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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2011

FINANCIAL HIGHLIGHTS

The Group's revenue amounted to approximately RMB104,472,000 for the six months ended 30 June 2011 (the "Review Period"). We commenced commercial production in September 2010, before that we focused on mine planning, construction and infrastructure development. Therefore, the Group did not generate revenue from our operations during the corresponding period last year and we had achieved significant growth this year.

The profit of the Group for the six months ended 30 June 2011 was approximately RMB12,501,000, approximately 11.97% of the total revenue. The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18 March 2011. In the Review Period, the administrative expenses included the listing related expenses which were approximately RMB24,916,000 and the equity-settled share-based share option expense which was approximately RMB20,406,000. These two items were one-off non operating expenses. If we excluded these two items from the administrative expenses, the total comprehensive income to owners of the Company from core business for the Review Period could be reflected as RMB55,088,000, approximately 52.73% of the revenue.

The basic earnings per share attributable to shareholders of the Company amounted to approximately RMB0.64 cents for the six months ended 30 June 2011. No information on loss per share is presented for the comparison period in last year, such information is not considered meaningful since the capital structure as at 30 June 2010 only reflected the pre-IPO structure.

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 2011 together with the comparative figures for the corresponding period in 2010 as follows:

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June

	Notes	**2011** *RMB'000* **(unaudited)**	2010 *RMB'000* (unaudited)
Revenue	*3*	**104,472**	—
Cost of sales		**(14,239)**	—
Gross profit		**90,233**	—
Other income	*4*	**4,202**	6
Selling and distribution costs		**(103)**	(334)
Administrative expenses		**(57,246)**	(3,858)
Finance costs	*5*	**(1,622)**	(1,658)
Other expenses		**(2,095)**	(28)
Profit/(loss) before tax	*5*	**33,369**	(5,872)
Income tax (expense)/benefit	*6*	**(20,868)**	954
Profit/(loss) for the period		**12,501**	(4,918)
Other comprehensive loss for the period:			
Exchange differences on translation of non-RMB functional currency operations		**(2,735)**	—
Total comprehensive income/(loss) for the period attributable to owners of the Company		**9,766**	(4,918)
Earnings/(loss) per share attributable to ordinary equity holders of the Company:			
— Basic	*7*	**RMB0.64 cents**	N/A
— Diluted	*7*	**RMB0.64 cents**	N/A

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2011 RMB'000 (unaudited)**	31 December 2010 RMB'000
Non-current assets			
Property, plant and equipment		**134,182**	87,863
Intangible assets		**62,029**	23,645
Prepaid land lease payments		**2,376**	2,389
Goodwill		**2,966**	2,966
Deferred tax assets		**—**	384
		201,553	117,247
Current assets			
Cash and cash equivalents		**816,060**	80,082
Pledged deposits		**—**	3,308
Trade receivables	*8*	**37,553**	5,675
Prepayments, deposits and other receivables		**43,128**	10,243
Inventories		**1,874**	1,839
		898,615	101,147
Current liabilities			
Interest-bearing borrowings		**—**	73,308
Trade payables	*9*	**4,832**	998
Other payables and accruals		**23,043**	16,325
Tax payable		**14,828**	462
		42,703	91,093
Net current assets		**855,912**	10,054
Total assets less current liabilities		**1,057,465**	127,301
Non-current liabilities			
Deferred income		**195**	207
Deferred tax liabilities		**5,031**	—
		5,226	207
Net assets		**1,052,239**	127,094
Equity			
Equity attributable to owners of the Company			
Issued capital		**168,348**	—
Reserves		**883,891**	127,094
Total equity		**1,052,239**	127,094

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 29 March 2010 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands under the name of China Kingstone Mining Holdings Limited. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at 43rd Floor, Gloucester Tower, The Landmark, 15 Queen's Road, Central, Hong Kong.

During the Review Period, the Company and its subsidiaries were principally engaged in the production and sale of marble and marble related products. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

The Company's shares have been listed on the Main Board of the Stock Exchange since 18 March 2011 (the "Listing Date").

In the opinion of the directors, the holding company of the Company is Wongs Investment Development Holdings Group Limited ("Wongs Investment"), which is incorporated in the British Virgin Islands, and the ultimate controlling shareholder of the Company is Mr. Huang Xianyou.

2.1 BASIS OF PREPARATION

The unaudited interim condensed financial information for the Reporting Period has been prepared in accordance with IAS 34 Interim Financial Reporting.

The unaudited interim condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this interim condensed financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs", which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB") and the International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect) mandatory for annual periods beginning 1 January 2011. The effect of the adoption of these standards, amendments and interpretations was not material to the Group's operations and financial position.

3. REVENUE AND 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 commenced its commercial production in September 2010, and there were no revenue, trade discounts or returns before then.

For management purposes, the Group is organized into business units based on their products and services. The Group has one operating segment, which is mining for the six months ended 30 June 2011 and 2010. Further, all 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.

Information about products

The following table sets forth the total revenue from external customers by product and the percentage of total revenue by product during the Reporting Period:

	For the six months ended 30 June			
	2011		2010	
	RMB'000	*%*	*RMB'000*	*%*
	(Unaudited)		(Unaudited)	
Sale of marble slabs	**42,313**	**40.5**	—	—
Sale of marble blocks	**62,159**	**59.5**	—	—
	104,472	**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:

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A	**31,410**	—
Customer B	**28,990**	—
Customer C	**16,726**	—
Customer D	**13,598**	—

4. OTHER INCOME

An analysis of other income is as follows:

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income	**4,180**	6
Miscellaneous	**22**	—
	4,202	6

5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cost of inventories sold	**14,239**	—
Staff costs (including directors' remuneration):		
Wages and salaries	**9,191**	1,467
Pension scheme contributions		
— Defined contribution scheme	**657**	293
Equity-settled share option expense	**20,406**	—
Other staff benefits	**1,365**	454
	31,619	2,214
Less: Staff costs capitalized	**(2,650)**	(1,517)
	28,969	697
Global offering costs	**24,916**	2,058
Interest on borrowings wholly repayable within five years	**1,512**	1,514
Guarantee costs	**—**	120
Bank charges	**110**	24
Total finance costs	**1,622**	1,658
Amortization of intangible assets	**725**	—
Amortization of prepaid land lease payments	**13**	—
Depreciation of items of property, plant and equipment	**2,657**	425
Less: Depreciation capitalized	**(1,146)**	(360)
	1,511	65
Foreign exchange loss	**2,064**	—
Operating lease rentals for office	**453**	34
Loss on disposal of items of property, plant and equipment	**—**	23

6. INCOME TAX EXPENSE

The major components of income tax expense for the six months ended 30 June 2011 and 2010 are as follows:

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current — Mainland China		
Charge for the period	**15,453**	—
Deferred	**5,415**	(954)
Total tax expense/(benefit) for the period	**20,868**	(954)

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 an overseas 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 Review Period.

The provision for the PRC corporate income tax ("CIT") is based on the respective CIT rates applicable to the subsidiaries located in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC for the Review Period. The Group's subsidiaries located in Mainland China are subject to the PRC CIT rate of 25% from 2008.

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.

Pursuant to the resolution dated 30 June 2011 of the board of directors of the operating subsidiary in the PRC, Kingstone (Guangzhou) Stone Industry Co., Ltd. ("Guangzhou Kingstone"), the net profit of Guangzhou Kingstone for the Review Period, after appropriations to the statuary reserve fund, would be used for business development of Guangzhou Kingstone and would not be distributed to its shareholders. As a result, no deferred tax liabilities relating to withholding tax on the distributable profits of Guangzhou Kingstone for the Review Period have been recorded.

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the earnings per share amount is based on the profit attributable to owners of the Company for the Review Period amounting to RMB9,766,000 and 1,533,967,000 shares, being the weighted average number of ordinary shares in issue during the Review Period and the capitalization of capital reserve account at the date of listing on the Stock Exchange.

The weighted average number of shares used to calculate the basic earnings per share for the period ended 30 June 2011 includes 58,000,000 and 442,000,000 shares issued on 17 March 2011 and 18 March 2011, respectively, in connection with the Company's initial public offering on the Stock Exchange.

No loss per share information for the six months ended 30 June 2010 is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the fact that only one share was issued by the Company during the six months ended 30 June 2010.

No adjustment has been made to the basic earnings per share in respect of a dilution as the Company did not have any potential dilutive shares in issue shares during the six months ended 30 June 2010 and the exercise price of the Company's outstanding share options was higher than the average market price for the Company's shares during the Review Period.

8. TRADE RECEIVABLES

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(unaudited)	
Trade receivables	**37,553**	5,675

An aged analysis of trade receivables, based on the goods delivery date, is as follows:

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(unaudited)	
Outstanding balances with ages:		
Within 30 days	**37,553**	5,675

The Group's trading terms with its customers are mainly on credit. In view of the fact that the Group sells most of its products to a small number of customers, there is a high level of concentration of credit risk. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Trade receivables are non-interest-bearing.

9. TRADE PAYABLES

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(unaudited)	
Trade payables	**4,832**	998

An aged analysis of trade payables, based on the invoice date, is as follows:

	30 June 2011 *RMB'000* **(unaudited)**	31 December 2010 *RMB'000*
Outstanding balances with ages:		
Within 180 days	**4,679**	998
180 days to 365 days	**153**	—
	4,832	998

Trade payables are non-interest bearing and are normally settled in 180 days.

10 EVENTS AFTER THE REPORTING PERIOD

On 15 July 2011, the Group entered into an entrusted loan agreement with Guangdong Jiapeng Construction Co., Ltd. ("Guangdong Jiapeng Construction") and the Industrial and Commercial Bank of China whereby the Group agreed to provide a loan of a principal amount of RMB35,000,000 with a maturity period of one year to Guangdong Jiapeng Construction. The loan is secured by certain accounts receivable of Guangdong Jiapeng Construction with a net carrying amount of approximately RMB194,000,000 and bears interest at a fixed rate of 7.216% per annum.

On 26 July 2011, the Group acquired a 49% equity interest in Guangdong Jiapeng Construction, which is engaged in the design and construction of architecture decoration and curtain wall, at a cash consideration of RMB15,000,000, which was based on arm's-length negotiations by references to Guangdong Jiapeng Construction's owned construction licences and capabilities.

On 29 August 2011, the Group acquired 100% equity interest in Beichuan Lida Mining Co., Ltd. ("Beichuan Lida") for an aggregate consideration of RMB6.0 million, which is determined based on arm's-length negotiations by references to recent transaction price of marble mines in the PRC similar to the marble mine in which Beichuan Lida is entitled to conduct mining.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Zhangjiaba Mine, which is owned by the Group, has the most abundant beige marble reserve in China. The Company has acquired 10 years of mining rights and consideration paid by the Company for such certificate confers the right to our reserve mined in a period of 30 years, which made the Group practically possessing the largest resource for beige marble production in China. Such mine contains high-quality beige marble reserves, while premium beige marble slabs and blocks are currently the major products of the Group.

In the first half of 2011, the Group has continued to upgrade its mining and processing capacities and leverage on its enlarged capacities to actively identify other high-quality mines with a view to reinforcing our strength in resources. With respect to our strategy on customers, we have aggressively pursued cooperation opportunities with end-customers in the industrial chain, targeted high-end marble construction market and approached target customers directly in order to reduce transaction costs and increase profits. The Group has also endeavored to increase its brand awareness through participating in landmark construction projects in order to enhance the value of our shareholders' investments.

The area of the mining platform in the eastern orebody of Zhangjiaba Mine has reached 18,000 m^2 in the first half of 2011 through the Company's efforts in purchasing great quantity of machine and equipment, increasing human resources and expanding mine infrastructure. In June this year, the Group has raised the manufacturing capacity to the level of about 3,500 m^3 per month, meeting the target of annual production capacity for 2011 of 45,000 m^3. Besides focusing on enlarging mining platform and perking up production capacity of blocks, the Company is actively preparing for the construction of its own processing plant. Since the original site of processing plant in Jiangyou has not delivered the required approvals as required under the domestic laws and regulations, the Group is not able to embark on such construction plan in the foreseeable future, nevertheless, the Group is trying to identify suitable site to construct large-scale marble slab processing plants for the Company. We have identified several geographical hubs of the stone material industry in China and were studying on the possibility of constructing processing plant through methods of new construction and consolidation. After the completion of the comprehensive capacity enhancement plan in 2014, the annual mining capacity of marble block of the Group is expected to reach 150,000 m^3 and the annual marble slab processing capacity of the Group's processing facilities is expected to increase to 3,000,000 m^2. According to the estimation of China Stone Material Association, after accomplishing the capacity upgrading plan, the Group will clinch the top spot among marble mining companies in China in terms of mining capacity and processing capacity of a single type of mine.

The Group has also spared no effort to expand its resource of quality decorative stone mine. At March 2011, the Group entered into a letter of intent with an independent third party for acquiring the Tujisi Mine. In 29 August 2011, the Group entered into the sale and purchase agreement in acquisition of 100% equity interest in Beichuan Lida Mining Co., Ltd. which owned the mining right of Tujisi Mine, which is situated in the same mineral vein as our Zhangjiaba Mine and with estimated resources of approximately 6,100,000 m^3 (332+333 under Chinese Standard). We have already entered into the final stage of geographical exploration. Although the exploration report was not formally completed, the actual amount of resources of Tujisi Mine is much higher than expected according to the current site information. Through such acquisition, the Group could further increase its production volume of block and processing volume of slab, especially enriching the product mid to high-end beige marble series which have higher market competitiveness. In the future, the Group will continue to actively identify other acquisition opportunities of mine resources in order to continuously fortify our strength in resource in the marble industry.

The Group targets its products in high-end marble construction, renovation and decoration material market and directly develops close cooperative relations with end customers, such as construction company, developer and engineering company. Besides, we also hold discussion on suitable merger and acquisition opportunities in order to enhance the competitiveness of the Group in the whole stone industrial chain. Through approaching large-scale and high-end customers directly, we could reduce fees incurred by undergoing transactions through multi-layered sales channels and increase profit of the Group. Moreover, through participating in landmark construction projects, we could rapidly build up the brand awareness of our marbles and create more wealth for our shareholders.

Summary of Production and Sales Performance

The Company is the first marble mining company listed on the Main Board of Stock Exchange. Since its listing on 18 March 2011, the Group has adhered to its listing commitments, focusing on enhancing capacity and improving business performance. During the Review Period, we exploited a total of 9,371 m^3 of marble blocks in Zhangjiaba Mine, which is a marble mine owned by the Group in Sichuan, and processed a portion of the blocks into an aggregate of 91,460 m^2 of marble slabs, of which, about 1,338 m^2 was Pure Beige marble slabs and approximately 90,122 m^2 was Mixed Beige and other marble slabs. As at 30 June 2011, the Group has sold about 7,612 m^3 of marble blocks, which amounted to about RMB62,159,000 and about 88,384 m^2 of marble slabs in the amount of approximately RMB42,313,000. Sales of marble blocks and marble slabs represented 60% and 40% of the total revenue from January to June 2011 respectively.

During the Review Period, the average selling price of each square meter of Pure Beige marble slab was RMB865 and the average selling price of each square meter of Mixed Beige marble slab was RMB568. The Group was committed to reduce costs and enhance efficiency and ramp up the economies of scale in production in order to efficiently control unit cost, which has reduced from RMB332 per square meter to RMB169 per square meter, while cost in cash incurred by outsourcing marble production was RMB159 per square meter.

Zhangjiaba Mine Marble Resource and Reserve Summary, as of 30 June 2011 (JORC Compliant)

JORC Resource and Reserve Class	**(Mm^3)**
Measured Resource	15.74
Indicated Resource	28.41
Total Resource	44.15
Proved Reserve	5.98
Probable Reserve	10.80
Total Reserve	16.78

Our operation results from January to June 2011 are summarized as follow:

	September – December 2010	January – March 2011	April – June 2011	January – June 2011
Marble Block Mining				
Marble block mined (m^3)	1,145	850	8,521	9,371
Marble Block for Sales & Processing				
Marble blocks for direct sales (m^3)	24	1,456	6,156	7,612
Marble blocks for slab processing (m^3)	344	157	2,320	2,474
Marble blocks stocks	777	14	57	57
Subtotal	1,145	1,625	8,533	10,146
Marble Slab Processing & Sales				
Outsourced Marble Slab Processing				
Marble slabs processed				
Pure Beige (m^2)	3,087	1,107	231	1,338
Mixed Beige (m^2)	9,365	2,577	60,226	62,803
Others (m^2)	—	2,060	25,259	27,319
Subtotal	12,452	5,744	85,716	91,460
Total Marble Slabs Sold				
Pure Beige (m^2)	3,000	1,107	—	1,107
Mixed Beige (m^2)	9,000	2,577	59,250	61,827
Others (m^2)	—	2,060	23,390	25,450
Subtotal	12,000	5,744	82,640	88,384
Average Selling Prices (Note)				
Marble block ASP (RMB/m^3)	3,414	4,693	10,773	9,610
Marble slab ASP				
Pure Beige (RMB/m^2)	842	865	865	865
Mixed Beige (RMB/m^2)	570	568	568	568
Others (RMB/m^2)	—	538	540	539
Unit Production Cost				
Marble block production cash cost (RMB/m^3)	7,012	4,624	1,951	2,194
Marble block production total cost (RMB/m^3)	7,280	5,308	2,276	2,557
Equivalent marble slab production cash cost (RMB/m^2)	325	232	152	159
Equivalent marble slab production total cost (RMB/m^2)	332	253	161	169

Note: The average selling price includes the VAT

Quality Marble Stone Products

The Group mainly engages in the production of quality premium beige marble slabs and blocks. The Zhangjiaba Mine of the Group contains various kinds of beige marbles, including Pure Beige, Mixed Beige, Wood Grain and Gray Net marbles, which account for 51.0%, 32.7%, 6.4% and 9.9% of our marble reserves respectively. The Group mainly produces Pure Beige and Mixed Beige marbles at present and both products are premium marbles, with Pure Beige marble commanding the highest price and Mixed Beige marble ranking behind. The Group continues to target the high-end market and according to an independent review conducted by China Stone Material Association, the physical specifications and appearance of our marble samples are similar to those renowned international brands such as Cream Marfil, Frans Beige and Royal Batticino, and are suitable for use in the decoration of premium commercial and public buildings such as hotel, office, museum and monument. Therefore, the prices of our beige marble slabs are comparable to those set by renowned international premium brands and substantially higher than the marble prices of other domestic brands in China. On one hand, the minimum average selling price of beige marble of the Group is approximately 4.7 times higher than the lowest average selling price of domestic brand, demonstrating that beige marble produced by the Group not only has higher quality, but also enjoys higher margin. On the other hand, the minimum average selling price of beige marble of the Group has approximately a 40% discount to renowned international brands, which shows that there are still plenty of rooms for achieving revenue growth. Leveraging on the existing resources and technical standards and sales channels, the Group is poised to realize further growth through establishing its own brands on a more solid foundation.

Acquisition of Mines and Strategic Consolidation

The acquisition of marble reserves implies the gaining of dominant position in the market, therefore, the Group continues to keep track and explore on the mine acquisition projects of this year and embarks on resources consolidation on a larger scale with a view to strengthening the competitiveness of the Group in terms of resources. At March 2011, the Group entered into a letter of intent with an independent third party for acquiring the Tujisi Mine. In 29 August 2011, the Group entered into the sale and purchase agreement in acquisition of 100% equity interest in Beichuan Lida Mining Co., Ltd. which owned the mining right of Tujisi Mine, which is situated in the same mineral vein as our Zhangjiaba Mine and with estimated resources exceeding 6,100,000 m^3 (332+333 under Chinese Standard). According to our preliminary plan, the mining capacity for blocks will reach 50,000 m^3 per annum, while processing capacity for slabs will amount to 1,000,000 m^2 annually. Such resources enlargement plan will be launched in 2013 and targets to be completed in 2015, when new products would be introduced to the market to meet requirements of various customers. The linear distance between Zhangjiaba Mine and Tujisi Mine is about 3 km. The Group is well-equipped to develop Tujisi Mine with its existing technical know-how, infrastructure and facilities and achieve synergy and realize the benefits of economies of scale.

On the other hand, the Group has successfully entered into an equity transfer agreement with Guangdong Jiapeng Construction in July 2011, pursuant to which, 49% equity interest in Guangdong Jiapeng Construction will be acquired at a consideration of RMB15,000,000. Guangdong Jiapeng Construction is a construction company in Guangzhou and Zhujiang delta region, such acquisition could complement the strength in resources of the Group and it not only allows us to sell our products directly to major high-end customers, but also curtails fees arising from the multi-layered intermediate sales channels, which would beef up profits of the Company and create synergy. In addition, we could enhance brand awareness of our marbles swiftly through participating in construction of landmark projects, while Guangdong Jiapeng Construction could secure the source of high quality and premium beige marble. Through entering into such cooperative arrangement, both parties could benefit mutually from jointly exploiting the construction, renovation and decoration markets which have high development potentials. Taking into consideration of the mine resources of the Group, the introduction of our products to the decoration and renovation market can deliver higher profit than merely selling slabs and blocks.

Business Strategies

It is the Group's goal to become a leading integrated marble business operator in China. In order to achieve this target, the Group plans to implement the following strategies:

- ***Perk up mining and processing capacity***

  We will continue to ramp up capacity in order to closely follow rising market demand and the annual aggregate mining capacities of marble blocks are expected to increase substantially. On the other hand, we are actively seeking for suitable site to construct ultra large-scale modern processing plant and strive hard to achieve the maximum target of production capacity of mines and realize the production plan of full operation of processing plant in 2014. Before the commencement of production of our own processing plant, we entered into long-term processing agreements with renowned stone enterprises in China, such as Universal Marble & Granite Group Ltd. and Kangli Stone Group, to guarantee the production and quality of slabs.

- ***Establish solid customer base and strengthen customer relations***

  We will focus on developing business relations with distributors which have outstanding track records, strong customer base and extensive sales and marketing networks.

- ***Participate in landmark construction projects***

  We will cooperate with famous property developers, renovation and decoration companies and construction design companies to obtain the contracts of marble supply for landmark construction projects.

- ***Enhance brand awareness and pricing power***

  We will actively participate in industrial activities and form win-win strategic alliance with major and renowned national stone material enterprises with comprehensive distribution networks. In addition, the Group plans to target at landmark construction projects (such as 5-stars hotels and major commercial and public constructions) when promoting its products in the market in order to increase the popularity of the products of the Group.

- ***Increase marble reserves through further expansion and selective acquisition***

  Since the exploration potential beyond our permitted mining area and in other neighboring marble mines in Sichuan Province is high, the Group could largely increase its mineral resource and reserve through acquiring neighboring mines or additional exploration and mining rights of mining companies. The Group will keep an eye on the opportunities to acquire mines with promising exploration potential which are beyond our existing mining area in order to build up the resource and reserve of the Group in Sichuan. The Group will also seek to expand its business through acquiring quality marble mines with reserves which could support mining activities for over 10 years in other areas of China. Preliminary geographical works conducted on the two mines for which letter of intent for acquisition were originally entered into indicates that the amount of resources and quality do not justify the price requested by the mine owner and the acquisition plan was therefore aborted. We are now identifying suitable mine as acquisition target.

Financial Review

The Financial Trend since the Group Commenced the Commercial Production

	2010	**January to June 2011**		
		The First Quarter	**The Second Quarter**	**For the six months ended 30 June**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
		Note 1	**Note 2**	**Note 3**
		(unaudited)	**(unaudited)**	**(unaudited)**
Revenue	6,615	8,863	95,609	104,472
Cost of Sales	(2,023)	(2,054)	(12,185)	(14,239)
Gross Profit	4,592	6,809	83,424	90,233
Total comprehensive income attributable to owners of the Company	(23,623)	(31,440)	41,206	9,766

Note 1: The first quarter's figures were announced on April 2011;

Note 2: The second quarter's figures are balancing figures for reference only;

Note 3: The figures for the six months ended 30 June 2011 have been reviewed by independent auditors.

Revenue

For the six months ended 30 June 2011, the Group recorded revenue of RMB104,472,000. The Group commenced sales of marble slabs and marble blocks from October 2010. Compared to the six months ended 30 June 2010, it was still in the stage of mine planning, construction and infrastructure development. The significant increase of turnover is noted as the Group commenced the sales of marble slabs and blocks in the Review Period.

Cost of sales

For the six months ended 30 June 2011, the Group incurred cost of sales of RMB14,239,000. Cost of sales mainly comprises of salary of workers in the marble mine, supplementary material, fuel and electricity, depreciation and amortization, environmental and safety expenses. The Group commenced commercial operation in September 2010, hence the cost of sales recorded a noticeable increment in the six months period ended 30 June 2011. Cost of sales bears about 13.63% of the revenue.

Gross profit

The Group recorded a gross profit amounted RMB90,233,000 for the six months ended 30 June 2011. The gross profit ratio is approximately 86.37%. The Group commenced commercial operation in September 2010, hence a noticeable increment of gross profit was recorded in the six months period ended 30 June 2011.

Other income

Other income of the Group increased from RMB6,000 for the six months ended 30 June 2010 to RMB4,202,000 for the six months ended 30 June 2011.

For the six months ended 30 June 2011 other income mainly comprises of interest income from bank deposits and other interest income of the Group.

For the six months ended 30 June 2010 other income mainly consisted of interest income from bank deposits of the Group.

Administrative expenses

The administrative expenses of the Group increased from RMB3,858,000 for the six months ended 30 June 2010 to RMB57,246,000 for the six months ended 30 June 2011.

The sharp increment of the amount was resulted from the professional expenses of the Group incurred in relation to the listing of the Company which was amounted to RMB24,916,000. Moreover, since the commencement of the commercial operation of the Group, the increasing of the staff costs and consultation costs also increased substantially from RMB1,467,000 for six months ended 30 June 2010 to RMB9,191,000 for six months ended 30 June 2011. Equity-settled share-based share option expenses increased due to share option was granted to certain director and senior management of the company on 24 January 2011, of which amount recognized for the six months ended 30 June 2011 amounted to RMB20,406,000.

Selling and distribution costs

The selling and distribution costs of the Group decreased from RMB334,000 for the six months ended 30 June 2010 to RMB103,000 for the six months ended 30 June 2011. The decrease in selling and distribution costs mainly resulted from the decrease in the advertising expenses during the Review Period.

Finance costs

Finance costs decreased from RMB1,658,000 for the six months ended 30 June 2010 to RMB1,622,000 for the six months ended 30 June 2011.

Reduction of the finance costs was mainly due to the decrease in guarantee fee paid to third party guarantors.

Other expenses

Other expenses of the Group increased from RMB28,000 for the six months period ended 30 June 2010 to RMB2,095,000 for the six months ended 30 June 2011.

The major change of the other expenses was the exchange loss resulted from the depreciation of US dollar and HK dollar to Renminbi during the Review Period.

Tax credit and expense

The tax credit decreased from RMB954,000 for the six months ended 30 June 2010 to a tax expense of RMB20,868,000 for the six months ended 30 June 2011.

The decrease in the tax credit was due to the company commenced business operation, which generated taxable profit, and thus incurred tax.

Dividend

No dividends were declared for the six months period ended 30 June 2010 and 2011.

Future Prospect

Looking forward, the Group will strive to completely change the long-held impression that marble manufactured in China is cheap but with poor quality. Leveraging on our quality stone mine resources, we will establish ourselves as a Chinese brand which could supply quality high-end stone products, secure dominating position in our industry and develop into a large-scale international company which could compete effectively in the international market. It is expected that the Group will be able to meet its maximum production target in 2014 by ramping up the production of its existing mines. Moreover, the synergy effect brought about by newly acquired projects has gradually materialized through which the Group is expected to enjoy more encouraging growth in the future. Besides striving hard to meet our production target, the Group will also develop mining technology and procedures and management methods which could reduce cost and improve quality with a view to consolidating our leading position in the field of mine development and becoming a benchmark company in the stone mining industry.

Corporate Governance Code

The Company has adopted the code provisions contained in the Corporate Governance Code, as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has complied with such code provision throughout the six months ended 30 June 2011 except for the deviated from code provision A.2.1 of the Corporate Governance Code disclosed below:

Under code Provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Group does not at present separate the roles of chairman and chief executive officer. Ms. Chen Tao is the chairlady and chief executive officer of the Group. She is responsible for the business strategy, overall operation, financing and investment activities of the Group. The Board considers that vesting the roles of both chairman and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. Ms. Chen Tao is instrumental to the development of the Group and is most appropriate person to manage the Group. Notwithstanding the above, the Board will review the current structure from time to time. When at the appropriate time and if candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may make necessary arrangements.

Model Code

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its code of conduct regarding Directors' securities transaction by the Directors. Having made specific enquiries with all Directors of the Company, all Directors confirmed that they had complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the six months ended 30 June 2011.

Audit Committee

The audit committee of the Company (the"Audit Committee") was established on 24 January 2011 with terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the CG code. At present, the Audit Committee consists of three members, all of the members are independent non-executive Directors, namely Mr. Deng Huiqing, Mr. Chu Ho Hwa, Howard and Mr. Liu Yuquan. Mr. Chu Ho Hwa, Howard is the current chairman of the Audit Committee.

The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of external auditor, the review of the financial statements and material advice in respect of financial reporting and the oversight of internal control procedures of the Group. The Audit Committee has reviewed the Group's unaudited interim financial statements for the six months ended 30 June 2011.

Purchase, Sale or Redemption of the Company's Listed Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2011.

PUBLICATION OF THE UNAUDITED CONSOLIDATE INTERIM RESULTS AND 2011 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the HKEx news website of the Stock Exchange (http://www.hkexnews.hk) and the Company's website (http://www.kingstonemining.com), and the 2011 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.

By Order of the Board
China Kingstone Mining Holdings Limited
Chen Tao
Chairlady

Hong Kong, 30 August 2011

As at the date of this announcement, the Board comprises Ms. Chen Tao, Mr. Lin Yuhua, Mr. Liao Yuanshi, Mr. Xiong Wenjun as executive directors; Mr. He Ji as non-executive director and Mr. Deng Huiqing, Mr. Chu Ho Hwa, Howard and Mr. Liu Yuquan as independent non-executive directors.