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 2012

FINANCIAL HIGHLIGHTS

The Group's revenue amounted to approximately RMB15,353,000 for the six months ended 30 June 2012 (the "Period"). A decrease of 85%, as compared to the corresponding period in last year, is noted.

The loss and total comprehensive loss attributable to owners of the Company for the Period were approximately RMB7,247,000 and RMB6,490,000, respectively while the Group recorded the profit and total comprehensive income amounting to RMB12,501,000 and RMB9,766,000, respectively for the six months ended 30 June 2011.

The basic loss per share attributable to ordinary equity holders of the Company amounted to approximately RMB0.33 cents for the Period as compared to the basic earnings per share of RMB0.64 cents for the six months ended 30 June 2011.

The board of directors (the "Board") of China Kingstone Mining Holdings Limited (the "Company") announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2012 together with the comparative figures for the corresponding period in 2011 as follows:

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

	Notes	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Revenue	3	**15,353**	104,472
Cost of sales		**(5,712)**	(14,239)
Gross profit		**9,641**	90,233
Other income and gains	4	**34,151**	4,202
Selling and distribution costs		**(1,309)**	(103)
Administrative expenses		**(35,893)**	(57,246)
Other expenses		**(2,150)**	(2,095)
Finance costs		**(3,268)**	(1,622)
Share of profit of an associate		**524**	—
Profit before tax	5	**1,696**	33,369
Income tax expense	6	**(8,943)**	(20,868)
(Loss)/profit for the period		**(7,247)**	12,501
Other comprehensive income/(loss) for the period:			
Exchange differences on translation of non-RMB operations		**757**	(2,735)
Total comprehensive (loss)/income for the period attributable to owners of the Company		**(6,490)**	9,766
Earnings/(loss) per share attributable to ordinary equity holders of the Company (RMB cents):			
— Basic	7	**(0.33)**	0.64
— Diluted	7	**(0.33)**	0.64

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2012 RMB'000 (unaudited)**	31 December 2011 RMB'000
Non-current assets			
Property, plant and equipment		**205,078**	200,990
Intangible assets		**69,916**	69,970
Prepaid land lease payments		**2,346**	2,363
Payments in advance	*8*	**451,772**	—
Goodwill		**2,966**	2,966
Investment in an associate		**16,767**	16,242
Trade receivables		**—**	80,138
Deferred tax assets		**523**	114
		749,368	372,783
Current assets			
Inventories		**12,255**	9,284
Trade receivables	*9*	**127,175**	27,520
Entrustment loans		**—**	310,000
Structured deposits		**—**	170,247
Prepayments, deposits and other receivables	*10*	**105,085**	57,233
Loans to an associate		**80,000**	80,000
Pledged deposits		**107,794**	107,196
Cash and cash equivalents		**44,017**	127,285
		476,326	888,765
Current liabilities			
Trade payables	*11*	**1,548**	1,018
Other payables and accruals		**27,984**	28,210
Amount due to an associate		**2,217**	—
Interest-bearing borrowings		**97,000**	97,000
Tax payable		**3,091**	17,522
		131,840	143,750
Net current assets		**344,486**	745,015
Total assets less current liabilities		**1,093,854**	1,117,798
Non-current liabilities			
Deferred income		**182**	194
Net assets		**1,093,672**	1,117,604
Equity			
Equity attributable to owners of the Company			
Issued capital		**164,106**	168,086
Reserves		**929,566**	949,518
Total equity		**1,093,672**	1,117,604

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 6812–13, 68/F, The Center, 99 Queen's Road, Central, Hong Kong.

During the 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 Period.

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 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 2011.

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 2011, 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 2012. 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.

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 2012 and 2011. Further, most 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 Period:

	For the six months ended 30 June			
	2012		2011	
	RMB'000	*%*	*RMB'000*	*%*
	(Unaudited)		(Unaudited)	
Sale of marble slabs	**—**	**—**	42,313	40.5
Sale of marble blocks	**15,353**	**100.0**	62,159	59.5
	15,353	**100.0**	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	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A	**7,677**	—
Customer B	**7,676**	—
Customer C	**—**	31,410
Customer D	**—**	28,990
Customer E	**—**	16,726
Customer F	**—**	13,598

4. OTHER INCOME AND GAINS

An analysis of other income is as follows:

	For the six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income from:		
— loans to an associate	**2,662**	—
— entrustment loans	**20,049**	—
— structured deposits	**2,968**	2,107
— imputed interest income from installment receivables	**8,334**	—
— bank interest income	**54**	2,073
Miscellaneous	**84**	22
	34,151	4,202

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cost of inventories sold	**5,712**	14,239
Staff costs (including directors' remuneration):		
— Wages and salaries	**10,001**	9,191
— Pension scheme contribution		
Defined contribution scheme	**465**	657
— Equity-settled share option expense	**11,602**	20,406
— Other staff benefits	**370**	1,365
	22,438	31,619
Less: Staff costs capitalized	**(742)**	(2,650)
	21,696	28,969
Global offering costs	**—**	24,916
Interest on borrowings wholly repayable within five years	**3,226**	1,512
Bank charges	**42**	110
Total finance costs	**3,268**	1,622
Amortization of intangible assets	**54**	725
Amortization of prepaid land lease payments	**17**	13
Depreciation of items of property, plant and equipment	**4,533**	2,657
Less: Depreciation capitalized	**(979)**	(1,146)
	3,554	1,511
Loss on low production (included in cost of sales)	**4,791**	—
Foreign exchange loss	**286**	2,064
Operating lease rentals for buildings	**4,523**	453

6. INCOME TAX EXPENSE

The major components of income tax expense for the six months ended 30 June 2012 and 2011 are as follows:

	For the six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current — Mainland China		
Charge for the period	**9,352**	15,453
Deferred	**(409)**	5,415
Total tax expense for the period	**8,943**	20,868

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 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 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.

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

The calculation of the earnings/(loss) per share is based on the loss attributable to owners of the Company for the Period amounting to RMB6,490,000 (six months ended 30 June 2011: profit attributable to owners of the Company: RMB9,766,000) and 1,965,260,000 ordinary shares (six months ended 30 June 2011: 1,533,967,000 ordinary shares), being the weighted average number of ordinary shares in issue during the Period.

No adjustment has been made to the basic earnings/(loss) per share in respect of a dilution as the Company did not have any potential dilutive shares in issued shares during the six months ended 30 June 2012 and 2011, and the exercise price of the Company's outstanding share options was higher than the average market price for the Company's ordinary shares during each of the six months ended 30 June 2012 and 2011.

8. PAYMENTS IN ADVANCE

	Notes	**30 June 2012** **RMB'000** **(unaudited)**	31 December 2011 *RMB'000*
Payments to strategic partners in Yunfu	*(1)*	**310,000**	—
Payments for mining-related property, plant and equipment	*(2)*	**141,772**	—
		451,772	—

Notes:

(1) During the Period, the Group entered into a series of strategic cooperation agreements with four independent stone business entities, namely Yunfu Kailong Stone Material Co., Ltd. (雲浮市凱隆石材有限公司), Yunfu Zhijing Stone Co., Ltd. (雲浮市致景石材有限公司), Yunfu Huihua Stones Co., Ltd. (雲浮市輝華石材有限公司) and Yunfu Chengjiu Stone Co., Ltd. (雲浮市成就石材有限公司) (collectively referred to as the "strategic partners") to jointly develop and expand stone material processing capacity in Yunfu, Guangdong Province and to develop national distribution network for stone products. Pursuant to these agreements, the Group had made payments in advance aggregating to RMB310,000,000 to the strategic partners through Guangzhou Junqi Investment Management Co., Ltd. (廣州駿啟投資管理有限公司), an independent third party.

(2) During the Period, the Group engaged Guangzhou Zhongling Dredging Co., Ltd. (廣州中淩疏浚有限公司, "Zhongling Dredging") as an agent to import mining equipment and made a payment of RMB94,726,238 to Zhongling Dredging through Shenzhen Yuyoufa Trading Co., Ltd. (深圳市裕友發貿易有限公司), an independent third party.

During the Period, the Group engaged Yunfu Hengji Earthwork Engineering Co., Ltd. 雲浮市恒基土石方工程有限公司 ("Hengji Earthwork") for the construction of mining infrastructure of platform No. 3 to No. 5 at Zhangjiaba Mine. As at 30 June 2012, the revised contract sum of construction contract was approximately RMB47,320,000. The Group made a payment in advance of RMB47,000,000 to Hengji Earthwork during the Period through Helaichun Construction and Design Co., Ltd. (鶴來春建築設計有限公司), an independent third party.

9. TRADE RECEIVABLES

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(unaudited)	
Trade receivables		
— current portion	**127,175**	27,520
— non-current portion	**—**	80,138
	127,175	107,658

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

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(unaudited)	
Outstanding balances with ages:		
Within 30 days	**18,000**	2,650
31–90 days	**—**	105,008
Over 6 months but within 1 year	**109,175**	—
	127,175	107,658

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 a 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 minimize credit risk. Trade receivables are non-interest-bearing. As at 30 June 2012, the trade receivables of RMB109,175,000 was secured by certain properties.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(unaudited)	
Neither past due nor impaired	**126,942**	107,658
31 to 90 days past due	**233**	—
	127,175	107,658

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000
Prepayments consisted of:			
Purchase of			
— Raw materials		**54,813**	37,054
— Utilities		**479**	572
Refundable deposit for development of sales networks	*(a)*	**43,000**	—
Prepaid operating lease rentals to be amortized within one year			
— Office		**—**	109
Deposits		**2,905**	2,451
Deductable VAT		**2,076**	3,908
Interest receivable		**—**	12,920
Other receivables		**1,812**	219
		105,085	57,233

(a) During the six months ended 30 June 2012, the refundable deposit was paid to Guangzhou Jianyue Decoration Co., Ltd. (廣州市建粵裝飾有限公司) for the development of sales network for the Group through Helaichun Construction and Design Co., Ltd. (鶴來春建築設計有限公司), an independent third party

11. TRADE PAYABLES

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000
Trade payables	**1,548**	1,018

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

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000
Outstanding balances with ages:		
Within 180 days	**1,548**	1,018

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

12. EVENTS AFTER THE PERIOD

There was a default in respect of a loan to Guangdong Jiapeng Construction Co., Ltd. in the amount of RMB35,000,000 which matured on 15 July 2012. After negotiation between the Group and Guangdong Jiapeng, Guangdong Jiapeng agreed to repay the loan by 30 November 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

High Demand and Consumption of Beige Marble

The Group is the sole mining operator in China which focuses on the production of premium beige marble products and the processing of marble slabs. Given the scarcity of resources, the supply of beige marble has always been below demand. According to the statistics of the website of China Stone (中國石材網), around 85% of beige marble blocks in China are imported from foreign countries, which includes Iran's Royal Batticino, Perlatio Sicilia and Botticino Classico, Cream Marfil from Spain and Bianco Botticino from Portugal, etc. China mainly imports beige marble from countries such as Egypt, Turkey, Italy, Portugal, Spain and Iran. China is currently the world's largest consumer of beige marble, reflecting its huge demand for marble.

Impact of National Policies on China's Real Estate and Renovation Markets

The production and consumption volumes of stone are closely tied to the real estate and renovation markets. According to the 12th Five Year Plan promulgated by the PRC Government, the primary goal for economic and social development during the five-year period is to maintain relatively rapid economic development on a stable track. To avoid any bubble forming in the real estate market and to restrain housing prices in certain areas from escalating, the government has implemented certain control measures, leading to a reduction in the real estate transaction volume in the short term. As a direct consequence of the above control measures, there was a decline in the consumption and demand for marble in China.

Business Review

A combination of factors in the first half of 2012, including a global economic slowdown plus a retreat in the expansion of fixed assets investments and manufacturing activities in China, caused a major setback of marble industry as well as the Group's businesses in the first half of the year 2012. During the Period, despite the challenges brought by the external environment and corporate growth, the Group still focused on consolidating its business foundation. In order to maintain its competitiveness, the Group made efforts to enhance its mining and processing capabilities, increase the value added to its marble products, and continued its endeavour to explore more end target markets.

The Group currently owns two marble mines in Sichuan Province, namely the Zhangjiaba Mine and the Tujisi Mine. Their major products are premium beige marble slabs and blocks.

The Zhangjiaba Mine, with an abundance of natural resources, is equipped with strategically located processing facilities. According to the certification issued by the China Stone Material Association (中國石材協會), the Zhangjiaba Mine is the largest mine in China in terms of beige marble reserves. It contains approximately 44,200,000 m^3 of premium beige marble reserves and approximately 16,800,000 m^3 of block reserves. The Zhangjiaba Mine has been in commercial production since

September 2010. The Group holds a mining permit for the Zhangjiaba Mine with a term of 10 years and has paid a consideration for a reserve that can be mined for 30 years, making the Group the owner of the largest reserve of beige marble in China.

The Group has been actively expanding its mining infrastructure and investing in more resources to scale up the mining capacity. Currently, the mining platform in the Zhangjiaba Mine has reached 23,000 m^2.

Situated on the same mineral vein as the Zhangjiaba Mine, the Tujisi Mine contains a marble reserve of approximately 12,213,200 m^3 (Grade 331+332+333 by Chinese Standard), which is far higher than the preliminary estimate of 6,100,000 m^3 at the time of acquisition. The mine is anticipated to have an annual mining capacity of 50,000 m^3 for blocks and an annual processing capacity of 1,000,000 m^2 for slabs.

Summary of Production and Sales Performance

As at 30 June 2012, the Group sold approximately 1,440 m^3 of self-produced marble blocks for a sales (net of tax) amount of approximately RMB15,353,000. Sales of marble blocks accounted for 100% of the total revenue for the first half of 2012.

Meanwhile, prospecting has been completed for the Tujisi Mine. Currently, its mining operations have not yet commenced, but are expected to be kick-started in 2013. The Group will capitalize on its existing technological expertise, infrastructures and facilities to further develop the Tujisi Mine. After it has commenced operations, the mine is expected to further enhance the Group's blocks mining and slabs processing capacities, particularly enriching the product mix of premium beige marble series, thereby enlarging its market share.

Zhangjiaba Mine's Marble Resources and Reserves Summary, as of 30 June 2012 (JORC Compliant)

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

Tujisi Mine's Information and Marble Reserves Summary

Name of the mine:	Tujisi Mine
Location:	Yunlin Village, Xiangquan Country, Beichuan County
Mining permit area:	0.1748 km^2
Mining permit elevation:	980 m to 1,160 m above MSL
Mining permit expiration date:	1 June 2017
Resources (331+332+333 by Chinese Standard):	12,213,200 m^3

Premium Marble Products

Currently, the Group mainly produces premium beige marble blocks and slabs. In particular, its Pure Beige and Mixed Beige marble are ranked as high grade marble products, and its Wood Grain and Gray Net marble are positioned as medium to high grade marble products. Besides, marble mined from the Zhangjiaba Mine, which is owned by the Group, features a high degree of purity, consistency, density, and a low degree of porosity, and can be made into premium decorative marble blocks and slabs.

The Group's Pure Beige, Mixed Beige, Wood Grain and Gray Net marble accounted for 51.0%, 32.7%, 6.4% and 9.9% of its marble reserves respectively. With the extremely high quality beige marble from the Zhangjiaba Mine, the Group's marble products are priced from medium to high end and are suitable for the high-end construction and renovation markets.

Digitalized Mining Management System

The Group makes use of highly efficient mining and processing technologies to ensure lower operating costs and maintain safety and environmental protection in its mining and production operations. Currently, the Group has invested a lot of resources to develop a digitalized mining management system for the Zhangjiaba Mine. Such system represents a set of unique digital applied technologies invented on the basis of the production practices of the Zhangjiaba Mine. The system has integrated the geological characteristics of the mine into its three-dimensional ("3D") orientation system, which collects data about the textures and types of marble found to establish a 3D model of the mine. By using 3D orientation numbering to identify every block and determine their dimensions and locations, the management of the extraction, shaping, quality examination, transportation and stocking of marble blocks can be conducted on the same basis. This high precision management method makes available accurate parameters for mining design, production planning and quality control of the mine. As far as we know, such a digitalized mining management system is unprecedented in the global marble mining industry, making the Group the leader in the world.

Identifying the Site for Construction of a Self-Owned Processing Plant

The Group has been actively searching for a suitable site for construction of its self-owned processing plant. The Group previously signed a co-operation agreement with the government of Jiangyou, but the government was unable to provide the original land for the processing plant due to policy changes in relation to the local industry structure. Through active communication with the government, the Group re-signed a co-operation agreement with the government of Jiangyou in November 2011. Under the agreement, the government of Jiangyou would provide another suitable site for the construction of the Group's processing plant. At the same time, the Group has been probing the feasibility of several sites in the important marble industry bases in China for building a new plant or redeveloping an existing one.

According to a projection by the China Stone Material Association, upon completion of the capacity ramp-up plan, the Group is expected to rank first among all marble mining companies in China in terms of mining and processing capacities for a single category of marble.

Business Strategies

It is the Group's goal to become the best integrated marble business operator in China. To achieve this, the Group will continue to uphold its established strategies:

- ***Further expansion of reserves of quality mine resources***

  To capture more quality marble resources so as to enhance its dominance in the marble market, the Group will actively control the flow of quality raw marble from domestic and foreign sources via various means, including mergers and acquisitions, acquisition of shareholding and strategic co-operation. The Group will also continue to keep track of and engage in negotiations for acquiring mine projects with development potential in the future.

- ***Enhancing brand awareness to explore the massive market***

  The Group plans to work with renowned property developers, renovation and decoration companies, as well as architect companies to pursue mutual business expansion by fully leveraging the synergy of resources and complementing each other in competitive advantages, in order to achieve win-win situations. Currently, the Group is actively engaged in the preparation and establishment of a marble trading platform in the marble distribution centers in China, with a view to facilitating the penetration of its products in the market more rapidly and extensively. In this way, the Group intends to strategically enhance the reputation of its high quality marble products and promote awareness of its brand in the market.

- ***Active exploration of high-end markets***

  As a leading enterprise in the marble production industry in China, China Kingstone has always been providing diverse high quality marble products to sizable high-end customers. Relying on its own competitive power, it has established a high level of brand awareness and solid reputation. Going forward, the Group will continue to maintain a high profit margin while enlarging its market share.

- ***Boosting mining and processing capacities***

  Effective execution of initiatives to enhance mining and processing capacities is an important growth strategy for the Group. Hence, it will continue to ramp up the mining capacity of the Zhangjiaba Mine by way of efficient digitalized management. After the mining operations commence at the Tujisi Mine, it is expected that the Group's annual mining capacity for marble blocks will increase substantially.

  Meanwhile, the Group will continue to identify a suitable site for the construction of its self-owned modern processing plant with a view to assuring the quality of its marble products and further optimizing the entire industry chain.

- ***Building the brand as an integrated marble operator and enhancing the added-value of products***

  The Group will be dedicated to brushing up the old image of China as a producer of cheap marble products of poor quality. Relying on its quality marble mines and resources, the Group will seek to build its brand as a Chinese supplier of high quality marble products and develop itself into a large scale international corporation with global competitive power and a leading position in the industry. It will also strive to expand the production capacities of its existing mines, and develop more cost saving and quality boosting mining technologies, mining procedures and management practices, in order to reinforce its leading edge in the development of mines and to turn itself into a benchmark for the marble mining industry.

  In the future, apart from keeping focused on mining as its core business, the Group will also be committed to brand promotion. It will also seek to enhance the added value of its products via measures including innovative product design and selling products purchased from outside. To keep on generating demand, the Group not only has to satisfy market demands, but also has to achieve good standards for everything from resources to technologies and creativity. Currently, the Group is working with designers from all walks of life to deliver syndicated solutions for its customers. If the necessary raw materials are not available from its mines, the Group will directly purchase them from mine owners in China or overseas. It also offers professional advice on marbles to its customers. In respect of brand promotion, apart from seeking to become business partners of the top ten commercial property developers in China, the Group will also actively participate in landmark government projects in major cities.

Financial Review

The Financial Trend since the Group Commenced the Commercial Production

	For the six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue	**15,353**	104,472
Cost of Sales	**(5,712)**	(14,239)
Gross Profit	**9,641**	90,233
Total comprehensive (loss)/income attributable to owners of the Company	**(6,490)**	9,766

Revenue

For the Period, the Group recorded revenue of RMB15,353,000, representing a decrease of approximately 85.3% as compared to the corresponding period of last year. The decrease in revenue is mainly attributable to the slowdown in China's property market and thus adversely affected the overall sales performance of the Group for the Period. In addition, the cancellation of the long-term sales contracts in 2011 with four customers due to forced removal by government and the remaining three long-term customers had not placed order with the Group during the Period also resulted the decrease of the revenue in the Period.

Cost of sales

For the Period, cost of sales of the Group amounted to RMB5,712,000, representing a decrease of 59.9% as compared to the corresponding period of last year, and bears about 37.2% of the revenue in the Period. Such change was mainly due to the decrease of the sales in the Period.

Gross profit

The Group recorded a gross profit amounted to RMB9,641,000 for the Period, representing a decrease of 89.3% as compared to the corresponding period of last year. The gross profit ratio is approximately 62.8% for the Period compared to 86.4% for the six months ended 2011. As the sales dropped significantly for the Period, it caused the low production in Zhangjiaba Mine and the production expenses during the period of low production were recorded in the cost of sales, instead of being capitalised into the inventories produced, causing the decrease in gross margin for the Period.

Other income and gains

Other income and gains of the Group increased from RMB4,202,000 for the six months ended 30 June 2011 to RMB34,151,000 for the Period.

For the Period, other income mainly comprises interest income from entrustment loans, structured deposits, loan to an associate and other interest income of the Group as disclosed in the notes to interim condensed financial information above.

Selling and distribution costs

The selling and distribution costs of the Group increased from RMB103,000 for the six months ended 30 June 2011 to RMB1,309,000 for the Period. Selling and distribution cost mainly included staff cost, travelling and accommodation for business negotiation and brand-building expense.

Administrative expenses

The administrative expenses of the Group were RMB35,893,000 for the Period, as compared to RMB57,246,000 for the six months ended 30 June 2011. Decrease in the administrative expenses mainly because global offering expenses amounted to RMB24,916,000 incurred for the six months ended 30 June 2011, whereas there was no such expense during the Period. Moreover, the amortisation of share option expense was reduced from RMB20,406,000 for the six months ended 30 June 2011 to RMB11,602,000 during the Period as the vesting period of most share options was ended in the first quarter of 2012.

Finance costs

Finance costs of the Group was RMB3,268,000 for the Period, as compared to RMB1,622,000 for the six months ended 30 June 2011. The increase in finance cost substantially was mainly due to the increase in bank interest expenses from a interest-bearing bank loan amounted RMB97,000,000 was obtained at August 2011 with a tenure of one year.

Income tax expense

Income tax expense of the Group amounted to RMB8,943,000 for the Period, as compared to RMB20,868,000 for the six months ended 30 June 2011.

The decrease in the tax expenses was resulted by the substantial decrease in the sales and the profit of the Group.

Loss for the Period

As a combined effect of the above, the Group recorded the loss of approximately RMB7,247,000 for the Period, as compared to the profit of RMB12,501,000 for the six months period ended 30 June 2011.

Dividend

The Board does not recommend the payment of interim dividend for the Period at a meeting of the Board held on 27 August 2012 (corresponding period of 2011: nil).

Liquidity and Capital Resources

For the six months ended 30 June 2012, the Group principally engaged in the exploration, mining, and sale of marble blocks and slabs in China.

Our planned future capital expenditures mainly comprise the capital requirements for the mining operations, acquisition of exploration and mining rights and cash reserves to carry out future acquisitions. Our capital requirements include construction of infrastructures and processing facilities.

Cash and cash equivalents declined from approximately RMB127,285,000 as at 31 December 2011 to approximately RMB44,017,000 as at 30 June 2012.

Borrowings

As at 30 June 2012, the Group had a bank loan amounted to RMB97,000,000 with a fixed rate of 6.1% per annum and was secured by the pledged deposits of RMB107,794,000. Gearing, being total interest-bearing debt divided by total assets, was 0.079.

Employees and emoluments policy

As at 30 June 2012, the number of employees of the Group was 145. For the six months ended 30 June 2012, staff costs (included directors' remuneration in the form of salaries, equity-settled share option expenses and other allowances) were approximately RMB22,438,000.

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 China, 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.

Contingent Liabilities

As at 30 June 2012, the Group had no significant contingent liabilities.

Strategic Cooperation

During the Period, the Group entered into a series of strategic cooperation agreements with four independent stone business entities, namely Yunfu Kailong Stone Material Co., Ltd. (雲浮市凱隆石材有限公司), Yunfu Zhijing Stone Co., Ltd. (雲浮市致景石材有限公司), Yunfu Huihua Stones Co., Ltd. (雲浮市輝華石材有限公司) and Yunfu Chengjiu Stone Co., Ltd. (雲浮市成就石材有限公司) (collectively referred to as the "strategic partners") to jointly develop and expand stone material processing capacity in Yunfu, Guangdong Province and to develop national distribution network for stone products. Pursuant to these agreements, the Group had made payments in advance aggregating to RMB310,000,000 to the strategic partners through Guangzhou Junqi Investment Management Co., Ltd. (廣州駿啟投資管理有限公司), an independent third party.

Future Prospects

The Group believes that realizing thorough coverage of its industry chain is the way to ensure the sustainable development of its marble enterprise. To become the best enterprise in the marble industry, apart from owning quality mine resources for the upstream, we also need to equip ourselves with advanced and modern processing equipment for the production process, and to ensure that our marble products are of premium quality, while maintaining a strong and solid customer base in respect of sales.

Going forward, the Group will expand its quality mine resources via the pursuit of mergers and acquisitions of good investment value, in order to enrich its marble product lines. Currently, the Group has already started to establish its own team of renowned designers and it expects to be able to realize its innovative design concepts in the near future, and transform various types of marble into unique and valuable gems. Meanwhile, the Group will continue to seek strategic co-operation opportunities for growth potential, which is expected to not only help enhance awareness of its brand in the market, but will also be beneficial for the Group to link up domestic and overseas resources and markets to fully capitalize on the synergy effect. We will keep our eyes open for global resources and gain a position in the global market to become a large-scale integrated marble business operator with industrial leadership and international competitiveness.

Despite a slowdown in the growth of the industry in the first half of the year, the Group believes that the Chinese economy will remain on a stable growth trend down the road. As urbanization continues to progress, and with local governments' determination to develop their cities into international metropolises, one can foresee a boom for all sorts of large-scale construction projects, high-end property development projects, and the overall development of the construction industry in the first-tier cities. The resultant huge consumer demand for marble is expected to create more business opportunities for the Group. Meanwhile, in recent years, people of PRC have been leaping forward in terms of wealth and lifestyle standards, leading to an increase in their demand for new houses or renovations, which has in turn driven the popularity of high-end marble products.

So far this year, the Chinese government has already announced two rounds of interest rate cuts. The intention behind them is to stimulate demand in the real economy and to maintain stability in economic growth, which is favourable for the construction industry. With a number of economic indicators bottoming out in the first half of 2012, China is expected to roll out a series of monetary and fiscal measures to drive the economy forward. The Group believes that the Chinese economy will be heading for a turnaround in the second half of the year and the construction and marble industries are anticipated to recover gradually, which will be significantly positive for the Group's business development.

Exposure to foreign exchange risk

Substantially all of our revenue, cost of sales and expenses are denominated in Renminbi. We also use Renminbi as our reporting currency. Most of the Group's assets and liabilities are denominated in Renminbi, except for certain assets, mainly the pledged deposits, and certain payables of administrative expenses in Hong Kong office and such amounts are denominated in US dollars and Hong Kong dollars. We do not believe our operations are currently subject to any significant direct foreign exchange risk and have not used any derivative instruments to hedge our exposure to the foreign exchange risk.

Corporate Governance

The Company had adopted the code provisions contained in the code of corporate governance practices (the "Old CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") effective since its adoption by the Company on 24 January 2011 until 28 March 2012. For the purpose of complying with the new code of corporate governance practice as set out in the Appendix 14 of the Listing Rules, which took effect from 1 April 2012, the Company has adopted the revised code provisions contained in corporate governance code and corporate governance report (the "New CG Code") on 29 March 2012. Save for deviations disclosed below, the Company had complied with (i) the code provisions contained in the Old CG Code from 1 January 2012 to 28 March 2012; and (ii) the code provisions contained in the New CG Code from 29 March 2012 to 30 June 2012.

A.2.1 of the Old CG Code and the New CG Code

Under code provision A.2.1 of the Old CG Code and the New 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 2012 to 22 May 2012, Ms. Chen Tao was the chairlady and chief executive officer of the Group. She was responsible for the business strategy, overall operation, financing and investment activities of the Group. The Board considered that vesting the roles of both chairman and chief executive officer in the same individual then is beneficial to the business prospects and management of the Group.

Ms. Chen Tao had ceased to be the executive Director and chairlady of the Company at the conclusion of the annual general meeting of the Company on 22 May 2012. She also resigned as the chief executive officer of the Company due to health reasons, with effect from the close of business on 1 June 2012.

Following the retirement of Ms. Chen Tao as executive director and chairlady of the Company on 22 May 2012 and up to the date of this announcement, no new chairman had been appointed by the Company. During such period, Mr. Xiong Wenjun, an executive director of the Company had assumed the functions of the Chairman of the Company. The Board is in the process of identifying suitable candidate for the position of the chairman of the Company and will keep the shareholders of the Company informed of the progress.

Following the resignation of Ms. Chen Tao as chief executive officer on 1 June 2012 until 26 June 2012, no new chief executive officer had been appointed by the Company. During such period, the functions in relation to such position were mainly performed by the senior management team of the Company. On 27 June 2012, Mr. Cheung Hung was appointed as the chief executive officer of the Company for a term of three years.

A.5.1 of the New CG Code

Under code provision A.5.1 of the New CG Code, issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.

Ms. Chen Tao ceased to be the chairman of the nomination committee ("Nomination Committee") of the Company at the conclusion of the annual general meeting of the Company on 22 May 2012. Following such cessation on 22 May 2012 and up to 29 July 2012, the position of the chairman of the Nomination Committee was left vacated, and accordingly, the Company has been in non-compliance with provision A.5.1 of the New CG Code in the same period. On 30 July 2012, Mr. Lei Zhaochun was appointed as an independent non-executive director and chairman of the Nomination Committee.

F.1.1 and F.1.4 of the New CG Code

Under code provision F.1.1 of the New CG Code, the company secretary should be an employee of the issuer and have day-to-day knowledge of the issuer's affairs. Further, under code provision F.1.4 of the New CG Code, all directors should have access to the advice and services of the company secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed.

Following the resignation of Mr. Lou Sai Tong as company secretary on 31 May 2012 until 5 June 2012, no new company secretary had been appointed by the Company. During such period, the senior management team of the Company had assumed the functions of the company secretary of the Company. On 6 June 2012, Mr. Law Wai Fai was appointed as the company secretary of the Company.

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 2012.

Audit Committee

The audit committee of the Company (the "Audit Committee") was established on 24 January 2011 and adopted a revised terms of reference on 29 March 2012 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. Liu Yuquan, Ms. Leung Yee Shuen and Mr. Lei Zhaochun. Ms. Leung Yee Shuen is the current chairlady of the Audit Committee.

The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment, re-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 2012.

Purchase, Redemption or sale of listed securities of the Company

During the six months ended 30 June 2012, the Company repurchased 48,959,000 ordinary shares of the Company on the Stock Exchange at an aggregate consideration of HK$35,425,150 for the enhancement of the net asset value per share. All of these 48,959,000 ordinary shares were cancelled as at 30 June 2012. The issued share capital of the Company was reduced by the nominal value of these redeemed ordinary shares. The premium paid on the redemption of ordinary shares of approximately RMB25,064,000 was debited to the share premium account. Details of the repurchases of ordinary shares are summarized as follows:

Month of the repurchases	Total number of ordinary shares repurchased	Price per share		Aggregate consideration paid
		Highest	Lowest	
		HK$	*HK$*	*HK$*
January 2012	27,257,000	1.14	0.99	29,151,780
May 2012	21,702,000	0.33	0.265	6,273,370
	48,959,000			35,425,150

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities for the six months ended 30 June 2012.

PUBLICATION OF THE UNAUDITED CONSOLIDATE INTERIM RESULTS AND 2012 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 2012 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
Xiong Wenjun
Executive Director

Hong Kong, 27 August 2012

As at the date of this announcement, the executive Directors of the Company is Mr. Xiong Wenjun, the independent non-executive Directors of the Company are Mr. Liu Yuquan, Ms. Leung Yee Shuen and Mr. Lei Zhaochun.