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 and continued in Bermuda with limited liability)

(Stock Code: 1380)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

	Year ended 31 December		**Change**	
	2016	2015		
Revenue *(RMB'000)*	**12,290**	3,680	**+8,610**	+234.0%
Loss for the year *(RMB'000)*	**(124,548)**	(196,265)	**N/A**	N/A
		(restated)		
Basic loss per share *(RMB cents)*	**(29.0)**	(58.7)	**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 2016 together with the comparative figures for the corresponding period in 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

		2016	2015
	Notes	***RMB'000***	*RMB'000*
REVENUE	*3*	**12,290**	3,680
Cost of sales		**(9,345)**	(2,606)
Gross profit		**2,945**	1,074
Other income and gains	*4*	**3,191**	874
Selling and distribution costs		**(2,099)**	(1,156)
Administrative expenses		**(38,550)**	(57,147)
Impairments of various assets	*5*	**(89,762)**	(64,024)
Finance costs	*6*	**(273)**	(1,520)
Provision for litigation	*18*	**–**	(77,041)
LOSS BEFORE TAX	*7*	**(124,548)**	(198,940)
Income tax credit	*8*	**–**	2,675
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(124,548)**	(196,265)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of non-PRC operations		**(2,929)**	5,394
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(127,477)**	(190,871)
			(restated)
LOSS PER SHARE (RMB cents)	*9*		
– Basic and diluted		**(29.0)**	(58.7)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**194,275**	133,005
Intangible assets	*11*	**43,732**	43,732
Prepaid land lease payments		**1,321**	1,355
Deposit paid for acquisition of investment		**31,332**	29,309
		270,660	207,401
CURRENT ASSETS			
Inventories		**1,071**	1,079
Trade receivables	*12*	**23,232**	59,357
Prepayments, deposits and other receivables	*13*	**9,261**	7,457
Secured senior loan note	*14*	**–**	45,828
Cash and cash equivalents		**7,198**	10,437
		40,762	124,158
CURRENT LIABILITIES			
Trade payables	*15*	**9,803**	1,368
Interest-bearing loan	*16*	**358**	16,748
Obligation under finance lease		**238**	213
Other payables and accruals	*17*	**45,570**	26,402
Provision for litigation	*18*	**82,358**	77,041
		138,327	121,772
NET CURRENT (LIABILITIES)/ASSETS		**(97,565)**	2,386
TOTAL ASSETS LESS CURRENT LIABILITIES		**173,095**	209,787
NON-CURRENT LIABILITIES			
Obligation under finance lease		**312**	514
Provision for rehabilitation		**2,697**	2,697
Deferred income		**102**	117
Deferred tax liabilities		**608**	608
		3,719	3,936
NET ASSETS		**169,376**	205,851
EQUITY			
Equity attributable to owners of the Company			
Share capital		**3,883**	297,294
Reserves		**165,493**	(91,443)
Total equity		**169,376**	205,851

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. BASIS OF PREPARATION

The consolidated financial statements 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 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 RMB124,548,000 for the year ended 31 December 2016; and

2. The Group has net current liabilities of approximately RMB97,565,000 as at 31 December 2016.

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 2016, after taking into consideration of the following:

1. On 3 March 2017, the Group entered into an underwriting agreement with Sorrento Securities Limited and proposed to issue, by way of allotment, of not less than 2,360,068,975 Rights Shares and not more than 2,441,807,400 Rights Shares on the basis of five Rights Shares for every one share held. The net proceeds from the Rights Issue will be not less than HK$276.17 million and not more than HK$285.79 million.

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) Application of new and revised International Financial Reporting Standards ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016. These amendments have been applied by the Group for the first time in the current year unless otherwise specified. The impact of these amendments are described below.

a) *Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception*

The amendments mainly clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The Company is not an investment entity. Also, given that the Company is a listed entity, the consolidation exception set out in the amendments will not be applicable to the Company and hence the application of these amendments has had no impact on the Group's consolidated financial statements.

b) *Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations*

The amendments provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The amendments also require that a joint operator to disclose the relevant information required by IFRS 3 and other standards for business combinations. The amendments require prospective application; prospectively in annual periods beginning on or after 1 January 2016. The Group did not have any such transactions in the current year and hence the application of these amendments has had no impact on the Group's consolidated financial statements.

c) *Amendments to IAS 1 Disclosure Initiative*

The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material (even if the IFRS contains a list of specific requirements or describes them as minimum requirements). The amendments also give guidance on the bases of aggregating and disaggregating information for disclosure purposes. The amendments emphasize that an entity should consider whether to provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance. Furthermore, the amendments require that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other IFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

d) *Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue-based amortisation is not an appropriate basis for amortisation of an intangible asset. The amendments states that such a presumption can only be rebutted in the following two limited circumstances:

* when the intangible asset is expressed as a measure of revenue; or

*	when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

With regard to the Group's property, plant and equipment and intangible assets, the Group did not use revenue-based depreciation method and hence the amendments have not have any impact on the Group's financial position and financial performance. Rather, the Group has been using the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively.

e) Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments define a bearer plant that is a living plant that:

a) is used in the production or supply of agricultural produce;

b) is expected to bear produce for more than one period; and

c) has a remote likelihood of being sold as agricultural produce except for incidental scrap sales.

The amendments require that biological assets that meet the definition of a bearer plant should be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

f) Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarized below.

Firstly, the amendments to IFRS 5 introduce specific guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply.

Secondly, the amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

Thirdly, the amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead. The Group did not have any defined benefit scheme.

The application of these amendments has had no effect on the Group's 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 mandatorily effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle[5]

1 *Effective for annual periods beginning on or after 1 January 2018*

2 *Effective for annual periods beginning on or after 1 January 2019*

3 *Effective for annual periods beginning on or after a date to be determined*

4 *Effective for annual periods beginning on or after 1 January 2017*

5 *Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate*

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 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

With regard to lessee accounting, the distinction of operating leases and finance leases, as required by IAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees except for short-term leases and leases of low value assets. Specifically, the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas, under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

With regard to lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, IFRS 16 requires extensive disclosures in the financial statements.

The Group is in the process of assessing the impact of IFRS 16. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

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:

	2016		2015	
	RMB'000	*%*	*RMB'000*	*%*
Marble blocks	**–**	**–**	594	16.1%
Marble slabs*	**7,512**	**61.1%**	2,201	59.8%
Marble slags	**4,778**	**38.9%**	885	24.1%
	12,290	**100%**	3,680	100%

* Revenue was arising from trading of marble slabs for the year ended 31 December 2016 and 2015.

Information about major customers

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

	2016	2015
	RMB'000	*RMB'000*
Customer A	**3,884**	–
Customer B	**3,628**	–
Customer C	**3,190**	–
Customer D*	**–**	2,200
Customer E*	**–**	591

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

4. OTHER INCOME AND GAINS

	2016	2015
	RMB'000	*RMB'000*
Interest income	**22**	36
Gain on disposal of property, plant and equipment	**–**	210
Rental income	**46**	426
Reversal of impairment of other receivables provided in previous year	**2,662**	–
Miscellaneous	**461**	202
	3,191	874

5. IMPAIRMENTS OF VARIOUS ASSETS

	2016	2015
	RMB'000	*RMB'000*
Impairment on prepaid land lease payments	**–**	936
Impairment of secured senior loan note	**46,863**	19,322
Impairment of trade receivables	**42,899**	–
Impairment on property, plant and equipment	**–**	33,432
Impairment on intangible assets	**–**	10,334
	89,762	64,024

6. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Finance leases charges	**27**	35
Bank notes discount interests	**–**	1
Interest on other loan		
– Wholly repayable within five years	**246**	1,484
	273	1,520

7. LOSS BEFORE TAX

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

	2016	2015
	RMB'000	*RMB'000*
Cost of inventories sold	**9,345**	2,606
Staff costs (including directors' remuneration):		
Wages and salaries	**8,578**	15,602
Equity-settled share option expenses	**–**	3,988
Pension scheme contributions		
– Defined contribution scheme	**249**	392
Other staff benefits	**408**	836
	9,235	20,818
Auditors' remuneration	**411**	385
Amortisation of intangible assets	**–**	7
Amortisation of prepaid land lease payments	**34**	34
Depreciation of items of property, plant and equipment	**5,864**	4,303
Foreign exchange loss	**1**	11
Operating lease rentals for office	**5,308**	4,576
Loss/(Gain) on disposal of property, plant and equipment	**100**	(210)

8. INCOME TAX CREDIT

	2016	2015
	RMB'000	*RMB'000*
Current – the PRC		
– Charge for the year	**–**	–
– Over-provision in prior year	**–**	–
Deferred tax	**–**	(2,675)
	–	(2,675)

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:

	2016	2015
	RMB'000	*RMB'000*
Loss before tax	**(124,548)**	(198,940)
Tax at the applicable tax rate of companies within the Group	**(31,137)**	(49,735)
Non-taxable income	**(671)**	–
Expenses not deductible for tax	**125**	605
Effect on different tax rate of subsidiaries	**5,574**	13,261
Tax loss not recognised	**26,109**	33,194
Income tax credit	**–**	(2,675)

At 31 December 2016, the Group has unused tax losses of approximately RMB168,156,000 (2015: RMB63,720,000) available indefinitely for offset against future profits. No deferred tax asset (2015: 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 RMB124,548,000 (2015: RMB196,265,000) and the weighted average number of 429,817,000 (2015: 334,261,100 (Restated)) ordinary shares in issue during the year.

The weighted average number of shares used in the denominator for 2015 has been restated to reflect the Share Consolidation.

(b) **Diluted loss per share**

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 December 2016 and 2015 since their assumed exercise would result in a decrease in loss per share.

10. DIVIDEND

The Board does not recommend the payment of any dividend for each of the years ended 31 December 2016 and 2015.

11. INTANGIBLE ASSETS

	Mining rights
	RMB'000
COST:	
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	62,785
ACCUMULATED AMORTISATION AND IMPAIRMENT:	
At 1 January 2015	8,712
Provided for the year	7
Impairment loss recognised	10,334
At 31 December 2015 and 1 January 2016	19,053
Provided for the year	–
At 31 December 2016	19,053
CARRYING AMOUNTS:	
At 31 December 2016	43,732
At 31 December 2015	43,732

The intangible asset represent the mining rights 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 the mining permits to Sichuan Jinshida with a term of 10 years to 1 February 2021.

* English translation for identification only

The Group's intangible assets are located to the sale of marble and marble related products cash generating unit (the "Sichuan Jinshida CGU"). During the year ended 31 December 2016, the directors conducted a review of the recoverable amount of the Sichuan Jinshida CGU based on the value in use and it was determined that no impairment loss to be recognised (2015: impairment loss of RMB10,334,000). The recoverable amount have been determined on the basis of their value in use, with reference to the valuation prepared by an independent professional valuer. The pre-tax discount rate in measuring the amounts of value in use were 17% (2015:13%) in relation to Sichuan Jinshida CGU. The growth rate of cash flow in the long run are extrapolated using a steady growth rate of 2% (2015: 5%). Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows included budgeted sales and gross margin. Such estimation is based on the Sichuan Jinshida CGU's past performance and management's expectation for future performance.

12. TRADE RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**122,578**	115,804
Less: Accumulated impairment losses	**(99,346)**	(56,447)
	23,232	59,357

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. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Trade receivable are non-interest-bearing.

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:

	2016	2015
	RMB'000	*RMB'000*
0 to 90 days	**8,189**	–
91 to 180 days	**–**	–
181 to 365 days	**–**	–
Over 1 year	**15,043**	59,357
	23,232	59,357

The Director believed that (except for disclosed below) no impairment loss is necessary in respect of trade receivable past due but not impaired as there has not been a significant change in credit quality and the balances are still considered recoverable.

Reconciliation of impairment of trade receivables:

	2016	2015
	RMB'000	*RMB'000*
At beginning of year	**56,447**	56,447
Allowance for the year	**42,899**	–
At end of year	**99,346**	56,447

As at 31 December 2016, included in trade receivables past due but not impaired was approximately RMB13,797,000 (2015: RMB46,963,000) secured by certain properties in the PRC as collateral ("Properties"). During the year, the Group has taken legal action to exercise its right to obtain the title of the Properties. As at 31 December 2016, a valuation was conducted on the Properties by an independent valuer and the recoverable amounts of the Properties were approximately RMB13,797,000 (after deduction of tax and estimated legal costs). As a result, an impairment loss of approximately RMB33,166,000 has been recognised in the consolidated financial statements.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Prepayments for the purchase of raw materials	**–**	124
Deposits	**6,371**	6,556
Others	**2,890**	777
	9,261	7,457

14. SECURED SENIOR LOAN NOTE

	2016	2015
	RMB'000	*RMB'000*
Secured senior loan note	**45,828**	65,150
Exchange realignment	**1,035**	–
Less: Impairment loss recognised	**(46,863)**	(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 which engaged in natural gas business (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 announcement, all noteholders are in the process of exploring the possible actions to be taken in respect of the said event of default.

For the year ended 31 December 2015, 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 2016, based on the information from the creditor's meeting of the Loan Note, the Note Issuer's subsidiary was being filed with the winding-up petition by the local creditors. As the Company has not yet obtained further information about this winding-up petition for the Note Issuer's subsidiary and the outcome of the winding-up is highly uncertain, the Directors considered the recoverable amount of the Loan Note was remote. The Group recorded an impairment loss of RMB46,863,000 on the Loan Note.

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:

	2016	2015
	RMB'000	*RMB'000*
0 to 60 days	**3,483**	–
61 to 120 days	**4,957**	–
121 to 180 days	**–**	–
Over 180 days	**1,363**	1,368
	9,803	1,368

16. INTEREST-BEARING LOAN

	2016	2015
	RMB'000	*RMB'000*
Unsecured – within one year	**358**	16,748

As at 31 December 2016, the loan was unsecured and will be matured on April 2017 and bears interest at a fixed rate of 15%.

As at 31 December 2015, included in the interest-bearing loan was a loan of RMB8,374,000 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 loan was unsecured and fully settled on 3 August 2016.

As at 31 December 2015, the interest-bearing loan of RMB8,374,000 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 fully settled on 1 August 2016.

17. OTHER PAYABLES AND ACCRUALS

	2016	2015
	RMB'000	*RMB'000*
Payables relating to:		
Construction contracts	**–**	7,845
Taxes other than income tax	**3,008**	3,272
Payroll and welfare	**5,490**	5,143
Interest payables	**181**	2,123
Amounts due to directors *(Note)*	**26,708**	–
Deposits received	**–**	178
Others	**10,183**	7,841
	45,570	26,402

Note: The amounts are unsecured, interest free and repayable on demand.

18. PROVISION FOR LITIGATION

(a) 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 HK$92 million (equivalent to RMB82.4 million) (2015: equivalent to RMB77 million) in relation to an estimated cash outflow in relation to the litigation for the year ended 31 December 2015.

During the year ended 31 December 2016, no further provisions had been made in relation to the litigation.

(b) On 16 June 2015, the Company was served a sealed copy of a petition (the "Petition") in which the Company was the 1st Respondent. Pursuant to the Petition, the petitioner, i.e. Wongs Investment Development Holdings Group Limited (In Liquidation), a substantial shareholder of the Company sought an order from the court that the Company be restrained, whether by its directors, shareholders, agents or otherwise, from proceeding with or taking any further steps in the issuance of any options or shares whether in relation or pursuant to the open offer announced by the Company on 14 May 2015 (the "Open Offer") or otherwise, by reason that the affairs of the Company are being or have been conducted in a manner that is unfairly prejudicial to the interests of the petitioner.

Pursuant to a settlement deed dated 17 July 2015, the Company agreed to bear the costs of the Petitioner in the aggregate sum of HK$5,200,000.

On 31 July 2015, by consent between the parties to the Petition, the Petition was withdrawn. The costs of and incidental to, including but without limitation, amongst other, the Petition be paid by the Company to the petitioner. The amount was fully settled by the Company in 2015.

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 2016 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 2016 (2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Production and Sales Volume

The summarized production and sales volume are set out below:–

	Year ended 31 December		
	2016	2015	Change
Production volume:			
Marble blocks mined (cubic meter)	**–**	198	-100%
Marble slabs processed (square meter)	**–**	6,867	-100%
Sales volume:			
Marble blocks (cubic meter)	**–**	200	-100%
Marble slabs (square meter)	**34,000**	6,867	+395.12%
Marble slags (tonnes)	**202,988**	135,515	+49.79%
Average selling prices:			
Marble blocks (RMB per cubic meter)	**N/A**	2,972	N/A
Marble slabs (RMB per square meter)	**221**	320	-30.94%
Marble slags (RMB per tonnes)	**24**	7	+242.86%

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 FY2016, the Group continues to carry out the stripping of the overburden materials at the surface for the both eastern and western zone. It is expected that the further development of the mine to lower benches will be required for large block production.

During the year, the aggregate expenditure of the mining operation of the Group was approximately RMB11.7 million (FY2015: RMB5.9 million), which mainly included depreciation on property, plant and equipment of RMB5.5 million (FY2015: RMB2.8 million), staff costs of approximately RMB0.6 million (FY2015: RMB1.1 million) and repair and maintenance costs of approximately RMB0.1 million (FY2015: RMB0.2 million).

During the year ended 31 December 2016, 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 increased by approximately RMB8.6 million or 232.4% to approximately RMB12.3 million for the year ended 31 December 2016 ("FY2016") from approximately RMB3.7 million for the year ended 31 December 2015 ("FY2015"). The increase was primarily due to an increase in sales of Marble slag and trading of Marble slabs.

Gross profit increased by approximately RMB1.8 million or 163.6% to approximately RMB2.9 million in FY2016 from approximately RMB1.1 million in FY2015. The increase was primarily due to an increase in sales of Marble slags and trading of Marble slabs.

Selling and distribution expenses

Selling and distribution expenses increased from RMB1.2 million in FY2015 to RMB2.1 million in FY2016. The increase was primarily due to an increase in transportation cost, resulting from an increase of sales volume of Marble slags during the FY2016.

Administrative expenses

Administrative expenses decreased from RMB57.1 million in FY2015 to RMB38.6 million in FY2016. The decrease was primarily due to a decrease of RMB11.6 million in staff cost, including directors' remuneration and share option expenses and a decrease in legal and professional fee during FY2016.

Loss for the period

The Group recorded a loss of RMB124.5 million in FY2016 as compared to a loss of RMB198.9 million in FY2015, as a result of a combined effect of (i) an increase of approximately RMB1.9 million in gross profit attributable to sales of marble products for FY2016; (ii) a decrease of approximately RMB18.5 million in administrative expenses for FY2016; (iii) an increase of approximately RMB25.7 million in an impairment loss of various assets, the details were set out in the note 5 of the result announcement; and (iv) a provision for litigation of approximately RMB77.0 million of in relation to the disputes with the underwriter to the open offer of the Company was made in FY2015, which was not incurred in FY2016.

Liquidity and Capital Resources

As at 31 December 2016, the Group's total equity interests was approximately RMB169.4 million (31 December 2015: RMB205.9 million), representing an decrease of 17.7% as compared with FY2015. The decrease was mainly attributable to a loss of RMB124.5 million in FY2016. The Company increased the issued capital of RMB91.0 million upon the completion of placing on 23 May 2016.

As at 31 December 2016, the Group had cash and bank balances of approximately RMB7.2 million (31 December 2015: RMB10.4 million). Cash and bank balances were mainly denominated in Hong Kong dollars and Chinese Renminbi ("RMB").

As at 31 December 2016, the Group's interest bearing loan, which was denominated in Hong Kong dollar, was approximately RMB0.4 million (31 December 2015: RMB16.7 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 0.002 (31 December 2015: 0.08).

As at 31 December 2016, the Group had available working capital facilities of approximately RMB0.4 million (31 December 2015: RMB8.4 million), all of which was used. With the level of its current facilities and available cash and cash equivalent, the Group has adequate financial resources to meet the anticipated future liquidity requirement and capital expenditure commitment.

Capital Expenditure

The Group's capital expenditure was amounted to RMB68 million during FY2016, which was primarily related to addition of plant and machinery and motor vehicles for enhancing the production capacity of the Group.

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 2016, the Group had a total of 37 (31 December 2015: 34) employees in the Group. The total staff cost, including directors' emoluments, share options benefit and pension scheme contribution, was approximately RMB9.2 million (FY2015: RMB20.8 million) in FY2016.

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 fierce competition in the PRC construction material market, the marble stone business of the Group is facing a great challenge and uncertainty in the forthcoming years. The Group believes that improvement in the Group's marble operations, including but not limited to enhancing its production capacities, techniques and efficiency, will be crucial for its business development.

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 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of 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 2016.

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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2016 except for a deviation from code provisions A.2.1 and E1.2 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 FY16, 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. Wang Minliang during FY16, 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 E1.2 of CG Code

Under the code provision of E1.2 of CG Code, Mr. Wang Minliang, the chairman of the Board, was unable to attend the annual general meeting of the Company held on 26 February 2016 due to business reasons. Ms Zhang Cuiwei, the executive director of the Company, was authorized by the Chairman to present to chair the meeting.

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. The Company has 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 2016, 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.

EVENTS AFTER THE REPORTING PERIOD

On 3 March 2017, the Company entered an underwriting agreement with an underwriter for raising approximately net proceed of HK$276.2 million, which included related issue expense and professional fees, by issuing 2,360,068,975 new shares to the qualifying shareholders by way of the rights issue at subscription price of HK$0.12 per rights share on the basis of five rights shares for every share in issue on the record date. The Company intends to apply net proceeds from the rights issue as to, (i) approximately HK$191.8 million for the contribution in the joint venture company for the calcium carbonate business; (ii) approximately 33.8 million for general working capital of the Group; and (iii) the remaining net proceeds of approximately 50.6 million for the settlement of the potential damages arising from the litigation of the Company. Details of the above were disclosed in the Company's announcement dated 3 March 2017. The special general meeting in this respect is expected to be held on 26 April 2017.

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 2016 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, 21 March 2017

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.