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 2017

FINANCIAL HIGHLIGHTS

	Year ended 31 December		**Change**	
	2017	2016		
Revenue *(RMB'000)*	**31,383**	12,290	**19,093**	155%
Profit/(loss) for the year attributable to owners of the Company *(RMB'000)*	**7,797**	(124,548)	**N/A**	N/A
		(Restated)		
Basic earnings/(loss) per share *(RMB cents)*	**0.5**	(27.0)	**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 2017 together with the comparative figures for the corresponding period in 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** **RMB'000**	2016 RMB'000
REVENUE	*3*	**31,383**	12,290
Cost of sales		**(30,318)**	(9,345)
Gross profit		**1,065**	2,945
Other income and gains	*4*	**5,019**	3,191
Reversal of provision for litigation	*13(a)*	**82,358**	–
Selling and distribution costs		**(385)**	(2,099)
Administrative expenses		**(39,038)**	(38,550)
Impairments of various assets	*5*	**(3,445)**	(89,762)
Provision for litigation	*13(b)*	**(37,500)**	–
Finance costs	*6*	**(277)**	(273)
PROFIT/(LOSS) BEFORE TAX	*7*	**7,797**	(124,548)
Income tax	*8*	**–**	–
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**7,797**	(124,548)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of overseas operations		**(9,634)**	(2,929)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(1,837)**	(127,477)
			(Restated)
EARNINGS/(LOSS) PER SHARE (RMB cents)	*9*		
– Basic and diluted		**0.5**	(27.0)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**202,027**	194,275
Intangible assets		**43,732**	43,732
Prepaid land lease payments		**1,287**	1,321
Deposit paid for acquisition of investment		**–**	31,332
		247,046	270,660
CURRENT ASSETS			
Inventories		**3,028**	1,071
Trade receivables	*11*	**33,293**	23,232
Prepayments, deposits and other receivables		**15,159**	9,261
Cash and cash equivalents		**168,613**	7,198
		220,093	40,762
CURRENT LIABILITIES			
Trade payables	*12*	**1,920**	9,803
Interest-bearing loan		**–**	358
Obligation under finance lease		**396**	238
Other payables and accruals		**13,952**	45,570
Provision for litigation	*13(b)*	**37,500**	82,358
		53,768	138,327
NET CURRENT ASSETS/(LIABILITIES)		**166,325**	(97,565)
TOTAL ASSETS LESS CURRENT LIABILITIES		**413,371**	173,095
NON-CURRENT LIABILITIES			
Obligation under finance lease		**201**	312
Provision for rehabilitation		**2,697**	2,697
Deferred income		**–**	102
Deferred tax liabilities		**608**	608
		3,506	3,719
NET ASSETS		**409,865**	169,376
EQUITY			
Equity attributable to owners of the Company			
Share capital		**24,435**	3,883
Reserves		**385,430**	165,493
Total equity		**409,865**	169,376

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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.

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

Amendments to IFRSs and a new interpretation that are mandatorily effective for the current year ended 31 December 2017

In the current year, the Group has applied for the first time in the current year the following amendments and a new interpretation to International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Amendments to IAS 7	Disclosure Initiative[1]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]

The application of the amendments to IFRSs and the interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised standards, interpretations and amendments 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 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2014-2016 Cycle[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 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or its Joint Venture[4]
Amendments to IAS 40	Transfers of Investment Property[1]
IFRS 17	Insurance Contracts[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 1 January 2020
[4] Effective for annual periods beginning on or after a date to be determined
[5] Effective for annual periods beginning on or after 1 January 2021

The Directors anticipate that the application of the new and revised IFRSs, other than those set out below, will have no material impact on the consolidated financial statements.

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 operating 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:

	2017		2016	
	RMB'000	***%***	*RMB'000*	*%*
Marble slabs	**23,678**	**75.4%**	7,512	61.1%
Marble slags	**7,705**	**24.6%**	4,778	38.9%
	31,383	**100%**	12,290	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:

	2017	2016
	RMB'000	*RMB'000*
Customer A*	**–**	3,884
Customer B	**12,698**	3,628
Customer C	**10,981**	3,190
Customer D**	**3,151**	–

* *Revenue derived from Customer A did not contribute over 10% or more of total revenue of the Group during the year ended 31 December 2017.*

** *Revenue derived from Customer D did not contribute over 10% or more of total revenue of the Group during the year ended 31 December 2016.*

4. OTHER INCOME AND GAINS

	2017	2016
	RMB'000	*RMB'000*
Interest income	**120**	22
Exchange gain	**137**	–
Rental income	**50**	46
Reversal of impairment of other receivables	**2,500**	2,662
Others	**2,212**	461
	5,019	3,191

5. IMPAIRMENTS OF VARIOUS ASSETS

	2017	2016
	RMB'000	*RMB'000*
Impairment of secured senior loan note	**–**	46,863
Impairment of trade receivables	**3,445**	42,899
	3,445	89,762

6. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Finance leases charges	**28**	27
– Wholly repayable within five years	**249**	246
	277	273

7. PROFIT/(LOSS) BEFORE TAX

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

	2017	2016
	RMB'000	*RMB'000*
Cost of inventories sold	**30,318**	9,345
Staff costs (including directors' remuneration):		
Wages and salaries	**8,255**	8,578
Equity-settled share option expenses	**630**	–
Pension scheme contributions		
– Defined contribution scheme	**108**	249
Other staff benefits	**103**	408
	9,096	9,235
Auditors' remuneration	**451**	411
Amortisation of prepaid land lease payments	**34**	34
Depreciation of items of property, plant and equipment	**9,861**	5,864
Impairments of various assets	**3,445**	89,762
Reversal of impairments of other receivables	**(2,500)**	(2,662)
Foreign exchange gain	**(137)**	–
Operating lease rentals for office	**4,994**	5,308
Loss on disposal of property, plant and equipment	**1,885**	100

8. INCOME TAX

	2017	2016
	RMB'000	*RMB'000*
Current – the PRC		
– Charge for the year	**–**	–
Deferred tax	**–**	–
	–	–

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 profit/(loss) before tax multiplied by the tax rate in the PRC is as follows:

	2017	2016
	RMB'000	*RMB'000*
Profit/(loss) before tax	**7,797**	(124,548)
Tax at the applicable tax rate of companies within the Group	**1,949**	(31,137)
Non-taxable income	**(21,844)**	(671)
Expenses not deductible for tax	**861**	125
Effect on different tax rate of subsidiaries	**(430)**	5,574
Tax loss not recognised	**19,464**	26,109
Income tax	**–**	–

At 31 December 2017, the Group has unused tax losses of RMB51,825,000 (2016: RMB35,619,000) available for offsetting against future profits. No deferred tax asset (2016: nil) has been recognized in respect of such tax losses, due to unpredictability of future profit streams. Tax losses of RMB1,526,000 (2016: RMB1,526,000) have no expiry date while the remaining tax losses of RMB50,299,000 (2016: RMB34,093,000) will be expired in 5 years.

9. EARNINGS/(LOSS) PER SHARE

(a) Earnings/(loss) per share – Basic

The calculation of basic earnings/(loss) per share attributable to owners of the Company is based on the profit/(loss) for the year attributable to owners of the Company of approximately RMB7,797,000 (2016: loss of RMB124,548,000) and the weighted average number of 1,638,333,000 (2016: 457,155,000 (restated)) ordinary shares in issue during the year.

(b) Earnings/(loss) per share – Diluted

For the year ended 31 December 2017, the diluted earnings per share was the same as basic earnings per share as there was no potential outstanding shares.

For the year ended 31 December 2016, the effects of all potential ordinary shares are anti-dilutive 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 the year ended 31 December 2017 (2016: Nil).

11. TRADE RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**136,084**	122,578
Less: impairment	**(102,791)**	(99,346)
	33,293	23,232

The Group's trading terms with its customers are mainly on credit. Except for certain customers solicited by the Group at the beginning of its commercial operation were granted for a credit period of 18 months, the credit period is generally three 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:

	2017	2016
	RMB'000	*RMB'000*
0 to 90 days	**22,941**	8,189
91 to 180 days	**–**	–
181 to 365 days	**–**	–
Over 1 year	**10,352**	15,043
	33,293	23,232

The director believed that no impairment loss is necessary in respect of other balances which are 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:

	2017	2016
	RMB'000	*RMB'000*
At beginning of year	**99,346**	56,447
Allowance for the year	**3,445**	42,899
At end of year	**102,791**	99,346

As at 31 December 2017, included in trade receivables past due but not impaired were trade receivables of approximately RMB10,352,000 (2016: RMB13,797,000) which were secured by certain properties in the PRC as collateral ("Properties"). The Group has taken legal action to exercise its right to obtain the title of the Properties. As at 31 December 2017, a valuation was conducted on the Properties by an independent valuer and the recoverable amounts of the trade receivables based on the net realisable values of the Properties were higher than the carrying amount (after deduction of tax and estimated legal costs).

12. 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:

	2017	2016
	RMB'000	*RMB'000*
0 to 60 days	**585**	3,483
61 to 120 days	**–**	4,957
121 to 180 days	**2**	–
Over 180 days	**1,333**	1,363
	1,920	9,803

13. 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$92.0 million (equivalent to RMB82.4 million) in relation to an estimated cash outflow in relation to the litigation for the year ended 31 December 2015.

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

On 29 December 2017, the company and Royal Moon entered into a consent order, and all proceedings in relation to the litigation was wholly discontinued and there was no order as to costs.

The sum of provision of HK$92.0 million (equivalent to RMB82.4 million) was recorded for the reversal of the provision in the profit and loss of the Group for the year ended 31 December 2017.

(b) A litigation related to a claim of RMB15,000,000 together with interest thereon (based on four times the loan interest rate published by the People's Bank of China, calculated from 3 November 2010 until payment in full) and costs (collectively the "Claim") charged by Mr. Shao Weiquan (the "Plaintiff") against Sichuan Jiangyou Jinshida Stone Co., Ltd.（四川江油金時達石業有限公司）("Sichuan Jinshida"), an indirect wholly-owned subsidiary of the Company which holds the mining right of Zhangjiaba Mine, and others including Mr. Huang Xian You, the then controlling shareholder of the Company and a former owner of Sichuau Jinshida, pursuant to the guarantees claimed to be executed by each of them in 2010 in favour of the Plaintiff in securing the obligations and liabilities of Guangzhou Jiucheng Mining Co., Ltd., a then related party of the Company, under the loan agreement entered into between the Plaintiff and Jiucheng dated 25 July 2010.

In September 2014, Guangdong Province Maoming City Dianbai District People's Court handed down a judgment against Sichuan Jinshida in respect of the Claim. Sichuan Jinshida appealed against the judgment to the Guangdong Province Maoming City Intermediate People's Court but the appeal was dismissed in August 2016.

In June 2017, Sichuan Jinshida received an enforcement decision made by the Guangdong Province Maoming City Dianbai District People's Court (the "Decision"). Pursuant to the Decision, the mining right of the Zhangjiaba Mine was seized for a period of three years.

As advised by the PRC legal advisors, the mining right of Zhangjiaba Mine still owned by the Group as at 31 December 2017, the daily operation of the Zhangjiaba Mine was not affected and the seizure of the mining right of the Zhangjiaba Mine will be released upon settlement of the Claim. The Decision for seizing of the mining right only restricted the right for selling or transfer of the mining right.

The Group made a provision of RMB37.5 million in relation to an estimated cash outflow in relation to the litigation for the year ended 31 December 2017.

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 2017 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 2017. 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 Board does not recommend the payment of a dividend for the year ended 31 December 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Sales Volume

The summarized sales volume are set out below:–

	Year ended 31 December		
	2017	2016	Change
Sales volume:			
Marble blocks (cubic meter)	**–**	–	N/A
Marble slabs (square meter)	**96,000**	34,000	+182.4%
Marble slags (tonnes)	**388,905**	202,988	+91.6%
Average selling prices:			
Marble blocks (RMB per cubic meter)	**–**	–	N/A
Marble slabs (RMB per square meter)	**246**	221	+11.3%
Marble slags (RMB per tonnes)	**19.8**	24	-17.5%

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 the years ended 31 December 2017 ("FY17") and 2016 ("FY16"), 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 RMB15.1 million (FY16: RMB11.7 million), which mainly included depreciation on property, plant and equipment of 9.3 million (FY16: RMB5.5 million) and staff costs of approximately RMB1.3 million (FY16: RMB0.6 million).

During FY17, the Group has not entered into new contracts and did not have material commitment relating to infrastructure projects, subcontracting arrangements and purchase of equipment.

FINANCIAL REVIEW

Revenue and Gross Profit

The Group's revenue increased by approximately RMB19.1 million or 155.3% to approximately RMB31.4 million in FY17 from approximately RMB12.3 million in FY16. The increase was primarily due to an increase of RMB16.2 million a sales of marble slabs and an increase of RMB2.9 million in sales of marble slags.

Gross profit decreased by approximately RMB1.8 million or 62.1% to approximately RMB1.1 million in FY17 from approximately RMB2.9 million in FY16. The decrease was primarily due to an increase in the cost of stripping from the mine, such as the depreciation of the plant and machinery and consumption materials for power generation.

Selling and distribution expenses

Selling and distribution expenses decreased from RMB2.1 million in FY16 to RMB0.4 million in FY17. The decrease was primarily due to a decrease in transportation cost resulting from the distribution cost was undertaken by customers instead of the Group during FY2017.

Administrative expenses

Administrative expenses slightly increased from RMB38.6 million in FY16 to RMB39.0 million in FY17. The increase was primarily due to an increase of RMB1.9 million in loss of disposal on property, plant and equipments during FY17.

Profit for the year attributable to owners of the Company

The Group recorded a profit of RMB7.8 million in FY17 as compared to a loss of RMB124.5 million in FY16, as a result of a combined effect of (i) a reversal of provision for litigation of RMB82.4 million in relation to the case of Royal Moon, the details were set out in note 13(a), (ii) a decrease of RMB86.3 million in impairment loss of various assets from RMB89.8 million in FY16 to RMB3.4 million in FY17 and (iii) a provision of RMB37.5 million for litigation in FY17, the details were set out in note 13(b).

Liquidity and Capital Resources

As at 31 December 2017, the Group's total equity interests was approximately RMB409.9 million (31 December 2016: RMB169.4 million), representing an increase of 142.0% as compared with FY16. The increase was mainly attributable to an increase in share capital and share premium through issuing of shares by way of the right issue at total subscription amount of RMB241.7 million.

As at 31 December 2017, the Group had cash and bank balances of approximately RMB168.6 million (31 December 2016: RMB7.2 million). Cash and bank balances were mainly denominated in Hong Kong dollars and Chinese Renminbi ("RMB"). 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 RMB19.6 million during FY17, which was primarily related to construction in progress of mine infrastructure.

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 business transaction for Hong Kong and overseas subsidiaries, denominated in Hong Kong dollar and United States dollar. The Group has not entered into any foreign exchange contract as hedging measures.

Human Resources

As at 31 December 2017, the Group had a total of 25 (31 December 2016: 37) employees in the Group. The total staff cost, including directors' emoluments, share options benefit and pension scheme contribution, was approximately RMB9.1 million in FY17 (FY16: RMB9.2 million).

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 performance, the Group may also distribute discretionary bonus to its employees as an incentive for their contribution to the Group.

Use of proceeds from fund raising activities

(a) On 8 March 2016, the Company entered into a placing agreement with a placing agent for a placing of new shares (up to 2,000,000,000 placing shares) under specific mandate on a best effort basis (the "Placing"). Assuming the maximum of 2,000,000,000 placing shares were successfully placed, the net proceeds would have been approximately HK$197 million. On 23 May 2016, the Placing was completed, an aggregate of 1,080,000,000 placing shares have been placed, and the net proceeds after deducting the placing fee and other related expenses payable by the Company amounted to approximately HK$106.38 million. The details in relation to the actual use of net proceeds as at 31 December 2017 were as follows:

Date of announcement	Fund raising activity	Net proceeds	Intended use of proceeds	Actual use of proceeds
8 March 2016	Placing of new shares under specific mandate on a best effort basis	HK$197 million as the maximum net proceeds at the date of proposal and HK$106.38 million (as actually raised at the date of completion)	(a) 31%, approximately HK$62 million, to enhance the Group's production capacity;	(a) approximately HK$63.74 million, to enhance the Group's production capacity;
			(b) 13%, approximately HK$25 million, to repay the loan and accrued interest of the Group;	(b) approximately HK$28.33 million, to repay the loan and accrued interest of the Group; and
			(c) 36%, approximately HK$71 million, to settle potential damages arising from the lawsuit and litigation; and	(c) approximately HK$14.31 million, as the general working capital of the Company.
			(d) 20%, approximately HK$39 million, as the general working capital of the Company.	

(b) On 3 March 2017 and 24 April 2017, the Company entered into an agreement and supplemental agreement with an underwriter, respectively, by issuing 2,360,068,975 rights shares to 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 net proceeds from the rights issue were approximately HK$276.5 million. As at 29 September 2017, the Company has resolved to change the use of the unutilized net proceeds of HK$50.94 million for the settlement of the potential damages arising from the litigation to use the unutilised proceeds of (i) approximately HK$15 million for purchasing of machineries for replacement of well-worn mining equipment; (ii) approximately HK$20 million for marble slabs business and (iii) HK$15.94 million for general working capital. For details, please refer to the announcement of the Company dated 29 September 2017.

As at 31 December 2017, the net proceeds had been utilised as follows:

	Intended use of proceeds *HK$'000*	Actual use of proceeds *HK$'000*
The contribution of funding for the calcium carbonate business		
– The set-up of manufacturing building (including the property, plant and equipment)	149,150	–
– General working capital of the calcium carbonate business	42,610	–
General working capital of the Group,		
– Purchasing of machineries for replacement of well-worn mining equipment	15,000	15,000
– Mable slabs business	20,000	20,000
– Other general working capital,	49,780	41,054
	276,540	76,054

PROSPECTS

Business Reviews and Prospects

In the past few years, China has been experiencing a strong rise in property sales prices, arising in dampening affordability of the potential property purchasers and holding out on the construction by the property developers. During the year under review, the China's property prices rose at slower pace as the China government cooling measures is taking effect. The Company expects the demand for construction materials, such as marble stone, will rise gradually once the sales price and transaction volume in the China property market stabilize. However, the Group will still face a keen competition with the overseas marble stone import suppliers. China is a large construction materials market; the Group will carefully re-position the marketing of the marble products to grab the market share.

During the year, the Group has been developing the Zhangjiaba mine to lower benches for a higher quality large block production. The Group produces and sells the marble slags, which were output of stripping of the mine, to the calcium carbonate manufacturers in Jiangyou City in the PRC. On 14 April 2017, the Group entered into a non-legal binding memorandum of understanding (the "MOU") with a ground calcium carbonate manufacturer (the "JV partner") to form a joint venture company to produce calcium carbonate for sales, in order to extend the downstream business of calcium carbonate production. It would be able to supplement its existing marble and marble related business by utilizing the same resources while expansion of the income stream. The JV partner is responsible for obtaining the approval of land use right for the production site in Jiangyou City, the PRC. To the knowledge of the Company, the approval of the land use right for the production site was under processing but has yet to be obtained by the JV partner. According to the JV Partner's explanation, the People's Government of Jiangyou City had assigned most of its allowed area of land used for construction for 2017 to a major project of a theme park in relation to Chinese history and culture which was to be constructed in Jiangyou City, the PRC. As a result, the land use right for the calcium carbonate production site was delayed and the original timetable for establishment of the production plant as disclosed in the Company's circular dated 9 June 2017 cannot be materialized. With the effort of JV Partner to further negotiate with the People's Government of Jiangyou, JV Partner expects the land use right approval may be obtained before mid-year of 2018.

The Zhangjiaba mine of the Group was still under development and the plan of expansion in calcium carbonate business has not been materialized during the year, the Company will focus on the Group's current marble slags business and trading of the marble slabs. The Company will continue to consolidate the production and operations and also extend the customer base in order to improve the performance of marble stone business. On the other hand, the Group will also continue to explore new business opportunities so arising in order to maximize shareholders' value in the future.

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 2017.

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 2017.

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 2017 ("FY17") except for a deviation from code provisions A.2.1, A1.8 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 FY17, 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 FY17, 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 A1.8 of CG Code

Under code provision of A.1.8 of CG Code, the Company should arrange appropriate insurance cover in respect of legal action against the Directors. The directors and officers liability insurance of the Company was expired during the year. The Company is taking steps in negotiating the insurance coverage and the insurance policy terms with different insurers to arrange the directors and officers liability insurance.

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 30 June 2017 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 during FY17.

Following the resignation of Mr. Ma Ho Yin with effect on 12 March 2018, the Company was only two independent non-executive Directors, which falls below the minimum number required under Rules 3.10(1) and 3.10A of the Listing Rules. The Company is seeking suitable candidate to fill the vacancies at the date of this announcement.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee, which consists of two members, namely Ms. Wang Yihua and Mr. Sheng Guoliang, all of whom are independent non-executive Directors, has reviewed the Group's consolidated financial statements for the year ended 31 December 2017, 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.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2017 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 2017 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
Cheung Wai Kee
Company Secretary

Hong Kong, 20 March 2018

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 Ms. Wang Yihua and Mr. Sheng Guoliang as independent non-executive Directors.