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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)

RESUMPTION OF TRADING

Financial Adviser to the Company



禹銘投資管理有限公司
YU MING INVESTMENT MANAGEMENT LIMITED

Trading in the Shares on the Stock Exchange has been suspended since 17 September 2012. As all the Resumption Conditions as set out in the Stock Exchange's letter dated 7 November 2013 have been satisfied and fulfilled as at the date of this announcement, an application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 9 April 2014.

The negotiation of the fund raising exercise between the Company and the investor announced on 7 March 2014 has been terminated. The fund raising exercise is to finance the Group's discretionary expansion in calcium carbonate processing plants. Without the fund raising exercise, the Group will still have sufficient working capital for its operation for the next 12 months, but will halt further significant investment in the calcium carbonate processing plants.

RESUMPTION OF TRADING

A. Background of Suspension

At the request of the Company, trading in the Shares has been suspended with effect from 1:00 p.m. on 17 September 2012 pending the release of price sensitive information relating to the Company.

On 11 October 2012, the Company announced that it was brought to its attention that a winding up petition was filed to the High Court of Hong Kong on 13 September 2012 by BOCOM International Holdings Company Limited ("BOCOM") against Wongs Investment Development Holdings Group Limited ("Wongs"), the controlling Shareholder holding 62.99% of the equity interest in the Company as at the date of

this announcement, in relation to outstanding debts owed by Wongs or its ultimate beneficial owner to BOCOM, and trading in the Shares remains suspended pending the publication of a supplemental announcement regarding further information to be disclosed in relation to the 2012 interim results announcement and the discloseable transaction and advance to entities (the “**Suspension Transactions**”) as disclosed in the announcement of the Company dated 27 August, 2012.

On 1 November 2012, the Company announced substantial drop of 85.3% in its sales from RMB104.5 million to RMB15.4 million for the six months period ended 30 June 2012 due to deterioration of the market conditions, and its decision to take the opportunity to temporarily suspend the production of the Zhangjiaba Mine until February 2013 to improve its mining techniques and efficiency of exploitation.

Since May 2012, there has been a number of reshuffles to the Board members and the management of the Company, which were stabilised subsequent to the sweeping replacement of the Board in the EGM on 6 February 2013.

On 28 March, 2013, within less than two months time after appointment, the existing Board managed to issue 2012 Annual Results prior to the reporting deadline required under Rule 13.49(1) of the Listing Rules. However, the deadline was met at the expense of a disclaimer of audit opinions (“**Disclaimer of Opinions**”) in the 2012 Auditor Report from its auditor with an emphasis of a matter on the material uncertainty on the Group’s ability to continue as a going concern for the reason that the Company had insufficient information or documentation to support its accounts for, amongst others, a number of transactions being qualified by the auditor (“**Problematic Transactions**”), including the Suspension Transactions. In the 2012 Annual Result, the Board also disclosed that it has established an investigation committee to investigate relevant transactions. On 10 May 2013, the Board announced that it has engaged PwC to assist it to investigate on the Problematic Transactions, including the Suspension Transactions, the balances of which were fully impaired in the 2012 Annual Report. Details of the PwC investigation and key findings of forensic review conducted by PwC have been disclosed in the announcement of the Company dated 15 October 2013. The Problematic Transactions form part of the disclaimer opinion by the auditors, which is further explained in the below paragraph headed “B. Addressing All Concerns Raised by the Company’s Auditors”.

On 13 November 2013, the Company announced the Resumption Conditions set by the Stock Exchange and a number of additional information required by it. The Company had various correspondences with the Stock Exchange in respect of the Resumption thereafter. The Resumption Conditions require the Company to:

- (i) address all concerns raised by the Company’s auditors through qualifications and emphasis of matters in their audit report; and
- (ii) demonstrate that there are adequate financial reporting and internal control systems to meet the Listing Rules obligations.

As all the above Resumption Conditions as set out in the Stock Exchange’s letter dated 7 November 2013 have been satisfied and fulfilled as at the date of this announcement, an application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 9 April 2014. Details in respect of the fulfillment of each of the above Resumption Conditions are set out below.

B. Addressing All Concerns Raised by the Company's Auditors

Disclaimer of Opinion

On 29 April 2013, the Company published the 2012 Auditor Report with the Disclaimer of Opinions as to whether it gives a true and fair view of the state of affairs of the Group as at 31 December 2012 and of the Group's results and cash flows for the year because of the significance of matters relating to (i) opening balances and corresponding figures ("**Cause 1**"); (ii) payment in advance, deposits for development of sales networks and sales and trade receivables ("**Cause 2**"); (iii) trade receivables, loans to an associate and prepayments, deposits and other receivables ("**Cause 3**"); (iv) investment in an associate ("**Cause 4**"); (v) Impairment test on the Mining Assets ("**Cause 5**"); and (vi) the Inventories ("**Cause 6**").

In respect of the Cause 2 Transactions, the Board has established the Investigation Committee and engaged PwC to conduct the Forensic Review and to assist the Investigation Committee with the Investigation. Based on all the information relating to the Cause 2 Transactions provided to PwC by the Group, PwC found these books and records incomplete and insufficient for it to form any conclusive view on the genuineness of the Cause 2 Transactions. With the majority of the contracting parties denying either the authenticity of the Cause 2 Transactions or the performance of any agreed work in respect of the Cause 2 Transactions, it is the view of the Investigation Committee that further investigation would be beyond the capacity of the Company. The Board, after consulting its legal advisors and upon receiving the PwC Forensic Review Report on 15 October 2013, has taken the initiative to report the findings of the Forensic Review to the Commercial Crime Bureau of the Hong Kong Police Force to assist their investigation in relation to relevant transactions. With insufficient information available to the Group and lack of evidence to prove authenticity of the Cause 2 Transactions as to their recoverability, the Investigation Committee considered the impairments made in relation to the Cause 2 Transactions were appropriate in the circumstance. Details of the Investigation and remedial actions taken by the Board has been published in the announcement of the Company dated 15 October 2013.

In respect of Causes 3 and 4 relating to trade receivables, loans to an associate, prepayments, deposits and other receivables, and investment in an associates, the Company has taken legal advice on relevant legal implications with particular focus on the possible routes and success possibility of continuing law suits in respect of transactions relevant to Causes 3 and 4 to assess and maximize recoverability of relevant receivables, loans, prepayments and investments. Based on the legal advice, the Board continued legal actions on three transactions and reached settlement agreements on two other transactions with relevant parties to resolve relevant matters. Respective recovery details have been reported in the unaudited interim report of the Company for the six months period ended 30 June 2013 and the 2013 Annual Report.

In respect of Causes 5 and 6 relating to impairment test on the Mining Assets and the Inventories, the Company has engaged a third party professional valuer to assess and provide fair market valuation of the Mining Assets and appointed auditors to attend stock take and assess the fair value of the Inventories, and both of the valuations were reflected in the 2013 Annual Report.

As such, save for Cause 1 relating to the opening balances and corresponding figures which are historic figures tracing back to opening balances for the year ended 31 December 2012 before the appointment of any of the current Board members, and none of whom could possibly carry out effective procedure to resolve the opening balances and corresponding figures issue, all other matters relating to the Disclaimer of Opinions contained in the 2012 Auditor Report have been addressed and resolved. According to the auditors of the Company, opening balances issue will be temporary and is expected to be removed for the financial period ending 31 December 2015.

Emphasis of Matter — Going Concern

The auditor of the Company emphasized in the 2012 Auditor Report that the Group had incurred a loss of RMB576,369,000 for the year ended 31 December 2012 and the sales and production of the Group had been substantially suspended and these conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

During the financial year ended 31 December 2013, production and sales of the Group has gradually resumed. For the first half of 2013, no exploration activities took place at the Zhangjiaba Mine due to (i) the overhaul of the Board in February 2013; (ii) adjustments in the mining technique (where the Group had to conduct improvement works on the pits of the mine); and (iii) staff training for the new mining techniques. Accordingly, the Group carried out limited quarrying and exploitation works to test the adoption of new technology, but no output of marble blocks and only minimal amount of slag was produced from the Zhangjiaba Mine during that period. Production and sales of the Group have resumed although with limited scale.

For the second half of 2013, due to the heavy rainfall in Sichuan in the summer period, which caused disastrous flooding and breakdown in transportation system, the production of the Group was intermittently suspended in June and July 2013 for safety reasons. As at 31 December 2013, the Company has inventory of marble blocks of 7,757 m³ and marble slabs of 32,259 m², occupying substantially all the storage capacity of the Group. Save for climate conditions, to avoid possible obsolete inventory, it is the plan of the Group to dispose of substantially all of its existing inventories before bringing its production of marble blocks and slabs to its full scale. As such, the Group only reactivated the production of marble blocks in the Zhangjiaba Mine in August 2013 and total output of marble blocks amounted to 88 m³ in 2013 (2012: 467 m³). In addition, the Group has been strengthening its sales force and expanding its sales network through retailing, distributing and cooperation with the large property developers, stone material distributors and agents in the PRC. The Group has launched promotions and campaigns for its products through participation in exhibitions and established presence in key stone markets, such as Fujian Quanzhou Aosheng Stone Market* (福建泉州市澳盛大板市場), one of the key markets for construction materials in Fujian Province, to promote sales and enhance the branding of the Company. The Group has also entered into various distribution agreements with regional distributors, covering major cities in a number of provinces in the PRC, such as Yunfu city and Huizhou city in Guangdong Province, Hangzhou city in Zhejiang Province, Guangxi Province and Fujian Province. Most of these distributors are well experienced in respective regions and have extensive distribution network and promotion experience, which will ultimately benefit the Group to broaden its sales network, market coverage and penetration rate. In addition, the Group is in discussion with a number of major real estate developers for application of the

Group's marble products in the development of relevant property projects, the Board aims to conclude some of these co-operation agreements in the first half of 2014. Further announcement(s) will be made by the Company in accordance with requirements under Rule 13.09 of the Listing Rules as and when appropriate.

Pursuant to 2013 Annual Report, sales of marble stone blocks and marble slabs of the Group amounted to approximately RMB4,300,000 (2012: RMB15,655,000) and RMB2,500,000 (2012: RMB397,000). Further details have been published in the 2013 Annual Report. With the substantial efforts and resources put in by the Group for the first quarter of 2014 since 1 January 2014 and up to the date of this announcement, the Company has entered into a number of sales contracts for the Group's marble blocks, marble slabs and slabs, which amounted to approximately RMB10,215,000 in aggregate. Since 1 January 2014 up to the date of this announcement, the Group's products of approximately RMB3,681,000 has been delivered to its customers and recorded as revenue.

Having considered the above developments, sufficient working capital of the Group for the 12 months period after Resumption, and the Group's cash position of RMB30,315,000 and net current assets of RMB64,054,000 as at 31 December 2013, the auditor of the Company did not raise going concern in the 2013 Annual Report.

C. Long Term Sales Contract

The Company was listed on the Stock Exchange on 18 March 2011. From the initial public offering prospectus of the Company, the Board noted that there were seven long term sales contracts (the "**Sales Contracts**") entered into by the Company with its customers before its listing on the Stock Exchange. It was disclosed in the Company's prospectus that *"In 2010, we entered into long-term sales contracts with seven customers in China to sell our marble product."* and that *"Pursuant to these sales contracts, our customers are obligated to purchase a minimum of 90% of the annual volume set out in the contracts and are required to pay a penalty of 20% or 30% of the shortfall sales value..."*.

However, the Sales Contracts did not materialize. In the process of finalising the 2012 Annual Results, within two months period after appointment of the current Board, the Board noted a substantial drop in the result of the Company during the financial year 2012, which was caused partly by the cancelled Sales Contracts with four of the seven customers in 2011 (the "**Cancellation Agreements**"). Accordingly, it was disclosed in the 2012 Annual Report that *"the cancellation of the long-term sales contracts in 2011 with four customers due to relocation and the non-placement of orders by three other long-term customers, which in aggregate caused a decrease in gross margin for the Year"*. According to the records available to the Group, Cancellation Agreements were entered into with these four customers between June to August 2011 and these Cancellation Agreements provided that both parties agreed to cancel the relevant Sales Contracts and would not claim against each other.

The current Board only joined the Company in 2013, subsequent to the entering dates of the Sales Contracts and the Cancellation Agreements. Since the current Board has taken office, they have focused in stabilizing the Company and putting it back on the right track. Substantial time and resources have been spent to tackle and resolve various issues faced by the Company, including the disclaimer by the auditors on the financial statements of the Company, the investigation and forensic review of five previous transactions/payments that were impaired, dealing with and assisting the police in their

investigation of the affairs and previous transactions of the Company, improving and rectifying the weaknesses in the internal control of the Company, locating and appointing suitable director and management personnel of the Company, resuming the mining operations and expanding the business of the Company.

The Sales Contracts/Cancellation Agreements had not taken priority of the Board's attention in view of the number issues that the directors had to deal with more urgently. At present, the Board is considering the following follow-up actions in relation to the Sales Contracts and Cancellation Agreements:

- i. seeking legal advice on the validity and enforceability of the Sales Contracts and Cancellation Agreements;
- ii. understanding and collecting information as to the background and business operations of the seven customers and re-establishing contact with them;
- iii. approaching the four customers which have entered into the Cancellation Agreements to see if they would like to enter into contracts and place orders with the Company again;
- iv. approaching and discussing with the other three customers whose Sales Contracts remain alive on their purchase obligations under the Sales Contracts and business opportunities with them; and
- v. seeking legal advice on the legal procedure of commencing legal action to enforce the purchase obligations or penalty stated in the Sales Contracts and instructing lawyer to prepare and commence the legal actions.

When considering these follow up measures, the Board will assess and weigh the costs and benefits of the actions, including but not limited to, the costs that the Company has to incur, the likelihood of success of recovery action and the amount that can be recovered, prospects of business opportunities with the customers. The Board will take appropriate measures to protect the interests of the Company and its shareholders after taking into account of relevant factors. Should there be any material development in these regards, further announcement(s) will be made by the Company in accordance with requirements under Rule 13.09 of the Listing Rules as and when appropriate.

D. Adequate Financial Reporting and Internal Control Systems

During the course of the Forensic Review, PwC identified certain weaknesses in the policies and procedures of the internal control system of the Company (the “**IC Weaknesses**”).

In light of the IC Weaknesses, the Company had Yu Ming to assist it to conduct a thorough review to the internal control system of the Company with a view to preventing relevant transactions and matters that caused the Disclaimer of Opinions from happening again in the future and improving and enhancing its internal control system as a whole. Yu Ming made a number of recommendations to the Board with particular focus on each of the IC Weaknesses identified. A number of new policies and corrective measures have been implemented by the Company to address the IC Weaknesses.

Having completed all corrective and enhancing measures and policies recommended by Yu Ming, the Company further engaged Zhonghui Risk Services to perform a comprehensive review on the internal control system of the Group to ensure that sufficient and adequate internal control system of the Group is in place in accordance with the Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission and Corporate Governance Code and the Corporate Governance Report. According to the Internal Control Review Report issued by Zhonghui Risk Services on 29 October 2013, the Group has adequate and effective financial reporting procedures and systems of internal control in place.

Based on the above, the Audit Committee considers that all the identified IC Weaknesses have been addressed and the Group has in place adequate and effective financial reporting procedures and internal control system.

E. Sufficient Mining Experience of the Company's Management

The Board had appointed Mr. Zhu Hongjun and Mr. Zhang Jianzhong as executive Directors on 18 April 2013 and 30 August 2013, both of whom have mining experience relevant to exploration and extraction activities ranging from 11 years to 18 years. The Company had also retained the service of four members of senior management to oversee production, daily administration, strategic development, financial management and human resources management of the Group. They have mining experience relevant to exploration and extraction activities ranging from 7 years to 30 years respectively. As such, the Board is of the view that the Directors together with the senior management of the Company had satisfied the requirements under Rule 18.04 of the Listing Rules, which requires the management of the Company to have a minimum of 5 years of relevant industry experience.

Brief biographies of Directors

Mr. Zhu Hongjun (朱紅軍) (“**Mr. Zhu**”), aged 41, has over 18 years of experience in mining industry in the PRC and held various positions in a number of mining companies and investment companies as well as government offices. Prior to joining the Company as a Director since 18 April 2013, Mr. Zhu served as the group chief geologist and an associate director of the investment department of Orient Group Investment Holding Ltd.* (東方集團投資控股有限公司) from November 2009 to January 2012, a company engaged in (i) banking and securities; (ii) mineral resources exploitation; (iii) manufacturing and sale of food products; and (iv) port transportation, and was responsible for investment and assessment of various domestic and overseas mining projects. He was also the vice president of Orient Group Mining and Investment Holding Ltd.* (東方集團礦業投資控股有限公司) from January 2012 to January 2013, a subsidiary of Orient Group Investment Holding Ltd., and was responsible for strategic development and management of the company's mining operation.

Mr. Zhu worked in the Geological Institute of Chemical Industry Ministry* (中國化工部地質研究院) since 1994 to June 2008, where he was involved in and was responsible for carrying out regional geological research and survey and feasible studies to discover, identify, report and suggest exploration technique of mine resources in numerous mining projects in the PRC. He worked on various types of mineral resources or mines during this period, including marble mines, granite mines and other mineral resources such as barite ore, dolomite and phosphor resources, etc., which are directly and indirectly related to the marble mine operation of the Group.

Mr. Zhu obtained his qualification as a senior engineer in geology since August 2006 from China Chemical Geology and Mine Bureau (中化地質礦山總局). Mr. Zhu received a bachelor degree from China University of Geosciences (Wuhan) in June 1994 and a master degree in Earth Chemistry in July 2004.

Mr. Zhang Jianzhong (張建忠) (“**Mr. Zhang**”), aged 56, has over 11 years of experience in mining industry and is an associate professor conferred by Ministry of Geology and Mineral Resources of the PRC. Prior to joining the Company as a Director since 30 August 2013, Mr. Zhang served as a plant manager and deputy plant manager of Wuhan Lingda Stone Materials Co., Ltd.* (武漢翎達石材有限公司) from 1991 to May 2002, a company primary engaged in (i) exploration and exploitation of stone mines; and (ii) processing, production and sale of marble, granite and other stones materials. During the period, Mr. Zhang was responsible for the overseeing exploration, exploitation, and providing technical support and consultation on several mine exploration projects in various provinces in the PRC. Mr. Zhang was also a deputy general manager of Wuhan Zhongdida Assets Management Co., Ltd.* (武漢中地大資產經營有限公司) from May 2002 to December 2012.

Mr. Zhang has gained extensive expertise in geology, and sophisticated experience in stone mine exploration and development. He received his first bachelor degree majored in coal geology from China University of Geosciences (previously known as Wuhan college of Geosciences) in July 1982, and second bachelor degree in law from Central China Normal University* (華中師範大學) in July 1987.

Brief biographies of senior management of the Company

Mr. Tang Xugen (唐緒根) (“**Mr. Tang**”), aged 38, was the deputy mine manager of Sichuan Jinshida from December 2010 to October 2011 and re-joined Sichuan Jinshida as general manager in September 2012. He has over 15 years of experience in mining and construction material industry. In between the two employment period with Sichuan Jinshida, Mr. Tang served as the general manager of Guizhou Huafengyuan Mining Co., Ltd.* (貴州華豐源礦業有限公司), a company engaged in exploitation and sale of marble blocks and sub-contracting out mining service, where he was responsible for overseeing the overall operation and management of the company. Prior to joining Sichuan Jinshida in 2010, Mr. Tang was the general mine manager of Mianyang Ruyu Marble Co., Ltd* (綿陽如玉大理石有限公司) from October 2008 to June 2010, a company engaged in exploitation, processing and sale of marble blocks and marble slabs, where he was responsible for overseeing the exploitation of two mines, establishment of processing plants for the mine and in charge of safety and quality control. Mr. Tang was also the general manager of Guangyuan Huayu Marble Co., Ltd* (廣元華宇大理石有限公司) from October 2003 to June 2008, a company engaged in exploitation of marble blocks and manufacture of gravel, where he was responsible for overseeing the overall operation and management of the company.

Mr. Shen Changcai (沈昌才) (“**Mr. Shen**”), aged 43, was appointed as production team supervisor of Sichuan Jinshida in June 2010. He has over 7 years of experience in mining industry. Prior to joining Sichuan Jinshida, Mr. Shen was a exploitation team leader of Beichuan Qiangjiang Stone Industry Co., Ltd* (北川羌江石業有限公司) from August 2006 to June 2010, a company engaged in exploitation of marble blocks and processing of marble slabs, where he was in charge of one of the exploitation teams.

Mr. Wang Yuankai (王元凱) (“**Mr. Wang**”), aged 29, was appointed as production team supervisor of Sichuan Jinshida in July 2011. He has over 7 years of experience in mining industry. Prior to joining Sichuan Jinshida, Mr. Wang was the on-site supervisor of Guangyuan Minghuang Marble Co., Ltd* (廣元明黃大理石有限公司) from October 2009 to July 2011, a company engaged in exploitation of marble blocks, where he was responsible for on-site field management and safety inspection of exploitation work. Mr. Wang was also a exploitation team leader of Kanghui Stone Industry Co., Ltd* (康輝石業有限公司) from March 2006 to October 2009, a company engaged in exploitation of granite blocks and granite slabs, where he was in charge of one of the exploitation teams.

The Company had also retained Mr. Xiong Wenjun (熊文俊) (“**Mr. Xiong**”), aged 51, as legal representative and general manager of Kingston GZ. Mr. Xiong is responsible for the operation and management of Kingstone GZ and Sichuan Jinshida, the major operating subsidiaries of the Group. He joined Sichuan Jinshida as deputy general manager and marketing director since August 2007. Mr. Xiong has over 30 years of experience in mining industry and geology. Prior to joining the Company, Mr. Xiong was the deputy general manager in Shenzhen Kangli Stone Co., Ltd.* (深圳康利石材集團有限公司), a company engaged in exploitation, processing and sales of marble and granites, from March 1998 to March 2006, where he was responsible for procurement of blocks which requires significant geological and mining knowledge, managing the stone processing and production activities, assisting the company to obtain ISO9000 system and overseeing domestic sale. He was also a lecturer of China University of Geosciences* (中國地質大學) during December 1989 to February 1998.

Mr. Xiong was appointed as an executive Director from 7 June 2011 to 22 May 2012. During Mr. Xiong’s tenure as executive Director, the Company has made certain problematic transactions of prepayment in advance and deposits for development of sales networks (“**Problematic Transactions**”), which are part of Cause 2 of the Disclaimer of Opinions on audit report mentioned above. The Board assessed the appropriateness and risks of retaining Mr. Xiong as a senior management member in the Group on a “no prejudice” basis.

According to the PwC Forensic Report, all Problematic Transactions was entered into by Ms. Chen Tao, former chairlady of the Group, on behalf of the Company without appropriate records of authorization from the Board and the Problematic Transactions have no bearings on Mr. Xiong.

Pursuant to Mr. Xiong, he and the rest of the Board at the time became aware of the Problematic Transactions during the interim audit review in July 2012 and the Board had immediately commenced an internal investigation thereon. The Board minute in the record of the Company dated 21 February 2012 showed that all the then Directors including Mr. Xiong had questioned the reason why a number of cash outflow transactions in the amount of hundreds of millions were made without prior the knowledge or proper authorization from the board, and why ratification only sought from the board after the event. It was also mentioned in the board minute that such practice was criticized as improper without prior risk assessment by the Board and that the Board would not accept or approve the transactions in the future. This also reconciles with the findings of the PwC Forensic Report.

It should be noted that at the Board overhaul approved in the EGM on 6 February 2013, the new Board indiscriminately removed all the then Directors, including Mr. Xiong. It was only during the investigations of the affairs of the Group by the new Board, and the

findings of the PwC Forensic Report, and the evaluation of the competence and integrity of Mr. Xiong since February 2013, that the new Board found Mr. Xiong a trustworthy and competent management with extensive experience in marble mining. In the view of the new Board, the only deficiency of Mr. Xiong would be his inadequate experience as a listed company director. In order to improve the vigilance of senior management of the Group, Mr. Xiong has attended directors and senior management training conducted by the Hong Kong legal adviser of the Company, which aimed to help Directors and senior management to understand their responsibilities and duties under the Company's policies and the Listing Rules.

With the installation of the new Board, and the enhanced awareness of the corporate governance required within the Group, the new Board is of the view that Mr. Xiong's deficiency, which has significantly been improved, can be more than compensated by the internal control policies and system put in place. Another important reason of retaining Mr. Xiong is that he is the only trustworthy link to the past of the Group, who will be useful for any further fact finding should it be required by any regulators.

The audit committee is of the view that the benefit of retaining Mr. Xiong outweighs the risk. As such, it is in the best interest of the Company to retain Mr. Xiong as senior management.

F. Termination of Negotiation of Fund Raising Exercise

In the announcement of the Company dated 7 March 2014, the Company announced the negotiation of the fund raising exercise between the Company and an investor, Mr. Wang. The negotiation has been terminated as the parties could not agree on the terms particularly relating to the shareholding dilution effect, which is intended to be less dilutive (in other words, an improvement to the Company) than the one originally set out in the Resumption Proposal. The fund raising exercise was intended to finance the Group's discretionary expansion in calcium carbonate processing plants. Without the fund raising exercise, the Group will still have sufficient working capital for its operation for the next 12 months, but will halt further significant investment in the calcium carbonate processing plants.

G. Sufficiency of Working Capital of the Group after Resumption

On 29 November 2013, the Company entered into a loan agreement with a company controlled by Mr. Wang, whereby Mr. Wang agreed to provide a medium term Loan of HK\$25 million to the Company at an interest rate of 15% per annum. The principle amount of the Loan is repayable on the eighteenth month after the date of Resumption or on the twenty-fourth month after the drawdown date of the Loan, whichever is earlier. Interests of the Loan are payable quarterly in arrears. The Loan has been drawn down by the Company on 29 November 2013 and 2 December 2013.

To the best of the information and knowledge of the Directors after having made all reasonable enquiries, Mr. Wang is a third party independent of the Company, its connected persons and their respective associates.

The termination of negotiation of the fund raising exercise between the Company and Mr. Wang mentioned above would not affect any terms of the loan. The Directors are of the view that the Group will have sufficient working capital for the 12 months after the resumption of trading in the Shares without the fund raising exercise.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“2012 Annual Results”	the annual result announcement of the Company for the year ended 31 December 2012
“2012 Annual Report”	the annual report of the Company for the year ended 31 December 2012
“2012 Auditor Report”	the independent auditor’s report by the auditor of the Company, which is set out in the 2012 Annual Report
“2013 Annual Report”	the annual report of the Company for the year ended 31 December 2013
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors of the Company
“Cause 2 Transactions”	certain payment in advance, deposits for development of sales networks and sales and trade receivables which have been fully impaired in the consolidated financial statements for the year ended 31 December 2012
“Company”	China Kingstone Mining Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	director(s) of the Company from time to time
“EGM”	Extraordinary general meeting of the Company
“Forensic Review”	a forensic review conducted by PwC in relation to the Cause 2 Transactions
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Inventories”	the inventories of the Group
“Investigation”	the internal investigation in relation to the Cause 2 Transaction and to propose actions to be taken by the Company
“Investigation Committee”	the investigation committee of the Company established on 28 March 2013 to lead the Investigation
“Kingstone GZ”	Kingstone (Guangzhou) Stone Industry Co. Ltd., an indirect wholly-owned subsidiary of the Company
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange

“Loan ”	the unsecured loan of HK\$25 million provided by the Investor to the Company pursuant to the loan agreement entered between the Company and a company controlled by the Investor dated 29 November 2013
“Main Board”	Main Board of the Stock Exchange (excludes the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM Board of the Stock Exchange
“Mining Assets”	property, plant and equipment, mining rights and goodwill of the Group
“Mr. Wang”	Mr. Wang Min Liang
“PRC”	the People’s Republic of China and for the purpose of this announcement exclude Hong Kong, Macau Special Administration Region and Taiwan
“PwC”	PricewaterhouseCoopers Consulting Hong Kong Limited which was engaged by the Company to assist the Investigation by the Investigation Committee
“PwC Forensic Report”	a report issued by PwC dated 15 October 2013 containing its findings of the Forensic Review
“Resumption”	the resumption of trading in the shares of the Company on the Stock Exchange
“Resumption Conditions”	the conditions set out in the letter from the Listing Division of the Stock Exchange date 7 November 2013 for the resumption of trading in the Shares, details of which were set out in the Announcements
“Resumption Proposal”	the resumption proposal submitted by the Company to the Stock Exchange dated 30 August 2013
“Share(s)”	share(s) of nominal value of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the shares of the Company from time to time
“Sichuan Jinshida”	Sichuan Jiangyou Jinshida Stone Co., Ltd., an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yu Ming”	Yu Ming Investment Management Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation under the SFO authorised to carry out regulated activities of type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management)
“Zhangjiaba Mine”	The Zhangjiaba (張家壩) mine, a marble mine located in Zhenjiang Village, Xiangshui County, Jiangyou City of Sichuan Province

“Zhonghui Risk Services”	Zhonghui ANDA Risk Services Limited, an internal control review specialist, which was engaged by the Board to perform a comprehensive review on the internal control system of the Group
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For the purpose of this announcement, “” denotes an English transliteration/translation of a Chinese name and is for identification purposes only. If there is any inconsistency between the Chinese name and the English transliteration/translation, the Chinese name shall prevail.*

By Order of the Board
CHINA KINGSTONE MINING HOLDINGS LIMITED
Liu Hongyu
Chairman

Hong Kong, 7 April 2014

As at the date of this announcement, the Board of the Company comprises Mr. Liu Hongyu, Ms. Zhang Cuiwei, Mr. Zhu Hongjun and Mr. Zhang Jianzhong as executive directors, and Mr. Chung Wai Man, Mr. Lam Tin Faat and Mr. Lu Zhiwei as independent non-executive directors.