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 2011

FINANCIAL HIGHLIGHTS

The Group's revenue for the year ended 31 December 2011 amounted to RMB289,424,000, a significant increase of 42.8 times compared with the financial year of 2010.

consolidated comprehensive income attributable to shareholders of the Company amounted to RMB48,904,000, a turnaround from consolidated comprehensive loss amounted RMB23,623,000 as compared with the financial year of 2010. While excluded the equity-settled share option expense of RMB49,843,000 and the global offering costs of RMB24,916,000, the total consolidated comprehensive income of the Group for the year ended 31 December 2011 amounted to RMB123,663,000.

Gross profit margin was 60.14%.

Basic and diluted earnings per share for the year ended 31 December 2011 amounted to RMB2.58 cents and RMB2.56 cents respectively.

No final dividend to be proposed for the year ended 31 December 2011.

The board of directors (the "Board") of China Kingstone Mining Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011 together with the comparative figures for the corresponding period in 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	**2011** *RMB'000*	2010 *RMB'000*
Revenue	*3*	**289,424**	6,615
Cost of sales		**(115,364)**	(2,023)
Gross profit		**174,060**	4,592
Other income and gains	*4*	**44,292**	64
Selling and distribution costs		**(1,820)**	(477)
Administrative expenses		**(104,272)**	(25,748)
Other expenses		**(8,517)**	(1,371)
Finance costs	*5*	**(5,428)**	(2,320)
Share of profit of an associate		**1,242**	—
Profit/(loss) before tax	*5*	**99,557**	(25,260)
Income tax (expense)/benefit	*6*	**(46,310)**	4,205
Profit/(loss) for the year		**53,247**	(21,055)
Other comprehensive loss:			
Exchange differences on translation of non-PRC operations		**(4,343)**	(2,568)
Total consolidated comprehensive income/(loss) for the year attributable to owners of the Company	*7*	**48,904**	(23,623)
Earnings per share attributable to ordinary equity holders of the Company (RMB cents):			
— Basic	*8*	**2.58**	N/A
— Diluted	*8*	**2.56**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment		**200,990**	87,863
Intangible assets		**69,970**	23,645
Prepaid land lease payments		**2,363**	2,389
Goodwill		**2,966**	2,966
Investment in an associate		**16,242**	—
Trade receivables	*10*	**80,138**	—
Deferred tax assets		**114**	384
		372,783	117,247
Current assets			
Inventories	*9*	**9,284**	1,839
Trade receivables	*10*	**27,520**	5,675
Entrustment loans	*11*	**310,000**	—
Structured deposits	*12*	**170,247**	—
Prepayments, deposits and other receivables	*13*	**57,233**	10,243
Loans to an associate		**80,000**	—
Pledged deposits		**107,196**	3,308
Cash and cash equivalents		**127,285**	80,082
		888,765	101,147
Current liabilities			
Trade payables	*14*	**1,018**	998
Other payables and accruals	*15*	**28,210**	16,325
Interest-bearing bank loans	*16*	**97,000**	73,308
Tax payable		**17,522**	462
		143,750	91,093
Net current assets		**745,015**	10,054
Total assets less current liabilities		**1,117,798**	127,301
Non-current liabilities			
Deferred income		**194**	207
		194	207
Net assets		**1,117,604**	127,094

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2011

	2011	2010
	RMB'000	*RMB'000*
Equity		
Equity attributable to owners of the Company		
Issued capital	**168,086**	—
Reserves	**949,518**	127,094
Total equity	**1,117,604**	127,094

NOTES TO FINANCIAL STATEMENTS

31 December 2011

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 Units 6812 to 6813, The Center, 99 Queen's Road Central, Hong Kong.

During the year ended 31 December 2011, 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.

In the opinion of the directors, the holding company of the Company is Wongs Investment Development Holdings Group Limited ("Wongs Investment"), which is incorporated in the British Virgin Islands (the "BVI"), and the ultimate controlling shareholder of the Company is Mr. Huang Xianyou.

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 International Accounting Standards ("IASs") and 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 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent 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, unrealised 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.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investments retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate.

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 1 Amendment	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Limited Exemptions from Comparative IFRS 7 Disclosures for First-time Adopters*
IAS 24 (Revised)	*Related Party Disclosures*
IAS 32 Amendment	Amendment to IAS 32 *Financial instruments: Presentation — Classification of Rights Issues*
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of Minimum Funding Requirement*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to IFRSs 2010	Amendments to a number of IFRSs issued on May 2010

Other than as further explained below regarding the impact of IAS 24 (Revised), and amendments to IFRS 3, IAS 1 and IAS 27 included in *Improvements to IFRSs 2010*, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised IFRSs are as follows:

(a) IAS 24 (Revised) Related Party Disclosures

IAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) *Improvements to IFRSs 2010* issued in May 2010 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- IFRS 3 *Business Combinations:* The amendment clarifies that the amendments to IFRS 7, IAS 32 and IAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- IAS 1 *Presentation of Financial Statements:* The amendment clarifies that an analysis of each component of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- IAS 27 *Consolidated and Separate Financial Statements:* The amendment clarifies that the consequential amendments from IAS 27 (as revised in 2008) made to IAS 21, IAS 28 and IAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if IAS 27 is applied earlier.

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 these financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[4]
IFRS 9	*Financial Instruments*[6]
IFRS 10	*Consolidated Financial Statements*[4]
IFRS 11	*Joint Arrangements*[4]
IFRS 12	*Disclosure of Interests in Other Entities*[4]
IFRS 13	*Fair Value Measurement*[4]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[3]
IAS 12 Amendments	Amendments to IAS 12 Income Taxes — *Deferred Tax: Recovery of Underlying Assets*[2]
IAS 19 Amendments	*Employee Benefits*[4]
IAS 27 (Revised)	*Separate Financial Statements*[4]
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*[4]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[5]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

Further information about those changes that are expected to significantly affect the Group is as follows:

IFRS 9 issued in November 2009 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, an entity shall classify financial assets as subsequently measured at either amortised 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 requirements of IAS 39.

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2015.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgment to determine which entities are controlled, compared with the requirements in IAS 27 and SIC 12 *Consolidation — Special Purpose Entities*. IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12.

IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in IAS 27 Consolidated and Separate Financial Statements, IAS 31 Interests in Joint Ventures and IAS 28 Investments in Associates. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to IAS 27 and IAS 28 as a result of the issuance of IFRS 10, IFRS 11 and IFRS 12. The Group expects to adopt IFRS 10 and IFRS 12, and the consequential amendments to IAS 27 and IAS 28 from 1 January 2013.

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. The Group expects to adopt IFRS 13 prospectively from 1 January 2013.

Amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

IFRIC 20 describes the accounting for waste removal costs incurred during the production phase of a surface mine. To the extent that the benefit from the stripping activity is realized in the form of inventory produced, the costs incurred must be accounted for in accordance with the principles of IAS 2 *Inventories*. To the extent that the benefit is improved access to ore to be mined in future periods and if criteria set out in the interpretation are met, the waste removal costs must be recognized as a stripping activity asset under non-current assets. The Group expects to adopt the interpretation from 1 January 2013.

3. REVENUE AND OPERATING SEGMENT INFORMATION

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's revenue and contribution to profit were mainly derived from its sale of marble and marble related products, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. In addition, the principal assets employed by the Group are located in Sichuan Province and Guangdong Province, the PRC. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Entity-wide disclosures

Information about products

The following table sets forth the total revenue from external customers by product and the percentage of total revenue by product during the year:

	2011		2010	
	RMB'000	*%*	*RMB'000*	*%*
Marble slabs	**121,392**	**41.9**	6,533	98.8
Marble blocks	**61,700**	**21.3**	82	1.2
Other marble products	**65,079**	**22.5**	—	—
Granite	**41,253**	**14.3**	—	—
	289,424	**100.0**	6,615	100.0

Information about major customers

Revenue from major customers, each of whom accounted for 10% or more of the total revenue is set out below:

	2011	2010
	RMB'000	*RMB'000*
Customer A	**62,807**	—
Customer B	**53,202**	—
Customer C	**53,132**	—
Customer D	**44,872**	—
Customer E	**30,965**	—
Customer F	*	6,544

* *Less than 10% of total revenue of the Group*

4. OTHER INCOME AND GAINS

	2011	2010
	RMB'000	*RMB'000*
Interest income	**43,913**	57
Gain on bargain purchase	**35**	—
Miscellaneous	**344**	7
	44,292	64

5. PROFIT/(LOSS) BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2011	2010
	RMB'000	*RMB'000*
Cost of inventories sold	**115,364**	2,023
Staff costs (including directors' remuneration)		
Wages and salaries	**20,187**	5,326
Equity-settled share option expense	**49,843**	—
Pension scheme contributions		
— Defined contribution scheme	**5,072**	606
Other staff benefits	**1,454**	809
	76,556	6,741
Less: Staff costs capitalised	**(12,027)**	(3,209)
	64,529	3,532
Interest on bank loans wholly repayable within five years	**4,406**	2,136
Guarantee costs	**—**	120
Bank charges	**1,022**	64
Total finance costs	**5,428**	2,320
Auditors' remuneration	**3,055**	1
Amortisation of intangible assets	**1,257**	32
Amortisation of prepaid land lease payments	**26**	9
Depreciation of items of property, plant and equipment	**6,996**	1,593
Less: depreciation capitalised	**(5,638)**	(1,257)
	1,358	336
Foreign exchange loss	**5,037**	520
Global offering costs	**24,916**	16,117
Operating lease rentals for office	**3,072**	324
Provision for litigation	**3,130**	—
Loss on disposal of items of property, plant and equipment	**—**	265

6. INCOME TAX (EXPENSES)/BENEFIT

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

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 2011 and 2010.

The provision for the PRC corporate income tax (the "PRC CIT") is based on the respective PRC CIT rates applicable to the subsidiaries located in PRC as determined in accordance with the relevant income tax rules and regulations of the PRC for the years ended 31 December 2011 and 2010. The Group's subsidiaries located in PRC are subject to the PRC CIT rate of 25%.

The major components of income tax expenses/(benefit) for during the two years ended 31 December 2011 were as follows:

	2011	2010
	RMB'000	*RMB'000*
Current — the PRC		
Charge for the year	**47,851**	462
Deferred	**(1,541)**	(4,667)
Total tax charge (credit) for the year	**46,310**	(4,205)

7. CONSOLIDATED TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated total comprehensive income attributable to owners of the Company for the year ended 31 December 2011 includes a loss of approximately RMB63,700,000 (2010: RMB17,619,000), which has been dealt with in the financial statements of the Company.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the year attributable to the ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,894,596,000 in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2011
	RMB'000
Earnings	
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	**48,904**

	2011
	'000
Shares	
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,894,596**
Effects of dilution — weighted average number of ordinary shares:	
Share options	**16,283**
	1,910,879

No loss per share information for the year ended 31 December 2010 is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the fact that only one share was issued by the Company for the year ended 31 December 2010.

9. INVENTORIES

Group

	2011	2010
	RMB'000	*RMB'000*
At cost:		
Marble blocks and slabs	**7,719**	719
Materials and supplies	**1,565**	1,120
	9,284	1,839

10. TRADE RECEIVABLES

Group

	2011	2010
	RMB'000	*RMB'000*
Trade receivables		
— current portion	**27,520**	5,675
— non-current portion	**80,138**	—
	107,658	5,675

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

	2011	2010
	RMB'000	*RMB'000*
Within 30 days	**2,650**	5,675
31–90 days	**105,008**	—
	107,658	5,675

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month, except for certain customers developed by the Group at the beginning of its commercial operation were granted a period of 18 months. In view of the fact that the Group sells most of its products to several major customers, there is a high level of concentration of credit risk. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Trade receivables are non-interest-bearing. As at 31 December 2011, all trade receivables were neither past due nor impaired, included in the trade receivables of RMB105,008,000 was secured by certain properties with fair value aggregating to RMB650,000,000.

11. ENTRUSTMENT LOANS

Group

		The Group	
		2011	2010
	Notes	***RMB'000***	*RMB'000*
Entrustment loans to:			
— Guangzhou Huasheng Realty Ltd. (廣州華勝實業有限公司)	*(a)*	**240,000**	—
— Guangzhou Star Property Ltd. (廣州星光置業有限公司)	*(b)*	**70,000**	—
		310,000	—

Notes:

(a) On 2 August 2011 and 4 August 2011, the Group placed entrustment loans through Shenzhen Development Bank to Guangzhou Huasheng Realty Ltd., an independent third party with the respective principal amounts of RMB220,000,000 and RMB20,000,000, which bear interest at fixed rates of ranging from 1.5% to 2.25% per month, and maturity dates on 3 March 2012 and 4 March 2012 respectively. Subsequent to the end of the reporting period, the Group received the repayment of those entrustment loans and interest in full.

(b) On 17 August 2011, the Group placed an entrustment loan through Shenzhen Development Bank to Guangzhou Star Property Ltd., an independent third party, with a principal amount of RMB70,000,000, which bears interest at fixed rates ranging from 2% to 3% per month, and with the maturity date on 18 March 2012. Subsequent to the end of the reporting period, the Group received the repayment of the entrustment loan and interest in full.

12. STRUCTURED DEPOSITS

As at 31 December 2011, structured deposits are denominated in Hong Kong dollars, earn interest at a fixed rate of 1.7% (net of service charges rate of 0.3%) per month and have a maturity of 3 months. Subsequent to the end of reporting period, the Group received the repayment of the structure deposits and interest in full.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Prepayments consisted of:				
Purchase of				
— Raw materials	**37,054**	19	**—**	—
— Utilities	**572**	199	**—**	—
Deferred global offering costs	**—**	5,464	**—**	5,464
Prepaid operating lease rentals to be amortised within one year				
— Office	**109**	31	**—**	—
Deposits	**2,451**	44	**—**	—
Deductable VAT	**3,908**	3,143	**—**	—
Interest receivable	**12,920**	—	**10,929**	—
Other receivables	**219**	1,343	**—**	—
	57,233	10,243	**10,929**	5,464

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

14. TRADE PAYABLES

Group

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:

	2011	2010
	RMB'000	*RMB'000*
Outstanding balance with ages		
Within 180 days	**1,018**	998

15. OTHER PAYABLES AND ACCRUALS

Group

	Note	**2011** *RMB'000*	2010 *RMB'000*
Advances from customers		**47**	106
Payable relating to:			
Property, plant and equipment		**12,618**	6,923
Taxes other than income tax		**1,927**	636
Payroll and welfare		**4,835**	2,587
Interest of bank loans		**—**	519
Global offering costs		**—**	3,398
Rental		**1,699**	—
Acquisition of an associate		**1,500**	—
Deposits received		**135**	82
Payable for rehabilitation		**900**	900
Provision for litigation	*(a)*	**3,130**	—
Others		**1,419**	1,174
		28,210	16,325

Note:

(a) The Group involved in economic litigation for the delay in stripping activities on platform No.3 and platform No.4 of Zhangjiaba Mine with an amount of RMB3,130,000. The lawsuit was still in process and the litigation has not yet been finalised up to the date of issuing the financial statements and the management estimated that a full provision should be recorded as at 31 December 2011.

Company

	2011	2010
	RMB'000	*RMB'000*
Payables relating to:		
Payroll and welfare	**183**	—
Global offering costs	**—**	3,129
	183	3,129

16. INTEREST-BEARING BANK LOANS

Group

		2011	2010
	Note	***RMB'000***	*RMB'000*
Bank loans			
Secured			
— Within one year	*(a)*	**97,000**	3,308
Unsecured			
— Within one year		**—**	70,000
		97,000	73,308

(a) As at 31 December 2011, the secured bank loan of RMB97,000,000 bears interest at a fixed rate of 6.1% per annum and was secured by the pledge of the Group's time deposit amounting to US$16,800,000 (equivalent to approximately RMB107,196,000).

As at 31 December 2010, the secured bank loan of US$500,000 (equivalent to approximately RMB3,308,000) bears interest at 2% per annum above the London Interbank Overnight Rate. It is secured by the pledge of the Group's time deposit amounting to US$500,000 (equivalent to approximately RMB3,308,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

i. Business Overview

The Group, being the largest beige marble producer in China, currently owns and operates two marble mines in Sichuan Province, namely Zhangjiaba Mine and Tujisi Mine. According to the certification issued by China Stone Material Association (中國石材協會), Zhangjiaba Mine is the largest mine in China in terms of beige marble reserves. According to the reserve report as examined and approved by the National Land Resources Bureau of Sichuan Province, Zhangjiaba Mine contains approximately 44,200,000 m^3 of premium beige marble reserves and approximately 16,800,000 m^3 of block reserves. According to the exploration report issued by Chinese Construction Material, Geology, Engineering and Exploration Research Institute (中材地質工程勘查研究院), Tujisi Mine contains marble reserves of approximately 12,213,200m^3, which is significantly higher than the preliminary estimate of reserves of 6,100,000 m^3 at acquisition. Since September 2010, the Group has conducted commercial production at Zhangjiaba Mine, and began to generate revenue from October 2010. The Group recently holds an extended mining permit to Zhangjiaba Mine, which was granted in February 2011 by the National Land Resources Bureau of Sichuan Province, with an initial term of 10 years, being the longest term which could be granted by the government. Since Zhangjiaba Mine is a massive mine, the Group paid the one-off consideration for the mining permit, which includes a reserve that can be mined for a term of 30 years. In other words, upon the expiry of the 10-year term for the mining permit, it will not be necessary for the Group to pay any fees for its extension.

During the Year, the Group actively expanded the infrastructures in its mines and increased its efforts on mining. Mining platform in Zhangjiaba Mine has reached 23,000 m^2, and the annual mining volume for blocks amounted to approximately 21,849 m^3. During the year, the Group has invested a lot of resources and currently adopted the digital mining management system for marble mines in its Zhangjiaba Mine, which is a set of unique digital practical technique invented in the production process in Zhangjiaba Mine. The system inputs the geological characteristics of the mine into the three-dimensional (the "3D") orientation system, which collects the texture and types of mines found, and establishes the 3D model for the mine. With the 3D orientation numbering on every block and determination of the space and location of blocks, the management on the distance, shape, quality examination, transportation and stocking for blocks is conducted based on such numbering. This is the most precise management method which accurately regulates the design on exploration of the mine, formulation of production planning and quality control of the marble mine. According to our knowledgement, such digitalized mining management system is unprecedented in global stone mining industry, thereby making us the leader in the whole world. In addition, on 29 August 2011, the Group acquired 100% equity interests in Beichuan Lida Mining Co., Ltd. ("Beichuan Lida"), which holds a mining right of Tujisi marble mine. We have successfully completed the geographical exploration in October 2011 and the exploration report has been issued. Situated on the same mineral vein as Zhangjiaba Mine, Tujisu Mine contains approximately 12,213,200 m^3 of resources (331+332+333 under Chinese Standard), which is far higher than the preliminary estimate for resources of 6,100,000m^3 at acquisition. With an anticipated mining capacity for blocks of 50,000 m^3 per annum, such acquisition helps the Group to further enhance its own mining capacity for blocks, in particular, enriching the texture and types of its high-end beige marble series as well as increasing its market competitiveness.

To realize its objectives of becoming the best integrated stone operator, the Group has been planning and identifying suitable area for the construction of its self-owned processing plants with a view to optimize the industry chain. The Group has previously signed a co-operation agreement with the government of Jiangyou, but the government was unable to provide the original land for the processing plant given the policy adjustment on local industry structure, and upon active communication between the Group and the government, the Group has re-signed an intent of co-operation with the government of Jiangyou in November 2011, under which, the government of Jiangyou would provide other suitable sites for the construction of the Group's processing plants, while undergoing discussion on the possibility of constructing processing plants and trading platforms via new construction and integration with certain important stone industry players in China. Upon the completion of the overall upgrade plan for production capacity in 2014, it is expected that the Group's annual mining capacity for marble blocks would reach 150,000 m^3, and the processing capacity for marble slabs of the processing facilities is anticipated to reach 3,000,000 m^2. According to the anticipation of China Stone Material Association, upon the completion of the capacity upgrade plan, the Group would rank first among all beige marble mining companies in China in terms of mining and processing capacities for a single category of mine.

In addition, while members of the Group kept on developing their production capacity and establishing sales channels, idle cash was temporarily used in structured deposits and entrustment loans to generate interest income for the Group during the year, and thus realized the value maintenance and even appreciation for the capital.

ii. Summary of Production and Sales Performance

The Group has always put the enhancement of mining capacity as its business focus with an aim to enhance business performance and consolidate its leading position in domestic marble stone mining industry. During the Year, we produced a total of 21,849 m^3 of marble blocks in Zhangjiaba Mine, which is a marble mine owned by the Group in Sichuan, and processed a portion of the blocks into an aggregate of 247,486 m^2 of marble slabs, of which, about 85,776 m^2 was Pure Beige marble slabs and approximately 161,710 m^2 was Mixed Beige and other marble slabs. As the exploration work for Tujisi Mine, which is owned by the Group, has just been completed, no mining activities have been duly conducted at present.

As at 31 December 2011, the Group has sold about 7,620 m^3 of self-produced marble blocks and about 214,330 m^2 of self-produced marble slabs, which amounted to approximately RMB61,700,000 and approximately RMB121,392,000 respectively. The Group has also sold about

113,680 m^2 stone products purchased from outside, which amounted to approximately RMB106,332,000. Sales of self-produced marble blocks and marble slabs represented 21.3% and 41.9% of the total revenue for 2011 respectively.

During the Year, the average selling price of each square meter of Pure Beige marble slab was RMB865 and the average selling price of each square meter of Mixed Beige marble slab was RMB568.

Zhangjiaba Mine Marble Resource and Reserve Summary, as of 31 December 2011 (JORC Compliant)

JORC Resource and Reserve Class	(Million m^3)
Measured Resource	15.74
Indicated Resource	28.41
Total Resource	44.15
Proved Reserve	5.98
Probable Reserve	10.80
Total Reserve	16.78

Information and Reserve Summary on Marble Stones in Tujisi Mine

Name of the mine:	Tujisi Mine
Location:	Yunlin Village, Xiangquan Country, Beichuan County
Mining permit area:	0.1748 km^2
Mining permit elevation:	980 m to 1,160 m above MSL
Mining permit expiration date:	1 June 2017
Resources (331+332+333 under Chinese Standard):	12,213,200 m^3

Our operation results from January to December 2011 are summarized as follows:

	January–December 2011	January–June 2011	July–December 2011
Marble Block Mining			
Marble block mined (m^3)	21,849	9,371	12,478
Marble Block for Sales & Processing			
Marble blocks for direct sales (m^3)	7,620	7,612	8
Marble blocks for slab processing (m^3)	6,810	2,474	4,336
Subtotal	14,430	10,086	4,344
Marble Slab for Processing & Purchases			
Marble Slabs Processed (m^2)			
Pure Beige (m^2)	85,776	1,338	84,438
Mixed Beige (m^2)	134,391	62,803	71,588
Others (m^2)	27,319	27,319	—
Subtotal	247,486	91,460	156,026
Slab for Sales			
Self-produced (m^2)			
Pure Beige (m^2)	80,924	1,107	79,817
Mixed Beige (m^2)	107,527	61,827	45,700
Others (m^2)	25,879	25,450	429
Purchased outside (m^2)	113,680	—	113,680
Subtotal	328,010	88,384	239,626
Average Selling Prices *(Note)*			
Self-produced			
Marble block ASP (RMB/m^3)	9,610	9,610	9,610
Marble slab ASP			
Pure Beige (RMB/m^2)	865	865	865
Mixed Beige (RMB/m^2)	568	568	568
Others (RMB/m^2)	539	539	539
Purchased outside (RMB/m^2)	935	—	935

Note: The average selling price includes the value added tax, but excludes the selling price for slabs purchased outside.

iii. Acquisition of Mines and Strategic Co-operation

On 29 August 2011, the Group acquired 100% equity interests in Beichuan Lida Mining Co., Ltd., which holds a mining right of Tujisi marble mine locating in the same mineral vein as our Zhangjiaba Mine, which has resources of approximately 12,213,200 m^3 (331+332+333 under Chinese Standard) and is far higher than the preliminary estimate for resources of 6,100,000m^3 at acquisition. It is anticipated that the mining capacity for blocks will reach 50,000 m^3 per annum, where new products would be introduced to the market to meet requirements of various customers. Such acquisition helps the Group to further enhance its own mining capacity for blocks, in particular, enriching its texture and types of its high-end beige marble series as well as increasing its market competitiveness.

During September 2011, the Group signed supply contracts with two large real estate development companies in Inner Mongolia in China, providing premium decorative stones including our self-produced marble slabs, granite and other marble related products for their various massive construction projects, including hotels, clubhouses and commodity markets, etc.

During the year, stone experts of the Group conducted continuous research across China to identify suitable stone resources, and actively expanded the resource share of the Group for stone resources, such as precious, high-end marble stones and granite with high amount of consumption.

iv. Development of Downstream Business

To facilitate more effective resources integration and extend its competitive edges on quality mine resources, the Group consistently takes an active role in identifying partnership of development potential with an aim to put synergy effect into full play. In July 2011, the Group successfully acquired 49% equity interests in Guangdong Jiapeng Construction Co., Ltd. ("Guangdong Jiapeng Construction"). Guangdong Jiapeng Construction is a professional engineering company on the design and construction of curtain wall engineering as well as decoration for construction, and has gained a certain degree of awareness in Guangzhou and Pearl River delta area. Such acquisition could complement the resources and strengths of both parties, allowing the Group to directly access to large high-end customers, and leverage on landmark construction projects to establish its brand awareness, expand the sales channel of its own mine products and increase market share.

BUSINESS STRATEGIES

It is the Group's goal to become the leading integrated stone business operator in China. To achieve this target, the Group will continue to uphold its established strategies:

- Further expansion of quality mine resources
- Establish solid customer base and strengthen existing customer relations
- Active exploration of high-end market
- Perk up mining and processing capacity
- Create brand of integrated stone operator and enhance added-value of products

FINANCIAL REVIEW

Revenue

We commence commercial production on September 2010 at our Zhangjiaba mine and generated revenue at October 2010. Throughout the production in 2011, the Group generated revenue amounted RMB289,424,000, of which RMB121,392,000 were from the sales of self-owned marble slabs, and RMB61,700,000 were from the sales of self-produced marble blocks. While RMB106,332,000 were generated from the sales of other marble products and granite purchased outside.

Cost of sales

During 2011, the Group incurred cost of sales amounted RMB115,364,000. Of which RMB3,885,000 were for the cost related to the production of self-produced marble block, RMB24,077,000 were for the cost related to the production of self-produced marble slabs and RMB87,402,000 were cost of products purchased outside.

Gross profit and gross margin

Given a full year operation in 2011 compared to a quarter's operation in 2010, the increase of the capacity of production also led to an increase in the gross profit. Gross profit of the Group rose sharply from RMB4,592,000 at 2010 to RMB174,060,000 at 2011, representing an increase approximately 36.9 times. Including in the gross profit, the sales of other marble products and granite purchased outside contributed the gross profit amounted RMB18,930,000.

Gross margin of the Group decreased from 69.42% in 2010 to 60.14% in 2011. We further analyzed the gross margin as follows:

	2011	2010
Sales of self-owned marble blocks and slabs	**84.73%**	69.42%
Sales of marble products purchased outside	**17.80%**	—

Other income and gains

Other income and gains were RMB64,000 for the year ended 31 December 2010, as compared to RMB44,292,000 for the year ended 31 December 2011, of which RMB43,913,000 were the interest income from time deposits, entrustment loans and structured deposits.

Selling and distribution cost

Selling and distribution cost of the Group was RMB477,000 for the year ended 31 December 2010, as compared to RMB1,820,000 for the year ended 31 December 2011. Selling and distribution cost included staff cost, travelling and accommodation for business negotiation and brand-building expense.

Administrative expenses

Administrative expenses of the Group were RMB25,748,000 for the year ended 31 December 2010, as compared to RMB104,272,000 for the year ended 31 December 2011. Substantial increase for the year was related to the professional services for the initial public offer amounted to RMB24,916,000. Moreover, non-cash equity-settled share option expense of RMB49,843,000 was recorded in the year ended 31 December 2011.

Finance cost

Finance cost of the Group was RMB2,320,000 for the year ended 31 December 2010, as compared to RMB5,428,000 for the year ended 31 December 2011. Since the foreign exchange position did not in line with the Group's development, the Group used an offshore deposit to secure the onshore loan in PRC which amounted to RMB97,000,000. The interest expenses therefore increased in the year.

Other expenses

Other expenses were RMB1,371,000 for the year ended 31 December 2010, as compared to RMB8,517,000 for the year ended 31 December 2011, which mainly consisted of foreign exchange loss and compensation provision for the lawsuit amounting to RMB5,037,000 and RMB3,130,000 respectively.

Income tax expense

Income tax expense of the Group amounted RMB46,310,000 for the year ended 31 December 2011. Compared to the tax benefit amounted RMB4,205,000 for the year ended 31 December 2010, the Group commenced commercial production and generate assessable profit in 2011 and hence income tax expense incurred in the year ended 31 December 2011.

Profit for the year

With a full year operation for the year 2011, the result of the Group has a turnaround from a loss of RMB21,055,000 for the year ended 31 December 2010 to a profit of RMB53,247,000 for the year ended 31 December 2011. The Group also recorded a total consolidated comprehensive income amounted RMB48,904,000 in the year ended 31 December 2011 compare to a consolidated comprehensive loss amounted RMB23,623,000 for the year ended 31 December 2010. While excluded the equity-settled share option expense of RMB49,843,000 and the global offering cost of RMB24,916,000, the total consolidated comprehensive income of the Group for the year ended 31 December 2011 was RMB123,663,000.

Dividend

No dividends were declared for the two years ended 31 December 2010 and 31 December 2011.

Consolidated Statement of Cash Flows

	2011	2010
	RMB'000	*RMB'000*
Cash and cash equivalent at beginning of year	**80,082**	5,670
Net cash flow used in operating activities	**(59,606)**	(23,752)
Net cash flow used in investing activities	**(799,805)**	(68,779)
Net cash flow from financing activities	**915,994**	170,031
Net increase in cash and cash equivalent	**56,583**	77,500
Net foreign exchange difference	**(9,380)**	(3,088)
Cash and cash equivalent at end of year	**127,285**	80,082

Operating activities

Net cash outflow from operating activities for the year ended 31 December 2011 amounted RMB59,606,000 mainly as a result of the profit before tax for the year amounted RMB99,557,000 and respective adjustments, including (i) the non-cash equity-settled share-based expense amounted RMB49,843,000 and (ii) the interest income amounted RMB43,913,000; and (iii) increase of prepayments, deposits and other receivable amounted RMB39,274,000, and (iv) the increase of the trade receivable of RMB101,983,000.

Investing activities

Net cash outflow for investing activities for the year ended 31 December 2011 amounted RMB799,805,000. The cash outflow from investing activities during the year mainly consisted of (i) purchase of property, plant and equipment amounted RMB 108,790,000, (ii) placing of structured deposits and entrustment loans amounted RMB170,247,000 and RMB310,000,000 respectively, (iii) amounted RMB107,196,000 was placed as deposit for securing the bank borrowing, (iv) amounted RMB39,109,000 for purchasing the mining rights and (v) RMB6,000,000 and RMB13,500,000 were used to acquiring 100% equity interest of Beichuan Lida and 49% equity interest of Guangdong Jiapeng Construction respectively.

Financing activities

Net cash inflow from financing activities for the year ended 31 December 2011 amounted RMB915,994,000. The Company was listed on the Main Board of Stock Exchange of Hong Kong on 18 March 2011. The net proceed from the Company's issue of new share capital (after deducting the expenses related to the issue of the new shares in the IPO and expenses relating generally to the listing of all the shares of the Company, whether existing or new) amounted to approximately HK$1,069,733,000, equivalent to RMB900,437,000.

Cash and cash equivalent

Cash and cash equivalent of the Group increased from RMB80,082,000 as at 31 December 2010 to RMB127,285,000 as at 31 December 2011, with the net foreign exchange difference increased from RMB3,088,000 to RMB9,380,000. Of the RMB127,285,000, the equivalent of RMB2,904,000 was held in Hong Kong Dollars and the net was held in RMB.

Interest-bearing bank loans

	Group	
	2011	2010
	RMB'000	*RMB'000*
Repayable within one year		
Bank Loan		
— Unsecured	—	70,000
— Secured	97,000	3,308

Operating lease commitment

As at 31 December 2011, the Group had contracted obligations of operating leases which totalled approximately RMB21,033,000 with approximately RMB7,566,000 due within one year, approximately RMB13,020,000 due between two to five years and the rest of approximately RMB447,000 due after five years.

Financial instruments

The Group does not have any hedging contracts or financial derivatives outstanding for the year ended 31 December 2011 and 31 December 2010.

Capital expenditures

The Group invested approximately RMB108,790,000 capital expenditures mainly for the construction and purchase of property, plant and equipment in the year ended 31 December 2011. In addition, RMB39,109,000 was invested for the purchase of mining rights. The capital expenditure were fully financed by internal resources and proceeds from the Group's IPO.

Segment information

The Group's revenue and contribution to profit were mainly derived from its sale of marble and marble related products, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. In addition, the principal assets employed by the Group are located in Sichuan Province and Guangdong Province, the PRC. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Employees and emoluments policy

As at 31 December 2011, there were a total of 223 employees in the Group. The staff cost, including directors' remuneration in form of salary, equity settled share option expense and allowance were approximately RMB76,556,000.

FUTURE PROSPECT

The Group believes that thorough coverage of industry chain is the path of sustainable development of stone enterprises. To become the best enterprise in the store industry, apart from its self-owned quality mine resources upstream, we also need to equip ourselves with advanced and modern processing equipment for the production process, and ensure that our marble products are of premium quality, while maintaining a strong and solid customer base in terms of sales. Looking forward, the Group will expand its quality mine resources via merger and acquisition of great investment value, which will in turn enrich our marble product line. Currently, the Group has already commenced the establishment of its own renowned design team, which will realize its innovative design concepts in near future, and transform various types of stones into unique and invaluable gems. Meanwhile, the Group will continue to seek for strategic co-operation opportunities of great development potential, which could not only enhance its brand awareness in the market, but also helps the Group to link domestic and foreign resources and markets to fully capitalize on synergy effect. We will keep an eye on global resources and target on global market with an aim to become a large integrated stone operator with dominance in the industry and international competitiveness.

Due to the influence from the combined factors of the slowdown in the macro-economic development in China, a decrease in the investment in fixed assets and downturn in manufacturing industry as well as the slowdown in global economy under the European debt crisis and weakening domestic economy in the United States, the degree of the overall prosperity in the stone industry in 2011 declined significantly. Yet, the Group has still overcome various difficulties and made good achievements.

The Group believes that the economy in China would still be on the track of stable growth in the future. With continuous promotion of urbanization and determination to create international cities by the Chinese Government, it could be expected that the development of various large projects, high-end real estate projects and the construction market at first-tier cities would be blooming, and the tremendous consumption and demand on stones would create more opportunities for the Group. Meanwhile, the significant enhancement in terms of wealth or taste in China over these years also suggests a corresponding increase in the demand for new houses or renovated houses, and thus high-end marbles would become popular items.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members will be closed by the Company from Friday, 18 May 2012 to Tuesday, 22 May 2012, 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 Tuesday, 22 May 2012 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, 17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 17 May 2012.

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 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$1,069,733,000 (equivalent to approximately RMB900,437,000). 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. In 2011, the Company redeemed 3,229,000 of its own shares on The Stock Exchange of Hong Kong Limited at a price range of HK$1.18 to HK$1.31 per share. These redeemed shares were cancelled accordingly, the issued share capital of the Company was reduced by the nominal value of these redeemed shares. The premium paid on the redemption of shares of RMB2,948,000 was debited to the share premium account.

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

The Company has adopted the Code on Corporate Governance Practice (the "CG Code") as its corporate governance code of practices upon the listing and is in compliance with all the mandatory code provisions in the Code except for the code provision A.2.1.

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. For the year ended 31 December 2011, Ms. Chen Tao was both the Chairlady of the Board and the chief executive officer.

The Board considered that Ms. Chen Tao was instrumental to the development of the Company and was the most appropriate person to manage the Group. Notwithstanding the above, the Board will review the current structure from time to time. When at the appropriate time and if candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may make necessary arrangements.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 24 January 2011 with terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the CG code. At present, the Audit Committee consists of three members, all of the members are independent non-executive Directors, namely Mr. Deng Huiqing, Mr. Chu Ho Hwa, Howard and Mr. Liu Yuquan. Mr. Chu Ho Hwa, Howard currently is the chairman of the Audit Committee.

The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of external auditor, the review of the financial statements and material advice in respect of financial reporting and the oversight of internal control procedures of the Group. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2011 including the accounting principles and practices adopted by the Group, selection and appointment of the external auditors.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2011 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 2011 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, 29 March 2012

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 independent non-executive directors are Mr. Chu Ho Hwa, Howard, Mr. Deng Huiqing and Mr. Liu Yuquan.