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 2015

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Change	
	2015	2014		
Revenue *(RMB'000)*	**3,680**	18,178	–14,498	–79.8%
Loss for the year *(RMB'000)*	**(196,265)**	(28,608)	N/A	N/A
Basic loss per share *(RMB cents)*	**(5.87)**	(1.14)	N/A	N/A

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 2015 together with the comparative figures for the corresponding period in 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

		2015	2014
	Notes	***RMB'000***	*RMB'000*
REVENUE	3	**3,680**	18,178
Cost of sales		**(2,606)**	(9,125)
Gross profit		**1,074**	9,053
Other income and gains	4	**874**	4,986
Selling and distribution costs		**(1,156)**	(1,987)
Administrative expenses		**(57,147)**	(38,732)
Impairments of various assets	5	**(64,024)**	(2,569)
Finance costs	6	**(1,520)**	(2,523)
Provision for litigation	18	**(77,041)**	–
LOSS BEFORE TAX	7	**(198,940)**	(31,772)
Income tax credit	8	**2,675**	3,164
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(196,265)**	(28,608)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of non-PRC operations		**5,394**	118
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(190,871)**	(28,490)
			restated
LOSS PER SHARE *(RMB cents)*	9		
– Basic and diluted		**(5.87)**	(1.14)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**133,005**	170,696
Intangible assets	11	**43,732**	54,073
Prepaid land lease payments		**1,355**	2,325
Deposit paid for acquisition of investment		**29,309**	27,696
Deferred tax assets		**–**	179
		207,401	254,969
CURRENT ASSETS			
Inventories		**1,079**	1,135
Trade receivables	12	**59,357**	62,397
Prepayments, deposits and other receivables	13	**7,457**	9,978
Secured senior loan note	14	**45,828**	–
Cash and cash equivalents		**10,437**	15,858
		124,158	89,368
CURRENT LIABILITIES			
Trade payables	15	**1,368**	1,369
Interest-bearing loan	16	**16,748**	7,913
Obligation under finance lease		**213**	192
Other payables and accruals	17	**26,402**	27,552
Provision for litigation	18	**77,041**	–
		121,772	37,026
NET CURRENT ASSETS		**2,386**	52,342
TOTAL ASSETS LESS CURRENT LIABILITIES		**209,787**	307,311
NON-CURRENT LIABILITIES			
Obligation under finance lease		**514**	687
Provision for rehabilitation		**2,697**	2,697
Deferred income		**117**	131
Deferred tax liabilities		**608**	3,462
		3,936	6,977
NET ASSETS		**205,851**	300,334
EQUITY			
Equity attributable to owners of the Company			
Share capital		**297,294**	201,996
Reserves		**(91,443)**	98,338
Total equity		**205,851**	300,334

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. BASIS OF PREPARATION

The consolidated financial statements of China Kingstone Mining Holdings Limited have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which include all applicable individual International Financial Reporting Standards, International Accounting Standards ("IAS") and interpretations, and applicable disclosure requirements of the Hong Kong Companies Ordinances and applicable disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The provisions of the new Hong Kong Companies Ordinance (Cap 622) ("new Co") regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with IFRSs. Accordingly, the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared under the historical cost convention.

In preparing the consolidated financial statements, the Directors considered the operations of the Group as a going concern notwithstanding that:

1. The Group incurred a loss of approximately RMB196,265,000 for the year ended 31 December 2015; and

2. A provision for litigation with an estimated cash outflow of approximately RMB77 million (equivalent to HK$92,000,000) has been recognised.

The Directors are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from 31 December 2015, after taking into consideration of the following:

1. On 8 March 2016, the Company entered into a Placing Agreement with SEEC Media Securities Limited to place, on a best effort basis, up to 2,000,000,000 Placing Shares at the Placing Price of HK$0.1 per Placing Share. Assuming that all 2,000,000,000 Placing Shares are successfully placed, a net proceeds of HK$197,000,000 will be raised; and

2. The Group is actively exploring the availability of alternative source of financing.

The Directors believe that the aforementioned financing plans will be successful, based on continuous efforts and commitments given by the management.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

(i) New and revised IFRSs effective in the current year

The Group has applied the following new and revised IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

Amendments to IAS 19	Defined benefit plans: Employee contributions
Amendments to IFRSs	Annual improvements to IFRSs 2010–2012 cycle
Amendments to IFRSs	Annual improvements to IFRSs 2011–2013 cycle

The application of these new and revised standards and interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

(ii) New and revised IFRSs issued but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from contracts with customers[1]
IFRS 16	Lease[3]
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations[4]
Amendments to IAS 1	Disclosure initiative[1]
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation[4]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer plants[4]
Amendments to IAS 27	Equity Method in Separate Financial Statement[4]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the consolidation exception[1]
Amendments to IAS 7	Disclosure Initiative[6]
Amendments to IFRSs	Annual improvements to IFRSs 2012–2014 cycle[4]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for first annual IFRS financial statements beginning on or after 1 January 2016.

3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

5 Effective for annual periods beginning on or after a date to be determined.

6 Effective for annual periods beginning on or after 1 January 2017.

The directors of the Company anticipate that, except as described below, the application of the above new and revised IFRSs will have no material impact on the results and the financial position of the Group.

IFRS 16 Leases

IFRS 16 issued in 2016 introduces new principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 will supersede the current lease recognition guidance including IAS 17 Lease and the related Interpretations when it becomes effective.

As for lessees, all leases result in a company (the lessee) obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognise:

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- depreciation of lease assets separately from interest on lease liabilities in the income statement.

As for lessors, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Overall, the most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities.

The directors anticipate that the implementation of IFRS 16 in the future will affect the classification and measurement in lessee accounting. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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 during the year:

	2015		2014	
	RMB'000	*%*	*RMB'000*	*%*
Marble blocks	**594**	**16.1%**	7,891	43.4%
Marble slabs	**2,201**	**59.8%**	6,975	38.4%
Marble slags	**885**	**24.1%**	3,312	18.2%
	3,680	**100%**	18,178	100%

Information about major customers

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

	2015	2014
	RMB'000	*RMB'000*
Customer A	**–**	7,736
Customer B	**–**	2,308
Customer C	**–**	2,137
Customer D	*	2,006
Customer E	**2,200**	–
Customer F	**591**	–

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

4. OTHER INCOME AND GAINS

	2015	2014
	RMB'000	*RMB'000*
Interest income	**36**	20
Gain on disposal of property, plant and equipment	**210**	–
Rental income	**426**	834
Reversal of provision for litigation	**–**	2,430
Reversal of provision for inventories	**–**	1,015
Miscellaneous	**202**	687
	874	4,986

5. IMPAIRMENTS OF VARIOUS ASSETS

	2015	2014
	RMB'000	*RMB'000*
Impairment on prepaid land lease payments	**936**	–
Impairment of secured senior loan note	**19,322**	–
Impairment of trade receivables	**–**	2,569
Impairment on property, plant and equipment	**33,432**	–
Impairment on intangible assets	**10,334**	–
	64,024	2,569

6. FINANCE COSTS

	2015	2014
	RMB'000	*RMB'000*
Finance leases charges	**35**	10
Bank notes discount interests	**1**	2
Interest on other loan		
– Wholly repayable within five years	**1,484**	2,511
	1,520	2,523

7. LOSS BEFORE TAX

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

	Notes	2015 RMB'000	2014 RMB'000
Cost of inventories sold		**2,606**	9,125
Staff costs (including directors' remuneration):			
Wages and salaries		**15,602**	10,586
Equity-settled share option expenses		**3,988**	5,176
Pension scheme contributions			
– Defined contribution scheme		**392**	654
Other staff benefits		**836**	920
		20,818	17,336
Less: Staff costs capitalised		**—**	(243)
		20,818	17,093
Auditors' remuneration		**385**	566
Amortisation of intangible assets		**7**	3
Amortisation of prepaid land lease payments		**34**	37
Depreciation of items of property, plant and equipment		**4,303**	7,620
Less: Depreciation capitalised		**—**	(3,322)
		4,303	4,298
Foreign exchange loss		**11**	85
Operating lease rentals for office		**4,576**	5,439
(Gain)/loss on disposal of property, plant and equipment		**(210)**	1,636

8. INCOME TAX CREDIT

	2015	2014
	RMB'000	*RMB'000*
Current – the PRC		
– Charge for the year	**–**	–
– Over-provision in prior year	**–**	(3,164)
Deferred tax	**(2,675)**	–
	(2,675)	(3,164)

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 25% for both years.

The reconciliation between the income tax for the year and the loss before tax multiplied by the tax rate in the PRC is as follows:

	2015	2014
	RMB'000	*RMB'000*
Loss before tax	**(198,940)**	(31,772)
Tax at the applicable tax rate of companies within the Group	**(49,735)**	(7,943)
Non-taxable income	**–**	(608)
Expenses not deductible for tax	**605**	1,152
Effect on different tax rate of subsidiaries	**13,261**	844
Over-provision in prior year	**–**	(3,164)
Tax loss not recognised	**33,194**	6,555
Income tax credit	**(2,675)**	(3,164)

At 31 December 2015, the Group has unused tax losses of approximately RMB63,720,000 (2014: RMB56,569,000) available indefinitely for offset against future profits. No deferred tax asset (2014: nil) has been recognised in respect of such tax losses, due to the unpredictability of future profit streams.

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to equity holders of the Company is based on the loss for the year attributable to equity holders of the Company of approximately RMB196,265,000 (2014: RMB28,608,000) and the weighted average number of 3,342,611,000 (2014: 2,515,701,000) ordinary shares in issue during the year.

(b) Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 December 2015 and 2014.

10. DIVIDEND

The Board does not recommend the payment of any dividend for each of the years ended 31 December 2015 and 2014.

11. INTANGIBLE ASSETS

	Mining rights
	RMB'000
COST:	
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	62,785
ACCUMULATED AMORTISATION AND IMPAIRMENT:	
At 1 January 2014	8,709
Provided for the year	3
At 31 December 2014 and 1 January 2015	8,712
Provided for the year	7
Impairment	10,334
At 31 December 2015	19,053
CARRYING AMOUNTS:	
At 31 December 2015	43,732
At 31 December 2014	54,073

The mining rights represent rights for the mining of marble reserves in the Zhangjiaba Mine which is located in Jiangyou County, Sichuan Province, the PRC. The Mine is operated by the Company's indirect wholly-owned subsidiary, Sichuan Jiangyou Jinshida Stone Co., Ltd.* ("Sichuan Jinshida"). The local government granted mining permits to Sichuan Jinshida for a term of 10 years ending 1 February 2021.

The Group carried out reviews of the recoverable amount of its intangible assets in 2015. The Group's intangible assets are used in the Group's sale of marble and marble related products cash generating unit (the "Sichuan Jinshida CGU"). The recoverable amount has been determined based on a value in use calculation, with reference to the valuation prepared by an independent professional valuer. That calculation uses cash flow projections based on the financial budgets covering a 5 year period approved by the management. For the periods after the financial budgets the growth rate of the production capacity is assumed to be slowed down steadily until the maximum capacity allowed under the license. The growth rate of cash flow in the long run are extrapolated using a steady growth rate of 5% (2014: 3%). The pre-tax discount rate used for estimating the value in use is 13.00% (2014: 22.98%). Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the Sichuan Jinshida CGU's past performance and management's expectations for the market development.

Impairment loss of RMB10,334,000 has been recognised for the year ended 31 December 2015 (2014: Nil) due to worsening financial performance of Sichuan Jinshida CGU.

12. TRADE RECEIVABLES

	2015 *RMB'000*	2014 *RMB'000*
Trade receivables	**115,804**	118,844
Less: Impairment	**(56,447)**	(56,447)
	59,357	62,397

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

	2015 *RMB'000*	2014 *RMB'000*
0 to 90 days	–	2,933
91 to 180 days	–	5,326
181 to 365 days	–	6,668
Over 1 year	**59,357**	47,470
	59,357	62,397

Reconciliation of impairment of trade receivables:

	2015 *RMB'000*	2014 *RMB'000*
At beginning of year	**56,447**	53,878
Allowance for the year	–	2,569
At end of year	**56,447**	56,447

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 for a credit 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 2015, trade receivables of RMB59,357,000 (2014: RMB47,470,000) were past due but not impaired, among which RMB46,963,000 were secured by certain properties and the Group has been taking legal actions to recover these trade receivables.

The Group has regularly conducted credit assessment for the outstanding debts and found that the counterparties had good credit quality. Throughout the year, the Group had recorded repayments from these counterparties. It is anticipated that there will be repayments in the coming year.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 *RMB'000*	2014 *RMB'000*
Prepayments for the purchase of raw materials	**124**	2,060
Deposits	**6,556**	6,150
Others	**777**	1,768
	7,457	9,978

14. SECURED SENIOR LOAN NOTE

	2015	2014
	RMB'000	*RMB'000*
Secured senior loan note	**65,150**	—
Less: Impairment	**(19,322)**	—
	45,828	—

Note:

On 13 May 2015, the Group entered into the sale and purchase agreement with a vendor, to acquire a secured senior loan note ("Loan Note") of nominal amount of US$10,000,000 (equivalent to approximately RMB65,150,000) issued by Magnificent Century Limited (the "Note Issuer"). The total issued amount of the Loan Note was US$45,000,000. The Loan Note carries interest at the rate of 10% per annum payable semi-annually in arrears and was issued on 10 August 2012 for a period of three years with a maturity date on 7 August 2015 (the "Maturity Date"). The Loan Note may be redeemed by the Note Issuer in part or in principal amount of up to 75% of the total principal amount outstanding at any time after twelve months from the date of issue of the Loan Note and prior to the Maturity Date at the principal amount of the Loan Note plus all interest accrued thereon and unpaid as at the date of redemption.

The Loan Note was guaranteed by two guarantors, Dragon Canal International Holdings Limited and Golden Dragon Century Limited and secured by the charges of shares in the Note Issuer's subsidiary (the "Security"). To the best knowledge, information and belief of the directors having made all reasonable enquiry, each of the vendor, the Note Issuer, the guarantors and their respective ultimate beneficial owners is an independent third party.

The Note Issuer failed to repay the Loan Note by the Maturity Date. The details can be referred to the Company's announcement dated 9 August 2015. The Group is currently seeking legal advice as to the appropriate course of action in respect of the said event of default under the Loan Note. According to the terms of the instrument of the Loan Note (the "Instrument"), the Group is not entitled to enforce its rights under the Instrument against the Issuer and/or the guarantors without the prior written consent of the noteholder whose holdings of the Loan Notes represents more than 50% of the principal amount of all the Loan Notes created by the Instrument then outstanding. As at the date of this report, all noteholders are in the process of exploring the possible actions to be taken in respect of the said event of default.

The directors have been assessing the recoverable amount of the Loan Note with reference to a valuation on the Security obtained from an independent professional valuer. Based on the valuation provided by the independent professional valuer, the recoverable amount of the Loan Note was RMB45,828,000. The Group recorded an impairment loss of RMB19,322,000 on the Loan Note for the year ended 31 December 2015.

15. TRADE PAYABLES

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:

	2015	2014
	RMB'000	*RMB'000*
Over 180 days	**1,368**	1,369
	1,368	1,369

16. INTEREST-BEARING LOAN

	2015	2014
	RMB'000	*RMB'000*
Unsecured-within one year	**16,748**	7,913

As at 31 December 2015, included in the interest-bearing loan was a loan of RMB8,374,000 (2014: RMB7,913,000) ("1st loan") bears interest at a fixed rate of 15% per annum and was granted by Kinwin International Company Limited which is legally and beneficially owned by Mr. Wang Minliang, an executive director of the Company. The 1st loan was unsecured and will be matured on 30 June 2016.

The remaining interest-bearing loan of RMB8,374,000 (2014: Nil) ("2nd loan") bears interest at a fixed rate of 15% and was granted by an independent third party. It was guaranteed by Kingstone (HK) Group Limited, a wholly owned subsidiary of the Company and will be matured on 30 June 2016.

The carrying amounts of the interest bearing loans were approximates to their fair value.

17. OTHER PAYABLES AND ACCRUALS

	2015	2014
	RMB'000	*RMB'000*
Advances from customers	–	2,584
Payables relating to:		
Construction contracts	**7,845**	8,284
Taxes other than income tax	**3,272**	4,531
Payroll and welfare	**5,143**	4,699
Interest payables	**2,123**	101
Acquisition of an associate	–	1,500
Deposits received	**178**	282
Provision for litigation	–	700
Others	**7,841**	4,871
	26,402	27,552

18. PROVISION FOR LITIGATION

On 13 July 2015, Royal Moon International Company Limited ("Royal Moon"), the underwriter of the open offer announced by the Company on 14 May 2015, issued a writ of summons at the High Court of the Hong Kong Special Administrative Region (the "Writ") against the Company. Pursuant to the Writ, Royal Moon claims against the Company, amongst others, a sum of not less than HK$150,000,000 being damages for the breach of a written underwriting agreement made between Royal Moon and the Company dated 13 May 2015.

The Group made a provision of RMB77,041,000 (equivalent to HK$92,000,000) in relation to an estimated cash outflow in relation to the litigation.

SCOPE OF WORK OF THE GROUP'S AUDITOR

The figures in this preliminary announcement of the Group's results for the year ended 31 December 2015 have been agreed by the Group's auditor, Elite Partners CPA Limited ("Elite Partners") to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2015. The work performed by Elite Partners in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Elite Partners on the preliminary announcement.

FINAL DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31 December 2015 (2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Production and Sales Volume

During the year 2014, the Chinese government had introduced a series of policy easing in relation to the property market in the PRC, such as interest-rate cuts, lowering of required reserved ratio for banks and reduction of mortgage requirements for second-home buyers. However, the market sentiment on property sector was likely to be pessimistic in the first half of the year 2015. The property prices were falling persistently in most of cities in the PRC. The PRC's property developers were responding to slower sales and rising inventories by slowing new construction. In August 2015, Chinese government further relaxed the rules on property investment by foreigners. It allows foreign companies and individuals to buy more than one property for self-use. The effect of these measures to support the property market in the PRC is still not certain. In addition to the unfavourable market conditions, the marble stone deposit in the current layer of the Zhangjiaba mine is highly cracked and the quality of marble output cannot fulfill the requirement of the existing customers, resulting in, a significantly decline in sales of marble blocks and marble slags for the year ended 31 December 2015 ("FY15") as compared to those for the year ended 31 December 2014 ("FY14"). The revenue of the Group during FY15 mainly counted on the sales of marble slags through the stripping of overburden and the cracked limestone and sourcing the marble slabs from other suppliers for the Group's customers.

Marble slags produced by the cracked marble stones and through the stripping of overburden of the mine is the raw materials of the ground and composite calcium carbonate. Sales of marble slags contribute a relatively stable income to the Group. During the year, the limits of loading weight and dimensions of the heavy vehicle are tightening in Jiangyou City, the PRC, resulting in a significant increase in the cost of transportation. It imposes pressure on the sales volume of the marble slags.

The summarized production and sales volume are set out below:

	Year ended 31 December		
	2015	2014	Change
Production volume:			
Marble blocks mined *(cubic meter)*	**198**	243	–18.52%
Marble slabs processed *(square meter)*	**6,867**	34,455	–80.07%
Sales volume:			
Marble blocks *(cubic meter)*	**200**	6,217	–96.78%
Marble slabs *(square meter)*	**6,867**	68,532	–89.98%
Marble slags *(tonnes)*	**135,515**	632,607	–78.58%
Average selling prices:			
Marble blocks *(RMB per cubic meter)*	**2,972**	1,269	+134.20%
Marble slabs *(RMB per square meter)*	**320**	102	+213.73%
Marble slags *(RMB per tonnes)*	**7**	5	+40%

Exploration, Development and Production Activities

There was no geological exploration activity during the year. The Group focuses on the development and mining at the Zhangjiaba mine. The Zhangjiaba mine located in Sichuan Province of China, contains 44.2 million cubic meter of measured and indicated marble resources, which represents 16.8 million cubic meter of proved and probable marble reserves based on a block rate of 38%, according to the independent competent person's report dated on 7 March 2011 (as shown in the Company's Prospectus).

The Zhangjiaba mine mainly divided into the eastern mining zone and the western mining zone. During FY15, the Group was mining the relatively upper benches of the eastern mining zone. The limestone deposit in this area is still cracked and quality of the marble stone in terms of the colour and pattern is not satisfactory. The Group decided to turn the process of mining from the production of the marble blocks to the stripping at eastern mining zone. It is expected that the further development of the mine to lower benches will be required for large block production. The Group has been carrying out the stripping of overburden materials at the surface of the western mining zone.

During FY15, the aggregate expenditure of the mining operation of the Group was approximately RMB5.9 million (FY14: RMB6.2 million), which mainly included depreciation on property, plant and equipment of RMB2.8 million (FY14: RMB4.7 million), staff costs of approximately RMB1.1 million (FY14: RMB0.7 million) and repair and maintenance costs of approximately RMB0.2 million (FY14: RMB0.1 million).

During the year ended 31 December 2015, the Group has not entered into new contracts and did not have any commitment relating to infrastructure projects, subcontracting arrangements and purchase of equipment.

Financial Review

Revenue and Gross Profit

The Group's revenue decreased by approximately RMB14.5 million or 79.7% to approximately RMB3.7 million in FY15 from approximately RMB18.2 million in FY14. The decrease was primarily due to weak demand of construction materials amidst the pessimistic market sentiment on the property section in the PRC during FY15 and the marble stone deposit in the current layer of the Zhangjiaba mine is cracked. The quality of marble output did not fulfill the requirement of the Group's existing customers. The production volume of marble blocks decreased by 45 cubic meter from 243 cubic meter in FY14 to 198 cubic meter in FY15 and the processed marble slabs decreased by 27,588 square meter from 34,455 square meter in FY14 to 6,867 square meter in FY15. The sales volume of marble blocks decreased by 6,017 cubic meter from 6,217 cubic meter in FY14 to 200 cubic meter in FY15 and the sales volume of marble slabs decreased by 61,665 square meter from 68,532 square meter in FY14 to 6,867 square meter in FY15. In addition, the sales volume of marble slags decreased by 497,092 tonnes from 632,607 tonnes in FY14 to 135,515 tonnes in FY15.

Gross profit decreased by approximately RMB8.0 million or 88.1% to approximately RMB1.1 million in FY15 from approximately RMB9.1 million in FY14. The decrease was primarily due to a decrease of approximately RMB14.5 million in sales of marble products.

Selling and distribution expenses

Selling and distribution expenses decreased from RMB2.0 million in FY14 to RMB1.2 million in FY15. The decrease was primarily due to a decrease of RMB0.8 million in promoting and exhibition expense.

Administrative expenses

Administrative expenses increased from RMB38.7 million in FY14 to RMB57.1 million in FY15. The increase was primarily due to an increase of RMB10.7 million in legal and advisory fee primarily relating to the injunction against the Company for proceeding of open offer and appointment of directors made by the then controlling shareholders of the Company and an increase of RMB3.7 million in staff cost, including directors' remuneration.

Loss for the period

The Group recorded a loss of RMB196.3 million in FY15 as compared to a loss of RMB28.6 million in FY14, as a result of a combined effect of (i) a decrease in sales of marble products in FY15; (ii) an impairment loss of approximately RMB44.7 million arising from the marble mining operation of the Group in FY15; (iii) an impairment loss of approximately RMB19.3 million arising from the secured loan note of nominal amount of US$10 million issued by Magnificent Century Limited which was in default on the maturity date (i.e. 7 August 2015); (iv) an increase of approximately RMB18.4 million of administrative expenses in FY15 and (v) a provision for litigation of approximately RMB77.0 million in relation to the disputes with the underwriter to the open offer of the Company.

Liquidity and Capital Resources

As at 31 December 2015, the Group's total equity interests was approximately RMB205.9 million (31 December 2014: RMB300.3 million), representing a decrease of 31.4% as compared with FY2014. The decrease was mainly attributable to a loss of RMB196.3 million in FY15. The Company increased the issued capital of RMB95.3 million on 29 June 2015 through an open offer on the basis of one offer share for every two then existing shares at a subscription price of HK$0.1 per share and raised fund of approximately RMB92.4 million.

As at 31 December 2015, the Group had cash and bank balances of approximately RMB10.4 million (31 December 2014: RMB15.9 million). Cash and bank balances were mainly denominated in Hong Kong dollars and Chinese Renminbi ("RMB").

As at 31 December 2015, the Group's interest bearing loan, which was denominated in Hong Kong dollar, was approximately RMB16.7 million (31 December 2014: RMB7.9 million) and at fixed interest rate. The Group does not currently use any derivatives to manage interest rate risk. Gearing ratio, representing total loan divided by total equity, was 0.08 (31 December 2014: 0.03).

As at 31 December 2015, the Group had available working capital facilities of approximately RMB8.4 million (31 December 2014: Nil) with an independent third party and approximately RMB8.4 million (31 December 2014: RMB8.3 million) with a company which is wholly and beneficially owned by Mr. Wang Minliang, all of which was used. After the reporting date, the Group obtained an additional working capital facilities of RMB6.4 million from various companies.

Capital Expenditure

The Group's capital expenditure was amounted to RMB1.5 million during FY15, which was primarily related to cost of stripping at the Zhangjiaba mine.

Exposure to Fluctuations in Exchange Rates

The Group principally operates its businesses in the PRC. The Group is not exposed to significant foreign exchange risk as most of the Group's business transactions, assets and liabilities are principally denominated in Chinese Renminbi ("RMB"), which is the functional and reporting currency of the Group, except certain administrative expenses, denominated in Hong Kong dollar and United States dollar, in the Hong Kong office. The Group has not entered into any foreign exchange contract as hedging measures.

Human Resources

As at 31 December 2015, the Group had a total of 34 (31 December 2014: 72) employees in the Group. The total staff cost, including directors' emoluments, share options benefit and pension scheme contribution, was approximately RMB20.8 million (FY14: RMB17.3 million) in FY15.

The Group's emolument policies are formulated on the performance of individual employee and on the basis of the salary trends in Hong Kong and the PRC, and will be reviewed regularly. Subject to the Group's profitability, the Group may also distribute discretionary bonus to its employees as an incentive for their contribution to the Group.

PROSPECTS

With the uncertainty of the growth of the construction material market, the marble stone business of the Group is facing a great challenge in the forthcoming years. The management is now striving to reposition of the marble stone business of the Group in the market and enhancing the production capacity to allow the expansion of business. In the meantime, the Group will look for the market opportunities to supplement its marble stone related business or other diversified projects, so as to manage the prevailing unpredictable market environment.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries or holding company or subsidiary of the holding company has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 (the "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, they confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2015.

CORPORATE GOVERNANCE PRACTICES

The Company strives to attain and maintain high standards of corporate governance consistent with the needs and requirements of its businesses and the best interest of all of its stakeholders. The Board believes that high standards of corporate governance provide a framework and solid foundation for the Group to safeguard the interests of shareholders and other stakeholders and enhance the shareholders' value.

The Company has complied with the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2015 except for a deviation from code provisions A.2.1 and A.5.1 of CG Code.

Deviation from A.2.1 of CG Code

Under code provision A.2.1 of CG Code, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. In the year 2015, there is no officer carrying the title of CEO. The duties of the CEO are undertaken by executive directors of the Company. Although the responsibility of chairman and a part of responsibility of CEO are vested in Mr. Liu Hongyu during the period from 1 January 2015 to 14 July 2015, in which all major decisions are made in consultation with the other Board members and the senior management of the Company. The Board considers that there is sufficient balance of power and the current arrangement maintains a strong management position of the Company.

Deviation from A.5.1 of CG Code

Following the resignation of Mr. Selywn Mar on 14 December 2015 and the resignation of Mr. Chan Siu Wing Raymond and Mr. Tsang Hin Fun Anthony on 23 December 2015, the Company has not complied with the code provision A.5.1 of the CG Code in relation to the composition and chairman requirement of the Nomination Committee.

The three members of Nomination Committee, namely Mr. Sheng Guoliang (Chairman), Mr. Ma Ho Yin and Mr. Wang Minliang, have been appointed with effect from 1 January 2016. Following these appointment, the Company has complied with the code provision A.5.1 of the CG Code.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company received from each of its independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board has reviewed the independent non-executive Directors and considered that all of them are independent with the definition of the Listing Rules.

Following the resignation of Mr. Selwyn Mar on 14 December 2015, the Company had only two independent non-executive Directors, which falls below the minimum number required under Rule 3.10(1) and 3.10A of the Listing Rules.

Following the resignation of Mr. Chan Siu Wing Raymond and Ms. Hsu Wai Man Helen on 23 December 2015, the Company was unable to fulfil (i) Rule 3.10(1) of the Listing Rules which requires the Board to have at least three independent non-executive directors; (ii) Rule 3.10(2) of the Listing Rules which requires at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise; (iii) Rule 3.10A of the Listing Rules which requires the number of independent non-executive directors to be at least one-third of the Board.

The Company appointed (i) Mr. Ma Ho Yin as independent non-executive Director on 24 December 2015 and (ii) Ms. Wang Yihua and Mr. Sheng Guoliang as independent non-executive Directors on 28 December 2015, to fill the casual vacancy. Following those appointment, the Company complied with the requirements under Rule 3.10(1), Rules 3.10(2) and 3.10A of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee, which consists of three members, all of whom are independent non-executive Directors, has reviewed the Group's consolidated financial statements for the year ended 31 December 2015, including the accounting principles and practices adopted by the Group and discussed with auditors in relation to the internal control and financial reporting matters of the Group.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Change of Auditors of the Company

On 11 January 2016, the Company announced that ZHONGHUI ANDA CPA Limited ("**ZHONGHUI ANDA**") has resigned as the auditor of the Company with effect from 11 January 2016 as the Company and ZHONGHUI ANDA have not been able to reach an agreement in respect of the audit fee for the financial year ended 31 December 2015 and that Elite Partners CPA Limited has been appointed as the new auditor of the Company to fill the casual vacancy following the resignation of ZHONGHUI ANDA and to hold office until the conclusion of the next annual general meeting of the Company. For details, please refer to the announcement of the Company dated 11 January 2016.

Change of Domicile and Capital Reorganisation

On 27 January 2016, the Company announced that, subject to shareholders' approval, the Company proposes to, amongst others, (i) change the domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda; (ii) adopt a new memorandum of continuance and bye-laws in compliance with Bermuda laws to replace, respectively, the existing memorandum of association and the articles of association of the Company; (iii) consolidate every ten issued and unissued existing shares of the Company into one consolidated share; (iv) reduce the issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK$0.99 on each of the issued consolidated shares such that the nominal value of each issued consolidated share will be reduced from HK$1.00 to HK$0.01 (the "**Capital Reduction**"); and (v) sub-divide each of the authorised but unissued consolidated share of HK$1.00 each into 100 new shares. An extraordinary general meeting for the aforesaid purposes was scheduled to be held on 26 February 2016 at 4:00 p.m. (the "**EGM**"). For details, please refer to the circular and the notice of the EGM of the Company both dated 5 February 2016.

On 25 February 2016, the Company received a letter from a shareholder of the Company (the "**Requesting Shareholder**") requesting the Company to consider adjourning the EGM so as to enable the Requesting Shareholder to consider the implications of the proposed special resolutions to be considered at the EGM. Accordingly, at the beginning of the EGM, the chairman of the EGM proposed a resolution to adjourn the EGM to a time, date and place to be further notified by the Company and the adjournment was approved by the shareholders of the Company present at the EGM.

Censure by the Listing Committee of the Stock Exchange (the "Listing Committee")

Upon conclusion of a hearing into the conduct of the Company and the relevant directors in relation to their obligations under the Listing Rules and the Declaration and Undertaking with regard to Directors given to the Stock Exchange in the form set out in Appendix 5B to the Listing Rules, on 3 March 2016, the Listing Committee censured the Company and its former executive directors, Ms. Chen Tao (also former Chief Executive Officer and Chairlady of the Board), Mr. Lin Yuhua, Mr. Liao Yuanshi and Mr. Xiong Wenjun for breaching the Listing Rules. For details, please refer to the regulatory announcement and news published by the Stock Exchange on 3 March 2016.

Placing of New Shares under Specific Mandate

On 8 March 2016 (after trading hours), the Company entered into a placing agreement with a placing agent, pursuant to which the Company has conditionally agreed to place, through the placing agent, on a best effort basis, up to 2,000,000,000 placing shares to, currently expected, not less than six placees who and whose ultimate beneficial owner(s) will be/is independent of and not connected with the Company and its connected persons at the placing price of HK$0.10 per placing share. The placing shares will be allotted and issued under a specific mandate to be sought from the shareholders of the Company at an extraordinary general meeting to be held. For details, please refer to the announcement of the Company dated 8 March 2016.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2015 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 2015 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
Martin Pak
Company Secretary

Hong Kong, 30 March 2016

As at the date of this announcement, the Board comprises Mr. Wang Minliang (Chairman), Mr. Zhang Jianzhong, Mr. Zhang Weijun and Ms. Zhang Cuiwei as executive Directors, and Mr. Ma Ho Yin, Ms. Wang Yihua and Mr. Sheng Guoliang as independent non-executive Directors.