for the year ended 31 December 2010 and 2009. Further, all the principal assets employed by the Group are located in Sichuan Province, the PRC. Accordingly, no segment analysis is provided.

Revenue from one customer amounted to RMB6,533,000 arising from sales of marble slabs for the year ended 31 December 2010.

4. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold, net of trade discounts and returns and various types of government surcharges, where applicable. The Group commenced its commercial production in September 2010, and there were no revenue, trade discounts or returns before then.

	2010	2009
	RMB'000	*RMB'000*
Revenue:		
Sale of marble slabs	**6,533**	—
Sale of marble blocks	**82**	—
	6,615	—
Other income	**64**	2
	6,679	2

Other income mainly represents bank interest income for the years ended 31 December 2010 and 2009.

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	2010	2009
	RMB'000	*RMB'000*
Staff costs (including directors' remuneration):		
Wages and salaries	**5,326**	1,838
Pension scheme contributions		
— Defined contribution scheme	**606**	368
Other staff benefits	**809**	434
	6,741	2,640
Less: Staff costs capitalized	**(3,209)**	(1,965)
	3,532	675
Global offering costs	**16,117**	—
Interest on borrowings wholly repayable within five years	**2,136**	1,946
Guarantee costs	**120**	80
Bank charges	**64**	16
Total finance costs	**2,320**	2,042
Auditors' remuneration	**1**	1
Amortization of intangible assets	**32**	—
Amortization of prepaid land lease payments	**9**	—
Depreciation of items of property, plant and equipment	**1,593**	873
Less: Depreciation capitalized	**(1,257)**	(793)
	336	80
Foreign exchange loss	**520**	—
Operating lease rentals for office	**324**	31
Loss on disposal of items of property, plant and equipment	**265**	666

6. INCOME TAX BENEFIT

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong for the year ended 31 December 2010 and 2009.

The provision for the PRC corporate income tax ("CIT") is based on the respective CIT rates applicable to the subsidiaries located in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC for the year ended 31 December 2010 and 2009. The Group's subsidiaries located in Mainland China are subject to the PRC CIT rate of 25% from 2008.

The major components of income tax benefit for the years ended 31 December 2010 and 2009 are as follows:

	2010	2009
	RMB'000	*RMB'000*
Current — Mainland China		
Charge for the year	**462**	—
Deferred tax movement	**(4,667)**	(241)
Total tax credit for the year	**(4,205)**	(241)

A reconciliation of income tax benefit applicable to loss before tax at the applicable income tax rate in the PRC to income tax benefit of the Group for each of the years ended 31 December 2010 and 2009 is as follows:

	2010	2009
	RMB'000	*RMB'000*
Loss before tax	**(25,260)**	(5,610)
Tax at the applicable tax rate of companies within the Group	**(6,315)**	(1,403)
Expenses not deductible for tax	**2,110**	1,162
Income tax credit at the Group's effective rate	**(4,205)**	(241)

7. COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated total comprehensive losses attributable to owners of the Company for the year ended 31 December 2010 includes a loss of approximately RMB17,619,000 (2009: Nil), which has been dealt with in the financial statements of the Company.

8. LOSS PER SHARE

No loss per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the reorganization and the basis of presentation of the results for the years ended 31 December 2010 and 2009 as disclosed in note 2.1 to the financial statements.

9. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2010. No dividend was declared for the year ended 31 December 2009.

10. TRADE RECEIVABLES

Group

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**5,675**	—

An aged analysis of trade receivables, based on the goods delivery date, is as follows:

	2010	2009
	RMB'000	*RMB'000*
Outstanding balances with ages:		
Within 30 days	**5,675**	—

The Group's trading terms with its customers are mainly on credit. In view of the fact that the Group sells most of its products to one customer, there is a high level of concentration of credit risk. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Trade receivables are non-interest-bearing and fully collected subsequent to 31 December 2010.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		**Company**	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Prepayments consisted of:				
Purchase of				
— Raw materials	**19**	87	**—**	—
— Utilities	**199**	68	**—**	—
Deferred global offering costs	**5,464**	—	**5,464**	—
Prepaid operating lease rentals to be amortized within one year				
— Office	**31**	30	**—**	—
Deposits	**44**	102	**—**	—
Deductable VAT	**3,143**	—	**—**	—
Other receivables	**1,343**	135	**—**	—
	10,243	422	**5,464**	—

None of the above assets is either past due or impaired. The financial assets included in the above relate to receivables for which there was no recent history of default.

12. INVENTORIES

Group

	2010	2009
	RMB'000	*RMB'000*
At cost:		
Marble blocks and slabs	**719**	—
Materials and supplies	**1,120**	—
	1,839	—

13. INTEREST-BEARING BORROWINGS

Group

	Notes	**2010** **RMB'000**	2009 RMB'000
Repayable within one year:			
Bank loans			
— unsecured	*(a)*	**70,000**	—
— secured	*(b)*	**3,308**	—
— secured and guaranteed	*(c)*	**—**	4,000
Other borrowings — unsecured	*(d)*	**—**	7,860
		73,308	11,860

Except for a secured bank loan which is denominated in United States dollars, all borrowings are in RMB.

(a) These unsecured bank loans are borrowed from Guangdong Development Bank and China Construction Bank, with amounts of RMB60,000,000 and RMB10,000,000, respectively, and bear interest at respective fixed rates in the range from 4% to 5% per annum.

(b) The secured bank loan is borrowed from Industrial and Commercial Bank of China with amount of US$500,000 (equivalent to approximately RMB3,308,000), and bears interest at 2% per annum above the LIBOR. It is secured by the pledge of the Group's time deposit amounting to US$500,000.

(c) As at 31 December 2009, the secured and guaranteed bank loan bore interest at a fixed interest rate of 6.903% per annum and was guaranteed by Jiangyou Yintong Credit Guarantee Co., Ltd. (江油銀通信用擔保有限公司), which is a non-related party engaged in the guarantee business. In accordance with the guarantee agreement entered into among Sichuan Jinshida, Jiangyou Yintong Credit Guarantee Co., Ltd. and Guangzhou Jiucheng Mining Co., Ltd. ("Jiucheng Mining"), a related party of the Company. Sichuan Jinshida agreed to pay guarantee costs at a rate of 2% of the guaranteed loan principal, and to secure certain of its property, plant and equipment with a net carrying amount of approximately RMB4,963,000 to Jiangyou Yintong Credit Guarantee Co., Ltd.; and Jiucheng Mining agreed to provide a counter-guarantee to Jiangyou Yintong Credit Guarantee Co., Ltd. free of charge. The guarantee was fully released in August 2010 when the Group fully repaid this bank loan.

(d) The other borrowings were borrowed from several independent third party individuals and bore interest at a fixed interest rate of 36% per annum. The other borrowings were fully repaid in June 2010.

14. TRADE PAYABLES

Group

	2010 **RMB'000**	2009 RMB'000
Trade payables	**998**	—

Trade payables are non-interest-bearing and are normally settled in 180 days.

An aged analysis of trade payables, based on the invoice date, is as follows:

	2010	2009
	RMB'000	*RMB'000*
Outstanding balances with ages:		
Within 180 days	**998**	—

15. OTHER PAYABLES AND ACCRUALS

Group

	2010	2009
	RMB'000	*RMB'000*
Advances from customers	**106**	97
Accruals related to:		
Property, plant and equipment	**6,923**	1,758
Taxes other than income tax	**636**	423
Payroll and welfare	**2,587**	1,368
Interest of borrowings	**519**	155
Global offering costs	**3,398**	—
Deposits received	**82**	100
Payable for rehabilitation	**900**	1,400
Other payables	**1,174**	95
	16,325	5,396

Company

	2010
	RMB'000
Accruals related to:	
Global offering costs	**3,129**
	3,129

Other payables and accruals are non-interest-bearing and have average terms of one to three months.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

We are a marble mining company at the initial stage of production. We currently own and operate one marble mine, the Zhangjiaba Mine, which is the largest beige marble mine in China in terms of marble reserves, according to a certification issued by China Stone Material Association (the "CSMA") in August 2010. As at 31 December 2010, the Zhangjiaba Mine, located in Sichuan Province of China, contains 44.2 million m^3 of JORC-compliant measured and indicated marble resources, which represents 16.8 million m^3 of proved and probable marble reserves based on a block rate of 38% according to JORC standard. Our mine contains high-quality beige marble reserves, and our principal products are premium beige marble slabs and blocks. We commenced commercial production at our Zhangjiaba Mine in September 2010 and began generating revenue in October 2010.

Zhangjiaba Mine Marble Resource and Reserve Summary, as of December 31, 2010 (JORC Compliant)

JORC Resource and Reserve Class	**(Mm^3)**
Measured Resource	15.74
Indicated Resource	28.41
Total Resource	**44.15**
Proved Reserve	5.98
Probable Reserve	10.8
Total Reserve	**16.78**

Our operation results from September 2010 to December 2010 are summarized as follow:

	September – November 2010	December 2010	September – December 2010
Marble Block Mining			
Marble blocks mined (m^3)	415	730	1,145
Marble blocks for direct sales (m^3)	24	0	24
Marble blocks for slab processing (m^3)	391	730	1,121
Marble Slab Processing & Sales			
Outsourced Marble Slab Processing			
Marble slabs processed (m^2)	3,165	9,287	12,452
Pure Beige (m^2)	1,044	2,043	3,087
Mixed Beige (m^2)	2,121	7,244	9,365
Total Marble Slabs Sold (m^2)	3,000	9,000	12,000
Pure Beige (m^2)	1,000	2,000	3,000
Mixed Beige (m^2)	2,000	7,000	9,000
Average Selling Prices (ASP)			
Marble block ASP (RMB/m^3)	3,414	0	3,414
Marble slab ASP (RMB/m^2)			
Pure Beige (RMB/m^2)	842	842	842
Mixed Beige (RMB/m^2)	570	570	570
Unit Production Cost			
Marble block production cash cost (RMB/m^3)	14,670	2,655	7,012
Marble block production total cost (RMB/m^3)	14,917	2,939	7,280
Equivalent marble slab production cash cost (RMB/m^2)	577	196	325
Equivalent marble slab production total cost (RMB/m^2)	585	204	332

From September to December 2010, we mined 1,145 m^3 marble blocks and produced 12,452 m^2 marble slabs. From September to December 2010, we sold 12,000 m^2 marble slabs and recorded total revenue of approximately RMB6.6 million. The VAT inclusive Average Selling Prices (ASP) was RMB842 per m^2 for Pure Beige slab and RMB570 per m^2 for Mixed Beige slab. The unit production cash cost of marble block mainly included the cost of workforce employment, fuel, water and electricity, administration cost and marketing cost. The decrease of the unit cash cost in December was mainly due to the economy of scale of production. For the same reason, our outsourcing marble slab production cash cost, which mainly consisted of marble block production cash cost and slab processing cost for the contractors and transportation cost, decrease from RMB577 per m^2 to RMB196 per m^2 in December.

The gross margin was 59.5% for September to November 2010 due to the low production volume, and increased to 69.0% in December 2010 as production volume went up. As we continue our ramp-up plan and increase the production volume, we expect the gross margin to further increase.

In addition to marble block mining, we plan to construct large-scale marble slab processing facilities in close proximity to our mine. Following the completion of our ramp-up plan in 2014, our mining capacity for marble blocks is expected to reach 150,000 m^3 per annum and our marble slab processing capacity at our processing facilities is expected to reach 3.0 million m^2 per annum. The estimated mine life of our Zhangjiaba Mine is 112 years, based on our current marble reserves and planned marble block mining capacity at 150,000 m^3. Prior to the commencement of commercial operations of our processing facilities, we engaged third-party processing plants to process our marble blocks into marble slabs.

Our principal products are marble slabs processed and blocks mined from our marble reserves. According to an independent panel review organized by CSMA, our Pure Beige and Mixed Beige products are premium marble products and our Wood Grain and Gray Net products are mid- to high-end marble products. Our Pure Beige, Mixed Beige, Wood Grain and Gray Net marble account for 51.0%, 32.7%, 6.4% and 9.9% of our marble reserves, respectively. Our mine contains high-quality beige marble reserves, and the color and texture of our marble products are similar to those of well-recognized, premium international branded marble products currently available in the market, based on the physical specifications and the appearance of our marble samples. Due to these characteristics, our premium marble products are suitable for use in the decoration of high-end commercial and public buildings.

Business Strategy

Our vision is to become a leading integrated marble business operator in China. We plan to accomplish this goal by pursuing the following strategies:

- ramp up our mining and processing capacities;
- establish a strong customer base and strengthen customer relationships;
- develop high product recognition and strengthen pricing power; and
- expand our marble resources through further expansion and selective acquisitions.

We have entered into long-term sales contracts for our premium marble products at relatively favorable prices. In 2010, we entered into long-term sales contracts with seven customers in China to sell our marble products. Among the seven customers, six mainly supply construction materials to large-scale property developers, government projects, and/or decoration companies and undertake decoration works, and one is engaged in trading. The ASP of these long term contracts was RMB830 per m^2 for Pure Beige slabs, RMB540 per m^2 for Mixed Beige slabs and RMB510 per m^2 for gray net. Our realized ASP had approximately a 40% discount to the imported premium beige marble slabs, given that we are a new company which just commenced commercial operation in September 2010 and we are using discounted prices to win contracts and establish our brand name. With continuous production expansion and brand build efforts, we are well positioned to narrow the pricing gap to those imports, providing further margin expansion potential.

We also sold a limited volume of marble blocks. We intend to develop and strengthen our customer relationships in order to stabilize and grow our revenues, as well as to better services our customers.

FINANCIAL REVIEW

Revenue

We commenced commercial production at our Zhangjiaba Mine in September 2010 and began generating revenue in October 2010 and recorded revenue of approximately RMB6.62 million for the year ended 31 December, 2010. Comparing with 2009, during which time, we focused on mine planning, construction and infrastructure development and did not generate revenue from our operations in 2009. We have a significantly growth in 2010.

Cost of sales

During 2009, we did not incur any cost of sales prior to the commencement of our commercial production in September 2010. For the year ended 31 December 2010, we incurred cost of sales of RMB2.02 million.

Gross profit and gross margin

During 2009, we did not record gross profit because we had not commenced commercial production. For the year ended 31 December 2010, we recorded gross profit of RMB4.59 million and our gross margin was 69.42%.

Other income

Our other income increased from RMB2,000 for the year ended 31 December 2009 to RMB64,000 for the year ended 31 December 2010 due to increased interest income as a result of the increase in bank deposits.

Selling and distribution costs

Our selling and distribution costs increased from RMB270,000 for the year ended 31 December 2009 to RMB477,000 for the year ended 31 December 2010. The increase was primarily due to the increase in advertisement costs of our products prior to our commercial production as well as staff costs.

Administrative expenses

Our administrative expenses increased from RMB2.61 million for the year ended 31 December 2009 to RMB25.75 million for the year ended 31 December 2010. The increase was primarily due to the increase in consultation and service fees in relation to our listing on the Stock Exchange and staff costs as a result of our business expansion.

Other expenses

Our other expenses increased from RMB0.69 million for the year ended 31 December 2009 to RMB1.37 million for the year ended 31 December 2010. The increase was primarily due to foreign exchange losses incurred as a result of the depreciation of U.S. dollars during the year ended 31 December 2010.

Finance costs

Our finance costs increased from RMB2.04 million for the year ended 31 December 2009 to RMB2.32 million for the year ended 31 December 2010. The increase was primarily due to the increase in interest on loans as a result of the increase in the average balance of interest-bearing borrowings.

Income tax benefit

Our income tax benefit increased from RMB0.24 million for the year ended 31 December 2009 to RMB4.21 million for the year ended 31 December 2010 due to an increase in loss before tax in 2010.

Loss for the year

As a result of the foregoing factors, our loss increased from RMB5.37 million for the year ended 31 December 2009 to RMB21.06 million for the year ended 31 December 2010.

Consolidated Cash Flow Statement

	2010 ***RMB'000***	2009 *RMB'000*
Cash and cash equivalents at beginning of year	**5,670**	739
Net cash flows used in operating activities	**(23,752)**	(1,966)
Net cash flows used in investing activities	**(68,779)**	(12,489)
Net cash flows from financing activities	**170,031**	19,386
Net increase in cash and cash equivalents	**77,500**	4,931
Net foreign exchange difference	**(3,088)**	—
Cash and cash equivalents at end of year	**80,082**	5,670

Operating activities

Net cash outflows from operating activities for the year ended 31 December 2010 were RMB23.75 million primarily as a result of a loss before tax for the year in the amount of RMB25.26 million, and adjusted for: (i) an interest on borrowings of RMB2.14 million primarily due to an increase in the balance of borrowings required for our business development; (ii) an increase in other payables and accruals of RMB6.12 million; and (iii) an increase in trade receivable of RMB5.68 million.

Investing activities

Net cash flows used in investing activities for the year ended 31 December 2010 were RMB68.78 million primarily due to purchase of items of property, plant and equipment of RMB63.29 million.

Financing activities

Net cash inflows from financing activities were RMB170.03 million for the year ended 31 December 2010. Our cash inflows from financing activities during the year primarily consisted of: (i) capital injection of RMB143.36 million; (ii) advances from our ultimate controlling shareholder of RMB52.26 million to support our mine development; and (iii) proceeds from interest-bearing borrowings of RMB73.31 million; and partly offset by (i) repayment of interest-bearing borrowings of RMB11.86 million; (ii) repayment to the ultimate controlling shareholder of RMB79.68 million; and (iii) payment of global offering costs of RMB5.46 million.

Cash and cash equivalents at the end of the year

Cash and cash equivalents increased RMB77.50 million and the exchange loss was RMB3.09 million as at 31 December 2010. The net increase in cash and cash equivalents was from RMB5.67 million as at 31 December 2009 to RMB80.08 million as at 31 December 2010. Of the RMB80.08 million, the equivalent of RMB2.88 million was held in Hong Kong Dollars ("HKD" or "HK$"), the equivalent of RMB62.84 million was held in United States Dollars ("USD" or US$") and the rest was held in RMB.

Liquidity and financial resources

Our primary uses of liquidity are to invest in the development of our mine, to service our indebtedness and to fund our working capital. We financed our cash requirements through a combination of interest-bearing bank borrowings, cash generated from operating activities, capital contributions by our holding company using the proceeds from the issuance of the Exchangeable Note and other debt financing.

Capital expenditures

For the year ended 31 December 2010, the Group invested approximately RMB67.22 million in purchase of items of property, plant and equipment. These capital expenditures were fully financed by internal resources and bank borrowings.

Capital commitments

The Group made capital expenditure commitments mainly for the construction and purchase of property, plant and equipment of approximately RMB404,000 which were contracted but not provided for in the financial statement. These commitments were mainly related to the purchase and installation of machineries and equipment for the expansion of the Group's production capacity and improvement of efficiency of the production for a better cost control and enhancement of its profitability.

Operating lease commitments

As at 31 December 2010, we had contracted obligations consisting of operating leases which totaled approximately RMB1.05 million, with approximately RMB0.13 million due within one year, approximately RMB0.37 million due between two to five years and the rest of RMB0.55 million due after five years.

Contingencies

On 13 August 2010, MS China 3 Limited (the "MS China 3"), a third party, entered into the Note Purchase Agreement with the Company, its holding company, Wongs Investment, and the ultimate controlling shareholder of the Company, pursuant to which MS China 3 agreed to purchase the Exchangeable Note in the aggregate principal amount of US$15 million issued by Wongs Investment, exchangeable into the shares of the Company owned and held by Wongs Investment.

Pursuant to the Note Purchase Agreement, the Company has indemnified each of MS China 3's stakeholder and their directors, officers and agents (collectively, the "Indemnified Persons") against any losses, claims, damages, liabilities, judgments, fines, obligations, expenses and liabilities of any kind or nature whatsoever, including any investigative, legal and other expenses incurred in connection with, and any amounts paid in settlement of, any pending or threatened legal action or proceeding (collectively, "Losses") that any Indemnified Person may at any time become subject to or liable for in connection with claims by third parties by reason of the status of such stakeholder as stakeholder of the Company or of such director as a director of the Company, as the case may be, other than Losses arising from the gross negligence, willful misconduct, fraud or dishonesty of such Indemnified Person.

Moreover, the Company, Wongs Investment and the ultimate controlling shareholder have undertaken to jointly and severally indemnify, defend and hold harmless MS China 3 from and against any Losses resulting from or arising out of any claims against the Company or the Group relating to any tax liabilities that arose before the date of the Note Purchase Agreement (whether or not (i) such claims have been disclosed to MS China 3, (ii) such claims arise before or after the date hereof or (iii) MS China 3 has actual or constructive knowledge of such claims) for which full provision or reserve has not been made in the accounts and the management accounts of the Group as provided to MS China 3 prior to the date of the Note Purchase Agreement.

Closure of the Register of Members

The register of members will be closed by the Company from Wednesday, 18 May 2011 to Friday, 20 May 2011, both days inclusive. During such period, no transfer of shares of the Company will be registered. In order to qualify for entitlement to attend the forthcoming annual general meeting of the Company on Friday, 20 May 2011 all completed transfer forms accomplished by the relevant shares certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 17 May 2011.

Share Capital

The Company was incorporated in the Cayman Islands on 29 March 2010, with authorized share capital of HK$380,000, divided into 3,800,000 ordinary shares of HK$0.10 each. Save for the reorganization, the Company has not conducted any business since the date of its incorporation. As at 31 December 2010, one ordinary share was issued and fully paid by the holding company, with a par value of HK$0.1. On 24 January 2011 the authorized share capital of the Company was increased to HK$500,000,000 divided into 5,000,000,000 Shares of HK$0.10 each.

On 18 March 2011, pursuant to the written resolution of the Company's shareholder, an aggregate of 1,499,999,999 shares of HK$0.10 each of the Company were allotted and issued, credited as fully paid at par to the Company's shareholder at the date.

In connection with the global offering, 500,000,000 shares of HK$0.10 each were issued at a price of HK$2.25 per share for a total cash consideration, before deduction of offering costs, of HK$1,125,000,000.

Proceeds from the Company's IPO

The Company was listed on the main board of the Stock Exchange on 18 March 2011 (the "Listing Date"). The net proceeds from the Company's issue of new shares (after deducting expenses relating specifically to the issue of new shares in the IPO and expenses relating generally to the listing of all the shares of the Company) amounted to approximately HK$1.03 billion (equivalent to approximately RMB873.24 million). The Company currently does not have any intention to change its plan for the use of proceeds as stated in the prospectus of the Company dated 7 March 2011.

Purchase, Sale or Redemption of the Company's Listed Securities

The listing of the Company's shares commenced on 18 March 2011. Since the Listing Date, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") as its own code of conduct for dealing in securities of the Company by the directors. Having made specific enquiry to all the directors of the Company, all the directors confirmed that they have complied with the required standard of dealings as set out in the Model Code.

Code of Corporate Governance Practice

Throughout the year ended 31 December 2010, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules except the issue mentioned in the following paragraph. According to the code provision A.2.1 of the Code, the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual. The Group does not at present separate the roles of the chairman and chief executive officer. For the year ended 31 December 2010, Ms. Chen Tao is both the chairlady of the Board and the chief executive officer of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The Board will review the need of appointing suitable candidate to assume the role of the chief executive officer when necessary.

Audit Committee

The Company has established an Audit Committee for the purposes of reviewing and providing supervision over the Company's financial reporting process and internal controls. The Audit Committee presently comprises three independent non-executive Directors of the Company, namely, Mr. Chu Ho Hwa, Howard (Chairman), Mr. Deng Huiqing and Mr. Liu Yuquan. The Audit Committee has reviewed the audited final results.

Publication of the Audited Consolidated Annual Results and 2010 Annual Report on the websites of the Stock Exchange and the Company

This annual results announcement is published on the website of the Stock Exchange (http://www.hkex.com.hk) and the Company's website (www.kingstonemining.com), and the 2010 Annual Report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
China Kingstone Mining Holdings Limited
Chen Tao
Chairlady

Hong Kong, 31 March 2011

As at the date of this announcement, the executive directors of the Company are Ms. Chen Tao (Chairlady), Mr. Lin Yuhua, Mr. Liao Yuanshi, Mr. Xiong Wenjun; the non-executive director is Mr. He Ji, Jerry and the independent non-executive directors are Mr. Chu Ho Hwa, Howard, Mr. Deng Huiqing and Mr. Liu Yuquan.