KINGSTONE
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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)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

The board of directors (the "Board") of China Kingstone Mining Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2013 together with the comparative figures for the corresponding period in year 2012.

	Six months ended 30 June			
	2013	2012	Change	
	(unaudited)	(unaudited)		
Revenue (RMB in thousand)	**392**	15,353	(14,961)	-97.4%
Loss for the period (RMB in thousand)	**(196,173)**	(7,247)	(188,926)	N/A
Basic loss per share (RMB cents)	**(10.07)**	(0.37)	(9.7)	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Notes	For the six months ended 30 June 2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
REVENUE	3	**392**	15,353
Cost of sales		**(92)**	(5,712)
Gross profit		**300**	9,641
Other income and gains	4	**116**	34,151
Selling and distribution costs		**(166)**	(1,309)
Administrative expenses		**(24,230)**	(38,043)
Impairments of various assets	5	**(174,188)**	–
Gain on disposal of a subsidiary		**2,576**	–
Finance costs		**–**	(3,268)
Share of profit of an associate		**–**	524
(LOSS)/PROFIT BEFORE TAX	6	**(195,592)**	1,696
Income tax expense	7	**(581)**	(8,943)
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(196,173)**	(7,247)
OTHER COMPREHENSIVE (LOSS)/INCOME:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of non-PRC operations		**(605)**	757
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(196,778)**	(6,490)
LOSS PER SHARE (RMB cents)	8		
– Basic and diluted		**(10.07)**	(0.37)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2013

	Notes	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**172,686**	180,145
Intangible assets		**61,479**	69,953
Prepaid land lease payments		**2,381**	2,395
Goodwill	*12*	**–**	2,966
Investment in an associate	*13*	**–**	16,242
Deferred tax assets		**6,140**	6,510
		242,686	278,211
CURRENT ASSETS			
Inventories		**9,356**	9,389
Trade receivables	*9*	**46,963**	100,841
Prepayments, deposits and other receivables	*10*	**6,326**	67,817
Loans to an associate	*13*	**40,000**	80,000
Tax recoverable		**21**	–
Cash and cash equivalents		**20,156**	28,159
		122,822	286,206
CURRENT LIABILITIES			
Trade payables	*11*	**1,478**	1,695
Other payables and accruals		**30,044**	27,170
Amount due to an associate	*13*	**–**	3,217
		31,522	32,082
NET CURRENT ASSETS		**91,300**	254,124
TOTAL ASSETS LESS CURRENT LIABILITIES		**333,986**	532,335
NON-CURRENT LIABILITIES			
Deferred income		**194**	194
Deferred tax liabilities		**5,312**	7,123
		5,506	7,317
NET ASSETS		**328,480**	525,018
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**164,106**	164,106
Reserves		**164,374**	360,912
Total equity		**328,480**	525,018

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The Group incurred a loss of RMB196,173,000 for the six months ended 30 June 2013 and there were no mining output and only very limited sales during the six months ended 30 June 2013. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern in the long term. Should the Group be unable to continue as a going concern, adjustments would have to be made to the interim financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

In order to address this uncertainty, the Group has been implementing measures to resume sales and production, bringing in new management and mining business experts and proposing financing activities to ensure the Group's financial position to be improved and its financial obligations to be met as they fall due. The directors of the Company (the "Directors") are therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013 ("Interim Financial Statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 issued by International Accounting Standards Board and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of the Hong Kong Limited (the "Listing Rules").

The Interim Financial Statements do not include all the information and disclosures required in a full set of financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2012 ("2012 Annual Report").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of 2012 Annual Report except as stated below.

In the current period, 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, International Accounting Standards 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 and prior periods 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 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.

Estimates

The preparation of the Interim Financial Statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the net invoiced value of goods sold, net of trade discounts and returns.

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 People's Republic of China (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 period:

	For the six months ended 30 June			
	2013		2012	
	RMB'000	*%*	*RMB'000*	*%*
	(unaudited)		(unaudited)	
Marble slabs	**26**	**6.6%**	–	0.0%
Marble blocks	**366**	**93.4%**	15,353	100.0%
	392	**100%**	15,353	100%

4. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest income from:		
– loans to an associate	**–**	2,662
– entrustment loans	**–**	20,049
– structured deposits	**–**	2,968
– imputed interest income from installment receivables	**–**	8,334
– bank interest income	**32**	54
Others	**84**	84
	116	34,151

5. IMPAIRMENTS OF VARIOUS ASSETS

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Impairment on investment in an associate *(note 13)*	**16,242**	–
Impairment of loans to an associate *(note 13)*	**40,000**	–
Impairment of trade receivables *(note 9)*	**53,878**	–
Impairment of prepayments, deposits and other receivables *(note 10)*	**61,102**	–
Impairment on goodwill *(note 12)*	**2,966**	–
	174,188	–

6. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cost of inventories sold	**92**	5,712
Staff costs (including directors' remuneration):		
Wages and salaries	**5,916**	10,001
Equity-settled share option expense	**240**	11,602
Pension scheme contributions		
– Defined contribution scheme	**234**	465
Other staff benefits	**943**	370
	7,333	22,438
Less: Staff costs capitalised	**–**	(742)
	7,333	21,696
Auditors' remuneration	**211**	640
Amortisation of intangible assets	**–**	54
Amortisation of prepaid land lease payments	**14**	17
Depreciation of items of property, plant and equipment	**4,422**	4,533
Less: depreciation capitalised	**–**	(979)
	4,422	3,554
Foreign exchange loss	**223**	286
Loss on low production (included in cost of sales)	**–**	4,791
Operating lease rentals for office	**3,176**	4,523
Impairment of various assets *(note 5)*	**174,188**	–

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current – the PRC		
– Charge for the year	**–**	9,352
– Under-provision in prior years	**211**	–
Deferred tax	**370**	(409)
	581	8,943

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.

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 the six months ended 30 June 2013 and 2012.

Pursuant to the income tax rules and regulations of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from foreign investment enterprises established in the PRC effective from 1 January 2008.

8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the six months ended 30 June 2013 attributable to owners of the Company of approximately RMB196,173,000 (six months ended 30 June 2012: RMB7,247,000) and the weighted average number of 1,947,812,000 (six months ended 30 June 2012: 1,965,260,000) ordinary shares in issue during the period.

(b) Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2013 and 2012.

9. TRADE RECEIVABLES

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables		
Current portion	**118,841**	118,841
Less: accumulated impairment	**(71,878)**	(18,000)
	46,963	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:

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Over 1 year	**46,963**	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. The trade receivables of RMB46,963,000 as at 30 June 2013 (31 December 2012: RMB100,841,000) was secured by certain properties. The Group has been taking legal action to recover those trade receivables.

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2013 *RMB'000* **(unaudited)**	31 December 2012 *RMB'000* (audited)
Prepayments for the purchase of raw materials *(note a)*	**63,489**	63,744
Less: impairments *(note a)*	**(61,102)**	–
	2,387	63,744
Deposits	**2,249**	2,313
Others	**1,690**	1,760
	6,326	67,817

Notes:

(a) 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 subsequently assigned to an independent third party at a consideration of RMB2,387,000 (equivalent to HK$3,000,000), the remaining prepayments of RMB61,102,000 were considered to be irrecoverable and the amounts were fully impaired during the six months ended 30 June 2013.

11. 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:

	30 June 2013 *RMB'000* **(unaudited)**	31 December 2012 *RMB'000* (audited)
Outstanding balances with ages:		
Within 180 days	**187**	415
Over 180 days	**1,291**	1,280
	1,478	1,695

* *For identification purpose only*

12. GOODWILL

	30 June 2013 *RMB'000* **(unaudited)**	31 December 2012 *RMB'000* (audited)
At cost:		
At beginning and end of period/year	**2,966**	2,966
Accumulated impairment:		
At beginning of the reporting period	**–**	–
Impairment loss	**2,966**	–
At end of the reporting period	**2,966**	–
Carrying amount:		
At end of the reporting period	**–**	2,966

Impairment test on goodwill

For the purposes of recoverability assessment resulting from the loss for the six months ended 30 June 2013 and impairment testing, goodwill has been allocated to the sale of marble and marble related products cash generating unit (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, the preparation of which is by the board of directors of the Company as assisted by an independent professional valuer, Greater China Appraisal Limited. That calculation uses cash flow projections based on financial budgets approved by the management covering a 10-year period, and pre-tax discount rate of 23.74%. Sichuan Jinshida CGU's cash flows beyond the 10-year period are extrapolated using a steady 3% growth rate. A 10-year period is used having regard to the business nature of the mining right and this growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. 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 unaudited condensed consolidated statement of profit or loss and other comprehensive income.

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

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
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:		
Loan to an associate	**80,000**	80,000
Less: Impairment *(note b)*	**(40,000)**	–
	40,000	80,000
Current liabilities:		
Amount due to an associate	**–**	(3,217)

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

Note:

(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., had defaulted the repayment terms of the loans. The Group has been 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) As at 30 June 2013, loans to the associate included in the Group's current assets of RMB40,000,000 (as at 31 December 2012: RMB80,000,000) 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. Impairment loss of RMB40,000,000 has been recorded on the loans to the associate for the six months ended 30 June 2013.

14. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (2012: nil).

15. EVENTS AFTER THE PERIOD

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 Financial Guarantee Co., Ltd. The Group received a part of consideration of RMB5,000,000 on 19 August 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

China Kingstone Mining Holdings Limited (the "Company"), together with its subsidiaries (the "Group"), is the mining operator in China which focuses on the quarrying of marble blocks and processing of marble slabs. The Group owned a marble mine in Sichuan Province, namely Zhangjiaba mine. According to the certification issued by China Stone Material Association (中國石材協會), Zhangjiaba mine is the largest mine in China in terms of beige marble reserves where contains an estimation of approximately 44.2 million cubic metres of measured and indicated marble resources which represents 16.8 million cubic metres of proved and probable marble reserves on a block rate of 38%. As of 30 June 2013, the mining platform area at Zhangjiaba mine was 23,000 square metres (31 December 2012: 23,000 square metres).

During the six months ended 30 June 2013 ("HY13"), there was no exploration activities conducted at the Zhangjiaba mine. Due to an adjustment in the mining technique, the Group had to conduct the improvement work on the pits of the mine and provided the staff training for the new mining technique. As a result, there was no quarrying and output of marble blocks from the Zhangjiaba mine during HY13. In addition to the re-engineering for production, the Group has also been strengthening the sales force and expanding the sales network through retailing, distributing and cooperation with the large property developers in the PRC. The Group expects that sales and production activities could gradually be recovered in the second half of this year.

In August 2013, the Group signed an agreement of cooperation intent with Jiangyou Municipal's People's Government of Sichuan Province, the PRC in relation to a project for processing of slag, which is the waste residual left over from the mining operation, into ground calcium carbonate and composite calcium carbonate. This project is expected to generate additional revenue for the Group's mining operation from sale of calcium carbonate and also save the cost of disposal and storage of the wastes.

During HY13, the Group disposed of 100% equity interest in a subsidiary, Beichuan Lida Mining Co. Ltd, which owns the Tujisi mine in Sichuan Province, the PRC. 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.

Financial Review

Revenue and Gross Profit

The Group's revenue decreased by RMB15.0 million or 97.4% to RMB0.4 million in HY13 from RMB15.4 million in the six months ended 30 June 2012 ("HY12"). The decrease was primarily due to no mining output of marble blocks. The Group mainly conducted the improvement work at the Zhangjiaba mine during HY13 and made the sales of the existing inventory.

Cost of sales decreased by RMB5.6 million or 98.4% to RMB92,000 in HY13 from RMB5.7 million in HY12. The decrease was primarily due to a decrease in sales of marble products.

Gross profit decreased by RMB9.3 million or 96.9% to RMB0.3 million in HY13 from RMB9.6 million in HY12. The decrease was primarily due to a decrease in sales volume of the marble products.

Selling and distribution expenses

Selling and distribution expenses decreased from RMB1.3 million in HY12 to RMB0.2 million in HY13. The decrease was primarily due to a decrease in sales volume of the marble products.

Administrative expenses

Administrative expenses decreased from RMB38.0 million in HY12 to RMB24.2 million in HY13. The decrease was primarily due to a decrease of RMB4.1 million in wages and salaries and a decrease of RMB11.4 million in employee share option expenses.

Finance Costs

Finance costs were RMB3.3 million in HY12, primarily arising from an interest-bearing bank loan of RMB97.0 million. The Group did not incur any bank interest expenses during HY13 as this bank loan was fully repaid in August 2012.

Loss for the period

The Group recorded a loss of RMB196.2 million for HY13 as compared to a loss of RMB7.2 million in HY12, as a result of a combined effect of i) a reduction of profit from sales of marble blocks and slabs due to no mining output at Zhangjiaba mine, ii) an impairment losses of RMB115.0 million arising from certain trade receivables and prepayments, deposits and other receivables were recognised during HY13, iii) an impairment loss of RMB56.2 million arising from equity interest in an associate and loans to the associate, iv) an impairment loss of RMB3.0 million on goodwill; v) a gain of RMB2.6 million on disposal of a subsidiary which owns Tujisi mine.

Liquidity and Capital Resources

As at 30 June 2013, the Group's total equity interests were RMB328.5 million (31 December 2012: RMB525.0 million), representing a decrease of 37.4%. The decrease was mainly attributable to a loss of RMB196.2 million incurred for HY13.

As at 30 June 2013, the Group had cash and bank balances of RMB20.2 million (31 December 2012: RMB28.2 million). Cash and bank balances were mainly denominated in Hong Kong dollar and Chinese Renminbi. The Group's working capital or net current assets was RMB91.3 million (31 December 2012: RMB254.1 million). The current ratio, represented by current assets divided by current liabilities, was 3.9 (31 December 2012: 8.9).

Capital Expenditure

The Group's capital expenditure was amounted to RMB0.4 million during HY13, which was primarily related to purchase of property, plant and equipment.

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, 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 30 June 2013, the Group had a total workforce of 97 (31 December 2012:145). The total staff cost, including directors' emoluments, share options benefit and pension scheme contribution, was approximately RMB7.3 million during HY13 (HY12: RMB22.4 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 profitability, the Group may also distribute discretionary bonus to its employees as an incentive for their contribution to the Group.

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 owned the Tujisi mine in Sichuan Province at a cash consideration of RMB10.5 million.

Prospects

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 take steps to resume the upstream operations to quarry the marble blocks and processing the slabs and also strengthen the sales team and build a solid customer base.

Corporate Governance

The Company has complied with the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 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 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 17 April 2013. The Company had no chairman until 30 April 2013 on which Mr. Liu Hongyu was appointed as chairman.

Following the resignation of an independent non-executive director of the Company, Mr. Pak Wai Keung, Martin on 1 June 2013 (appointed as chief financial officer and company secretary on the same date), the number of independent non-executive Directors and number of members of the audit committee of the Company fell below the minimum number required under Rule 3.10(1) and Rule 3.21 of the Listing Rules. Further, the number of members of the nomination committee and the remuneration committee of the Company also fell below the minimum number required under the terms of reference of the nomination committee and remuneration committee of the Company. The Company is identifying a suitable candidate to fill up the vacancy in order to fulfill the minimum number required under the said Listing Rules with three months from 1 June 2013 pursuant to Rule 3.11 and Rule 3.23 of the Listing Rules and terms of reference.

Compliance With The Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions by the Directors. The Company confirms that, having made specific enquiries with all Directors of the Company, all Directors confirmed that they have complied with the required standards set out in the Model Code and its own code of conduct regarding directors' securities transaction throughout the six months ended 30 June 2013.

Audit Committee

As at 30 June 2013, the audit committee of the Company comprised only two independent non-executive directors, namely Mr. Lam Tin Faat and Mr. Chung Wai Man. The audit committee has reviewed the Group's unaudited interim financial statements for the six months ended 30 June 2013.

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 six months ended 30 June 2013.

PUBLICATION OF THE UNAUDITED CONSOLIDATED INTERIM RESULTS AND 2013 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the HKExnews website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (http://www.hkexnews.hk) and the Company's website (http://www.kingstonemining.com), and the 2013 Interim 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.

EXTRACT OF AUDITOR'S INDEPENDENT REVIEW REPORT

The unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2013 have been reviewed by the Company's auditor, ANDA CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's independent review report will be included in the interim report to shareholders.

The Company's auditor has qualified the Group's interim consolidated financial statements for the six months ended 30th June 2013, an extract of which is as follows:

Basis for Qualified Conclusion

Opening balances and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2012 (the "2012 Financial Statements"), which forms the basis for the corresponding figures presented in the current period'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. Accordingly, we were then unable to form an opinion as to whether the 2012 Financial Statements gave a true and fair view of the state of affairs of the Group as at 31 December 2012 and of the Group's results and cash flows for the year then ended.

Qualified Conclusion

Based on our review, except for any adjustments that might have been found to be necessary concerning the matters as set out in the basis for qualified conclusion, nothing has come to our attention that cause us to believe that the interim financial information are not prepared in accordance with IAS 34.

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 August 2013

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