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 2013

FINANCIAL HIGHLIGHTS

	Year ended 31 December			
	2013	2012	Change	
Revenue *(RMB'000)*	**7,124**	16,062	(8,938)	-55.6%
Loss for the year *(RMB'000)*	**(256,305)**	(576,369)	320,064	N/A
Basic Loss per share *(RMB cents)*	**(13.16)**	(29.46)	16.30	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 2013 together with the comparative figures for the corresponding period in 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	**2013** ***RMB'000***	2012 *RMB'000*
REVENUE	3	**7,124**	16,062
Cost of sales		**(3,513)**	(5,286)
Gross profit		**3,611**	10,776
Other income and gains	4	**2,786**	30,570
Selling and distribution costs		**(2,382)**	(741)
Administrative expenses		**(39,867)**	(67,117)
Impairments of various assets	5	**(213,502)**	(512,726)
Write-off of property, plant and equipment		**(1,797)**	(23,591)
Finance costs	6	**(263)**	(5,387)
LOSS BEFORE TAX	7	**(251,414)**	(568,216)
Income tax expense	8	**(4,891)**	(8,153)
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(256,305)**	(576,369)
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of non-PRC operations		**(1,028)**	2,130
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(257,333)**	(574,239)
LOSS PER SHARE *(RMB cents)*	9		
— Basic and diluted		**(13.16)**	(29.46)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**172,796**	180,145
Intangible assets	11	**54,076**	69,953
Prepaid land lease payments		**2,362**	2,395
Payments in advance		**—**	—
Goodwill	12	**—**	2,966
Investment in an associate	13	**—**	16,242
Available-for-sale financial asset		**—**	—
Deferred tax assets		**179**	6,510
		229,413	278,211
CURRENT ASSETS			
Inventories		**5,241**	9,389
Trade receivables	14	**50,179**	100,841
Prepayments, deposits and other receivables	15	**16,377**	67,817
Loans to an associate	13	**—**	80,000
Cash and cash equivalents		**30,315**	28,159
		102,112	286,206
CURRENT LIABILITIES			
Trade payables	16	**1,393**	1,695
Other payables and accruals	17	**36,665**	27,170
Amount due to an associate	13	**—**	3,217
		38,058	32,082
NET CURRENT ASSETS		**64,054**	254,124
TOTAL ASSETS LESS CURRENT LIABILITIES		**293,467**	532,335
NON-CURRENT LIABILITIES			
Interest-bearing loan	18	**19,698**	—
Provision for rehabilitation		**2,428**	—
Deferred income		**194**	194
Deferred tax liabilities		**3,462**	7,123
		25,782	7,317
NET ASSETS		**267,685**	525,018
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**164,106**	164,106
Reserves		**103,579**	360,912
Total equity		**267,685**	525,018

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets, which are carried at fair value. These policies have consistently been applied to all the years presented unless otherwise stated.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") that are relevant to its operations and effective for its accounting year beginning on 1 January 2013. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

a. Amendments to IAS 1 "Presentation of Financial Statements"

Amendments to IAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

b. IFRS 13 "Fair Value Measurement"

IFRS 13 "Fair Value Measurement" establishes a single source of guidance for all fair value measurements required or permitted by IFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of IFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. IFRS 13 has been applied prospectively.

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

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 the PRC. Accordingly, no segment analysis is presented other than entitywide 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:

	2013		2012	
	RMB'000	*%*	*RMB'000*	*%*
Marble blocks	**4,304**	**60.4%**	15,665	97.5%
Marble slabs	**2,521**	**35.4%**	397	2.5%
Marble slags	**299**	**4.2%**	—	0.0%
	7,124	**100.0%**	16,062	100.0%

Information about major customers

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

	2013	2012
	RMB'000	*RMB'000*
Customer A	**2,621**	—
Customer B	**2,145**	—
Customer C	**—**	8,012
Customer D	**—**	7,692

4. OTHER INCOME AND GAINS

	2013	2012
	RMB'000	*RMB'000*
Interest income	**43**	30,152
Gain on disposal of a subsidiary	**2,576**	—
Miscellaneous	**167**	418
	2,786	30,570

5. IMPAIRMENTS OF VARIOUS ASSETS

	2013 *RMB'000*	2012 *RMB'000*
Impairment on investment in an associate *(note 13)*	**16,242**	—
Impairment of loans to an associate *(note 13)*	**72,000**	—
Impairment of trade receivables *(note 14)*	**53,878**	18,000
Impairment of prepayments, deposits and other receivables *(note 15)*	**61,016**	494,726
Impairment on goodwill *(note 12)*	**2,966**	—
Impairment on intangible assets *(note 11)*	**7,400**	—
	213,502	512,726

6. FINANCE COSTS

	2013 *RMB'000*	2012 *RMB'000*
Interest expenses on borrowings wholly repayable within five years:		
— Interest-bearing loan	**263**	5,387

7. LOSS BEFORE TAX

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

	2013 *RMB'000*	2012 *RMB'000*
Cost of inventories sold	**3,513**	5,286
Staff costs (including directors' remuneration):		
Wages and salaries	**11,062**	17,989
Equity-settled share option expense	**—**	10,697
Pension scheme contributions		
— Defined contribution scheme	**524**	782
Other staff benefits	**424**	962
	12,010	30,430
Less: Staff costs capitalised	**(223)**	(2,896)
	11,787	27,534
Auditors' remuneration	**584**	634
Amortisation of intangible assets	**3**	17
Amortisation of prepaid land lease payments	**33**	28
Depreciation of items of property, plant and equipment	**8,783**	10,676
Less: depreciation capitalised	**(3,117)**	(3,412)
	5,666	7,264
Foreign exchange loss	**968**	507
Operating lease rentals for office	**5,315**	9,189
Loss of inventories	**856**	933
Loss on disposal of property, plant and equipment	**—**	74
Write-off of property, plant and equipment	**1,797**	23,591
Impairment of various assets *(note 5)*	**213,502**	512,726

8. INCOME TAX EXPENSE

	2013 *RMB'000*	2012 *RMB'000*
Current — the PRC		
— Charge for the year	**410**	3,704
— Under-provision in prior years	**—**	3,722
Deferred tax	**4,481**	727
	4,891	8,153

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 Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdiction in which members of the Group are domiciled and operate.

The Company is a tax exempted company registered in Cayman Islands and has registered in Hong Kong as non-Hong Kong company. The Company conducts substantially all of its business through its PRC subsidiaries.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the period.

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 RMB256,305,000 (2012: RMB576,369,000) and the weighted average number of 1,947,812,000 (2012: 1,956,296,000) 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 2013 and 2012.

10. DIVIDEND

The Directors do not recommend the payment of any dividend for each of the years ended 31 December 2013 and 2012.

11. INTANGIBLE ASSETS

	Mining rights
	RMB'000
COST:	
At 1 January 2012 and 31 December 2012	71,259
Disposal of a subsidiary	(8,474)
At 31 December 2013	62,785
ACCUMULATED AMORTISATION AND IMPAIRMENT:	
At 1 January 2012	1,289
Amortisation for the year	17
At 31 December 2012 and 1 January 2013	1,306
Amortisation for the year	3
Impairment loss	7,400
At 31 December 2013	8,709
CARRYING AMOUNTS:	
At 31 December 2013	54,076
At 31 December 2012	69,953

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 indirectly wholly-owned subsidiary, Sichuan Jiangyou Jinshida Stone Co., Ltd.* (四川江油金時達石業有限公司) ("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 2013. 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, Greater China Appraisal Limited. 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 3%. The pre-tax discount rate used for estimating the value in use is 26.74%. 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. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Sichuan Jinshida CGU to exceed the aggregate recoverable amount of Sichuan Jinshida CGU.

The impairment test results in the recognition of an impairment loss on intangible assets of RMB7,400,000 (included in "Impairments of various assets"), which is expensed in the consolidated statement of profit or loss and other comprehensive income.

12. GOODWILL

	2013	2012
	RMB'000	*RMB'000*
At cost:		
At beginning and end of the reporting period	**2,966**	2,966
IMPAIRMENTS:		
At beginning of the reporting period	**—**	—
Impairment loss	**2,966**	—
At end of the reporting period	**2,966**	—
CARRYING AMOUNTS:		
At end of the reporting period	**—**	2,966

Goodwill arose on the acquisition of Sichuan Jinshida which represented the excess of the cost of the business combination over the Group's interest in the net fair value of Sichuan Jinshida's identifiable assets and liabilities as at the date of the acquisition.

Impairment testing of goodwill

For annual impairment testing, goodwill has been allocated to the Sichuan Jinshida CGU. The basis of the recoverable amount of Sichuan Jinshida CGU and the major underlying assumptions are summarized below:

The recoverable amount of Sichuan Jinshida CGU has been determined based on a value in use calculation, with reference to the valuation prepared by an independent professional valuer, Greater China Appraisal Limited. 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 3%. The pre-tax discount rate used for estimating the value in use is 22.71%. 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. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Sichuan Jinshida CGU to exceed the aggregate recoverable amount of Sichuan Jinshida CGU.

The impairment test results in the recognition of an impairment loss of goodwill of RMB2,966,000 (included in "Impairment of various assets"), which is expensed in the consolidated statement of profit or loss and other comprehensive income.

13. INVESTMENT IN AN ASSOCIATE/LOANS TO AN ASSOCIATE/AMOUNT DUE TO AN ASSOCIATE

	2013 *RMB'000*	2012 *RMB'000*
Non-current assets		
Share of net assets	**10,703**	10,703
Goodwill on acquisition	**5,539**	5,539
	16,242	16,242
Less: impairment *(note a)*	**(16,242)**	—
	—	16,242
Current assets		
loans to an associate	**80,000**	80,000
Less: impairment *(note b)*	**(72,000)**	—
Less: reclassified to other receivable *(note f)*	**(8,000)**	—
	—	80,000
Current liabilities		
Amount due to an associate	**—**	3,217

Notes:

(a) The Group evaluates investment in an associate for impairment when circumstances indicate that carrying value may not be recoverable, such as due to loans defaults, significant under performance relative to historical or projected operating performance, and significant negative industry in economic trends.

The associate, Guangdong Jiapeng Construction Co., Ltd ("Guangdong Jiapeng Construction"), had defaulted the repayment terms of the loans. The Group has taken legal actions to recover these loans since October 2012. The Directors are of the opinion that a full provision for impairment losses should be recognised so as to reflect the recoverable amount of investment in the associate.

(b) Loan to an associate are secured by the trade receivables of the associate and bear interest at the rate of 7.216% per annum.

On 9 August 2013, the Group entered into an agreement with an independent third party debt collector to assign the loans of RMB80,000,000 in aggregate at a consideration of RMB40,000,000 (the "Assignment Agreement"). The Assignment Agreement is guaranteed by Guangdong Huaxia Financing Guarantee Co., Ltd. (廣東華夏融資擔保有限公司). Details of the Assignment Agreement have been announced by the Company on 9 August 2013. Pursuant to the Assignment Agreement, the independent third party will be entitled to the rights, title, interest and benefits in and to the loans upon full settlement of the consideration of RMB40,000,000 in accordance with the payment schedule in the Assignment Agreement.

As at 31 December 2013, the independent third party failed to settle the consideration of RMB40,000,000 in accordance with the payment schedule and the Group only received RMB8,000,000 from the independent third party. Impairment loss of RMB72,000,000 has been recorded on the loans to the associate for the year ended 31 December 2013.

(c) The amount due to the associate is unsecured, interest-free and has no fixed repayment terms.

(d) Particulars of the associate are as follows:

Company name	Place of incorporation/ registration	Nominal value of issued and paid-up share/ registered paid-up capital	Percentage of equity interests attributable to the Group	Principal activities
Guangdong Jiapeng Construction	the PRC	RMB10,000,000	49%	Design and construction of architecture decoration and curtain wall, wholesale and retail of construction materials, and construction machine rental services

(e) As at 31 December 2013, the Group's subsidiaries, Kingstone (Guangzhou) Marble Co., Ltd ("Kingstone Guangzhou")* (金石（廣州）石業有限公司) and Sichuan Jinshida*, were defendants in legal cases initiated by 邵偉權 (the "Plaintiff"). The Plaintiff granted loans of RMB15,000,000 to a former owner of Sichuan Jinshida and the loans were secured by the former owner's 35% equity interest in Sichuan Jinshida. Kingstone Guangzhou acquired the 35% equity interest from the former owner subsequently. The Plaintiff sought for the reinstatement of its security against the 35% equity interest in Sichuan Jinshida, an economic loss of RMB8,000,000 and for the repayment of the loans.

As a result of these legal cases, Kingstone Guangzhou's 49% equity interest in an associate, Guangdong Jiapeng Construction together with Sichuan Jinshida's loan to Guangdong Jiapeng Construction amounting to RMB25,000,000 were sealed by a court in the PRC.

(f) Following the Group's assignment of the loans to the associate to the independent third party, the management considered the investment in Guangdong Jiapeng Construction is no longer treated as associate because the Group is not in a position to exercise any significant influence over the financial and operating policies of Guangdong Jiapeng Construction or to participate in its operations. The Group's investment in Guangdong Jiapeng Construction has been classified as available-for-sale investment in the consolidated financial statements and the balance of loans to an associate of RMB8,000,000 has been classified as other receivables.

* *The English names are for identification only.*

14. TRADE RECEIVABLES

	2013	2012
	RMB'000	*RMB'000*
Trade receivables		
Current portion	**104,057**	118,841
Non-current portion	**—**	—
Less: impairment *(note 5)*	**(53,878)**	(18,000)
	50,179	100,841

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:

	2013	2012
	RMB'000	*RMB'000*
Within 30 days	**3,216**	—
Over 1 year	**46,963**	100,841
	50,179	100,841

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 2013, trade receivables with ageing of over one year of RMB46,963,000 (2012: RMB100,841,000) were past due but not impaired. These trade receivables were secured by certain properties. The Group has been taking legal actions to recover these trade receivables.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Details of the prepayments, deposits and other receivables are as follows:

	2013	2012
	RMB'000	*RMB'000*
Prepayments for the purchase of raw materials	**61,049**	63,744
Deposits	**6,242**	2,313
Deposits paid for development of sales networks	**—**	43,000
Others *(note a)*	**10,102**	1,760
Less: impairments *(note b)*	**(61,016)**	(43,000)
	16,377	67,817

Note (a): Amounts include loans to Guangdong Jinpeng Construction of RMB8,000,000. Guangdong Jinpeng Construction was an associate of the Group and the Group's investment in the associate has been reclassified as available-for-sale investment during the year. The details are more fully disclosed in note 13 to the annual result announcement.

Note (b): During the year ended 31 December 2012, the Group made prepayments of RMB63,489,000 in aggregate to four independent entities, namely First Stage Global Limited ("First Stage"), Ace Profit Limited ("Ace Profit"), Dalateqi Jianfeng Trading Co., Ltd.* (達拉特旗建峰商貿有限公司) and Ordos City Yushengda Trading Co., Ltd.* (鄂爾多斯市譽盛達商貿有限責任公司) for purchase of raw materials. Except for the prepayments of RMB11,937,000 (equivalent to HK$15,000,000) paid to First Stage and Ace Profit which were assigned to an independent third party at a consideration of RMB2,473,000 (equivalent to HK$3,000,000) and such consideration of RMB2,473,000 has been received by the Company during the year, the remaining prepayments of RMB61,016,000 were considered to be irrecoverable and the amounts were fully impaired during the year ended 31 December 2013.

* *The English names are for identification only.*

16. 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:

	2013	2012
	RMB'000	*RMB'000*
Outstanding balances with ages:		
Within 180 days	**71**	415
Over 180 days	**1,322**	1,280
	1,393	1,695

17. OTHER PAYABLES AND ACCRUALS

	2013	2012
	RMB'000	*RMB'000*
Advances from customers	**10**	10
Payable relating to:		
Construction contracts	**9,352**	9,799
Taxes other than income tax	**1,918**	3,769
Payroll and welfare	**4,405**	5,131
Rental	**—**	1,333
Interest payable	**262**	—
Acquisition of an associate	**1,500**	1,500
Deposits received	**110**	100
Payable for rehabilitation	**268**	920
Provision for litigation	**3,524**	3,130
Others *(note)*	**15,316**	1,478
	36,665	27,170

Note: Amounts include RMB8,000,000 received from an independent third party being part of the consideration for assignment of the Group's loans to an associate to the independent third party. The consideration received will be offset against the loans to an associate upon the rights, title, interest and benefits in and to the loans are fully transferred to the independent third party. The details are more fully disclosed in note 13 to the annual result announcement.

18. INTEREST-BEARING LOAN

	2013	2012
	RMB'000	*RMB'000*
Unsecured interest bearing loan		
— Non-current	**19,698**	—

As at 31 December 2013, the unsecured loan of RMB19,698,000 (HK$25,000,000) bears interest at a fixed rate of 15% per annum. The loan was granted by an independent third party on 29 November 2013 and is repayable in eighteen months following the resumption of trading of the Company's shares on the Stock Exchange or in the twenty-fourth month, whichever is earlier.

The carrying amount of the interest bearing loan approximate to their fair value.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The Company's independent auditor has qualified the Group's consolidated financial statements for the year ended 31 December 2013, an extract of which is as follows:

Basis for qualified opinion

Opening balances and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2012, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit, details of which are set out in our audit report dated 28 March 2013. Up to the date of this report, we had obtained satisfactory audit evidences to clear the limitation relating to the property, plant and equipment. In relation to other assets of which the limitations remain unrectified, the Group has recorded impairment loss amounted to RMB213,502,000 for the year ended 31 December 2013. We have not been provided with sufficient audit evidence whether the impairment loss should be recorded in the current year or prior years. However, we are satisfied that these assets are fairly stated as at 31 December 2013.

Qualified opinion

In our opinion, except for the possible effects of the matter as described in the basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2013, and of the Group's results and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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 2013 have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA") to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2013. The work performed by ZHONGHUI ANDA 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 ZHONGHUI ANDA on the preliminary announcement.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2013 (2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Production and Sales Volume

The production at Zhangjiaba mine was substantially suspended for the period from November 2012 to July 2013. The production capacity of the Group has been resuming gradually commencing from August 2013. The summarized production and sales volume are set out below:

	Year ended 31 December		
	2013	2012	Change
Production volume:			
Marble blocks mined *(cubic meter)*	**88**	467	–81%
Marble slabs processed *(square meter)*	**–**	26,162	–100%
Sales volume:			
Marble blocks *(cubic meter)*	**1,954**	1,446	+35%
Marble slabs *(square meter)*	**20,314**	3,605	+463%
Marble slags *(tonnes)*	**99,904**	–	N/A
Average selling prices:			
Marble blocks *(RMB per cubic meter)*	**2,203**	10,833	–80%
Marble slabs *(RMB per square meter)*	**124**	110	+12%
Marble slags *(RMB per tonnes)*	**3**	–	N/A

Exploration, Development and Production Activities

There was no further exploration activity at the Zhangjiaba mine during the year. The Zhangjiaba mine located in Sichuan Province of China, at inception, 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 east mining zone and the west mining zone. The Group has substantially completed the mining platform and went into production at the east mining zone. During the year, the Zhangjiaba mine produced 88 cubic meter of marble stone from the east mining zone. In second half of 2013, the Group has commenced to carry out the stripping of overburden materials at the surface of the west mining zone. The process of quarrying and stripping produced approximately 100,000 tonnes of the mining slags.

During the year ended 31 December 2013, the aggregate expenditure of the mining operation of the Group was approximately RMB 7.0 million, which mainly included depreciation on property, plant and equipment of approximately RMB6.3 million, fuel consumption of approximately RMB0.2 million, staff costs of approximately RMB0.2 million and repair and maintenance costs of approximately RMB0.2 million.

During the year ended 31 December 2013, the Group has not entered into new contracts and did not have any commitment relating to infrastructure projects, subcontracting arrangements and purchase of equipment. As at 31 December 2013, the Group did not have any material commitments in this regard.

During the year, there was no production of marble slabs as the inventory of marble slabs is sufficient to meet the sales order from customers for the year.

Material Acquisitions and Disposals of Subsidiaries

In January 2013, the Group disposed of 100% equity interest in a subsidiary, Beichuan Lida Mining Co. Ltd which owns the Tujisi mine in Sichuan Province, at a cash consideration of RMB10.5 million. Tujisi Mine is located in the same mineral vein as the Zhangjiaba Mine and its mining condition is relatively poor compared to the Zhangjiaba Mine. During the period up to the date of disposal, there were no exploration, development and production activities at Tujisi mine.

Future Development

The Group has been planning to expand its business vertically by establishing processing plants which engage in the production of light and heavy calcium carbonate products using the slags from the Zhangjiaba Mine as one of the key production materials. These calcium carbonate products can be applied in various industries such as plastic, paper, rubber, paint, ink and adhesive industries. In August 2013, the Group entered into an agreement of co-operation intent with Jiangyou Municipal's People's Government of Sichuan Province, the PRC in relation to the project for processing of slags. The approval for this expansion plan in processing plants has been obtained from Development and Reform Bureau of Jiangyou City on 18 November 2013. The Company expects these processing plants will generate additional revenue for the Group in year 2015. As at 31 December 2013, there are no material capital commitment in respect of this expansion project.

Financial Review

Revenue and Gross Profit

The Group's revenue decreased by RMB9.0 million or 55.9% from RMB16.1 million in 2012 to RMB7.1 million in 2013. The Group had the suspension of production of marble block and had mainly implemented adjustments in the mining technique (where the Group had to conduct improvement works on the pits of the mine) and staff training for the new mining technique during the first half of 2013. The decrease in sales was primarily due to a decrease in sales of marble block, resulting from a drop of selling price of marble blocks by 80% as compared to that in 2012. Despite the increase in the sales volume, sales of marble blocks decreased by RMB11.4 million from RMB15.7 million in 2012 to RMB4.3 million in 2013.

Sales of marble slab significantly increased by 535.0% from RMB397,000 in 2012 to RMB2.5 million in 2013. The increases was primarily due to the continuous efforts in promoting the marble slabs by various sales channels, including in-house sales and exhibition promotions, distribution agents, cooperation construction partners, to increase its product image, branding, and penetration.

Gross profit decreased by RMB7.2 million or 66.7% from RMB10.8 million in 2012 to RMB3.6 million in 2013 and the gross profit margin decrease by 16 percentage points from 67% in 2012 to 51% in 2013. The decrease was primarily due to a decrease in average selling price of the marble block as compared to that in 2012.

Selling and distribution expenses

Selling and distribution expenses increased by RMB1.7 million from RMB0.7 million in 2012 to RMB2.4 million in 2013. The increase was primarily due to an increase in the cost of warehouse and exhibition and promoting expenses.

Administrative expenses

Administrative expenses decreased by RMB27.2 million or 40.5% from RMB67.1 million in 2012 to RMB39.9 million in 2013. The decrease was primarily due to a decrease of RMB15.7 million in staff cost (including directors' remuneration and share option expenses) and a decrease of RMB3.8 million in rental expenses for office in Guangzhou.

Loss for the period

The Group recorded a loss of RMB256.3 million for 2013 as compared to a loss of RMB576.4 million in 2012, as a result of a combined effect of i) a reduction of profit from sales of marble blocks and slabs due to the suspension of the production at Zhangjiaba mine in first half year of 2013 and a decrease on average selling price of marble blocks; ii) an impairment losses of RMB115.0 million (2012: RMB512.7 million) arising from certain trade receivables and prepayments, deposits and other receivables were recognised during FY13, iii) an impairment loss of RMB88.2 million arising from equity interest in an associate and loan to the associate, iv) impairment loss of goodwill of RMB3.0 million and intangible assets of RMB7.4 million were recognised in profit and loss during the year. v) a gain of RMB2.6 million on disposal of a subsidiary which owns Tujisi mine.

Liquidity and Capital Resources

As at 31 December 2013, the Group's total equity interests was RMB267.70 million (31 December 2012: RMB525.0 million), representing a decrease of 49%. The decrease was mainly attributable to a loss of RMB256.3 million incurred for the year.

As at 31 December 2013, the Group had cash and bank balances of RMB30.3 million (31 December 2012: RMB28.2 million). Cash and bank balances were mainly denominated in Hong Kong dollars and Chinese Renminbi ("RMB"). The Group's working capital, or net current assets, was RMB64.1 million (31 December 2012: RMB254.1 million). The current ratio, represented by current assets divided by current liabilities, was 2.7 (31 December 2012: 8.9).

As at 31 December 2013, the Group's interest bearing loan, which was denominated in Hong Kong dollar, was RMB19.7 million (2012: Nil) 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 0.07 (2012: Nil).

As at 31 December 2013, the Group had available working capital facilities of RMB19.7 million (2012: Nil) with an independent third party, all of which was used. With the the level of its current facilities and available cash and cash equivalents, the Group has adequate financial resources to meet the anticipated future liquidity requirements and capital expenditure commitment.

Capital Expenditure

The Group's capital expenditure was amounted to RMB4.6 million during 2013, which was primarily related to the construction in progress.

Contingent Liabilities

As at 31 December 2013, the Group had no material contingent liabilities.

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 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 2013, the Group had a total of 61 (31 December 2012: 59) employees. The total staff cost, including directors' emoluments, share options benefit and pension scheme contribution, was approximately RMB12.0 million (2012: RMB30.4 million) during the year ended 31 December 2013.

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

Construction materials or decoration materials including marble products are closely associated with the growth and prosperity of the real estate market. While China's real estate market is more policy driven and materially affected by relevant economic policies and currency policies in China, there are quite a number of opposite and different views in the market. We acknowledge the difficulty to predict the growth and future demand for the real estate market in China, particularly when the market is driven by a number of political and economic factors in the current dynamics the Company is operating. We choose to take a neutral view and consider that the real estate market in China will remain stable in 2014 like in 2013 with mild increase in property price and demand of high quality housings, which should drive the increase in the demand for stone materials of the Group.

Looking ahead, the Group believes that a sustainable development of mining business is to achieve full coverage of supply chain of the marble products. The Group will continue to consolidate the production operations and extend the customer base. We believe that the new Board and management are able to meet the future challenges and we are confident in achieving the sustainable growth and create returns for our shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2013.

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 2013.

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 2013 except for a deviation from code provision A.2.1 of CG Code.

Under code provision A.2.1 of CG Code, the roles of chairman and chief executive officer 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. From 1 January 2013 to 7 February 2013, no chairman had been appointed by the Company. The Company appointed Mr. Wang Dong as chairman on 8 February 2013 and resigned on 28 March 2013. From 28 March 2013 to 29 April 2013, the Company had no chairman. Mr. Liu Hongyu was appointed as chairman on 30 April 2013. Following the cessation of Mr. Chen Jianhong as chief executive directors of the Company (the "CEO") with effect from 29 November 2013, there is no officer carrying the title of chief executive officer. The duties of the CEO are undertaken by executive directors, namely Mr. Liu Hongyu, Ms. Zhang Cuiwei, Mr. Zhu Hongjun and Mr. Zhang Jianzhong with clear division of labor and segregation of duties to ensure independence and proper checks and balances.

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.

According to Rule 3.10(1) of the Listing Rules, the board must comprise at least three independent non-executive directors. Following the resignation of an independent non-executive director of the Company, Mr. Pak Wai Keung, Martin on 1 June 2013, the number of independent non-executive directors of the Company fell below the minimum number required under Rule 3.10(1) of the Listing Rules. The Company appointed Mr. Lu Zhiwei as an independent non-executive director to fill the casual vacancy on 30 August 2013. Following the appointment of Mr. Lu Zhiwei, the Company has complied with Rule 3.10(1) of the Listing Rules.

The Company complied with the requirements under Rules 3.10(2) and 3.10A of the Listing Rules during the year ended 31 December 2013.

AUDIT COMMITTEE

The Audit Committee, which consists of three members, namely Mr. Lam Tin Faat, Mr. Chung Wai Man and Mr. Lu Zhiwei, all of whom are independent non-executive Directors, has reviewed the Group's consolidated financial statements for the year ended 31 December 2013, 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 2013 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 2013 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.

Please note that the trading of shares of the Company has been suspended since 17 September 2012 and will remain suspended until further notice.

By Order of the Board
China Kingstone Mining Holdings Limited
Liu Hongyu
Chairman

Hong Kong, 28 February 2014

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