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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 and continued in Bermuda with limited liability)

(Stock Code: 1380)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 2017 together with the comparative figures for the corresponding period in year 2016.

	Six months ended 30 June		Change	
	2017	2016		
	(unaudited)	(unaudited)		
Revenue *(RMB in thousand)*	**4,710**	764	+3,946	+516.5%
Loss for the period *(RMB in thousand)*	**(15,542)**	(73,600)	+58,058	N/A
Basic loss per share *(RMB cents)*	**(3.29)**	(19.01)	+15.72	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June **2017** ***RMB'000*** **(unaudited)**	 2016 *RMB'000* (unaudited)
REVENUE	*4*	**4,710**	764
Cost of sales		**(2,821)**	(471)
Gross profit		**1,889**	293
Other income and gains	*5*	**1,238**	424
Selling and distribution costs		**(385)**	(297)
Administrative expenses		**(18,258)**	(25,660)
Impairment of secured senior loan note		**–**	(46,863)
OPERATING LOSS		**(15,516)**	(72,103)
Finance costs	*6*	**(26)**	(1,497)
LOSS BEFORE TAX		**(15,542)**	(73,600)
Income tax	*7*	**–**	–
LOSS FOR THE PERIOD	*8*	**(15,542)**	(73,600)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of non-PRC operations		**(15,389)**	9,069
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(30,931)**	(64,531)
			(Restated)
Loss per share *(RMB cents):*			
– Basic and diluted	*9*	**(3.29)**	(19.01)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Notes	**30 June 2017 *RMB'000* (unaudited)**	31 December 2016 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**187,771**	194,275
Intangible assets		**43,514**	43,732
Prepaid land lease payments		**1,521**	1,321
Deposit paid for acquisition of investment		**–**	31,332
		232,806	270,660
CURRENT ASSETS			
Inventories		**3,128**	1,071
Trade receivables	*11*	**22,878**	23,232
Prepayments, deposits and other receivables		**9,444**	9,261
Cash and cash equivalents		**97,831**	7,198
		133,281	40,762
CURRENT LIABILITIES			
Trade payables	*12*	**9,302**	9,803
Other payables and accruals		**34,997**	45,570
Obligation under finance lease		**231**	238
Interest-bearing loan	*13*	**–**	358
Provision for litigation		**82,358**	82,358
		126,888	138,327
NET CURRENT ASSETS/(LIABILITIES)		**6,393**	(97,565)
TOTAL ASSETS LESS CURRENT LIABILITIES		**239,199**	173,095

	Notes	**30 June 2017** ***RMB'000*** **(unaudited)**	31 December 2016 *RMB'000* (audited)
NON-CURRENT LIABILITIES			
Obligation under finance lease		**625**	312
Provision for environmental rehabilitation		**2,697**	2,697
Deferred income		**95**	102
Deferred tax liability		**608**	608
		4,025	3,719
NET ASSETS		**235,174**	169,376
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**3,883**	3,883
Reserves		**231,291**	165,493
Total equity		**235,174**	169,376

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENT

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2017 ("Interim Financial Statements") have been prepared in accordance with International Accounting Standard 34 ("IAS 34") issued by the International Accounting Standards Board and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of 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 2016 ("2016 Annual Report").

2. 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 the Interim Financial Statements, the significant judgements 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 2016.

3. 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 2016 Annual Report of the Company.

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 2017. 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.

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

4. REVENUE AND OPERATING 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, the PRC.

Accordingly, no segment analysis is presented other than entitywide disclosures.

Entity-wide disclosures

Information about products

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

	For the six months ended 30 June			
	2017		2016	
	RMB'000	*%*	*RMB'000*	*%*
	(unaudited)		(unaudited)	
Marble slags	**4,710**	**100%**	764	100%

5. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Reversal of Impairment	**1,200**	–
Bank interest income	**1**	10
Machinery rental income	**18**	124
Miscellaneous	**19**	290
	1,238	424

6. FINANCE COSTS

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Finance leases charges	**26**	15
Interest on other loan		
– Wholly repayable within five years	**–**	1,482
	26	1,497

7. INCOME TAX

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current – the PRC	**–**	–
Deferred tax	**–**	–
	–	–

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 25% for the six months ended 30 June 2017 and 2016.

8. LOSS FOR THE PERIOD

The Group's loss for the period is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Amortisation of intangible assets	**17**	17
Depreciation of items of property, plant and equipment	**2,837**	1,310
Gain on disposal of property, plant and equipment	**(14)**	–

9. LOSS PER SHARE

(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 2017 attributable to owners of the Company of approximately RMB15,542,000 (six months ended 30 June 2016: RMB73,600,000) and the weighted average number of 472,014,000 (six months ended 30 June 2016: 387,157,000 (restated)) ordinary shares in issue during the period.

(b) Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary shares during the six months ended 30 June 2017 and 2016.

10. DIVIDEND

The Directors do not recommend the payment of any dividend for each of the six months ended 30 June 2017 and 2016.

11. TRADE RECEIVABLES

	30 June 2017 *RMB'000* **(unaudited)**	31 December 2016 *RMB'000* (audited)
Trade receivables	**122,224**	122,578
Less: impairment	**(99,346)**	(99,346)
	22,878	23,232

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 2017 *RMB'000* **(unaudited)**	31 December 2016 *RMB'000* (audited)
0 to 90 days	**221**	8,189
91 to 180 days	**–**	–
181 to 365 days	**7,361**	–
Over 1 year	**15,296**	15,043
	22,878	23,232

Reconciliation of allowance for trade receivables:

	30 June 2017 *RMB'000* **(unaudited)**	31 December 2016 *RMB'000* (audited)
At beginning of period/year	**99,346**	56,447
(Reverse)/Allowance for the period/year	**–**	42,899
At end of period/year	**99,346**	99,346

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month. Except for certain customers developed by the Group at the beginning of its commercial operation were granted for a credit period of 18 months. In view of the fact that the Group sells most of its products to several major customers, there is a high level of concentration of credit risk. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Trade receivables are non-interest-bearing.

As at 30 June 2017, trade receivables of RMB22,878,000 (as at 31 December 2016: RMB23,232,000) were past due but not impaired, among which RMB13,797,000 (as at 31 December 2016: RMB13,797,000) were secured by certain properties in the PRC as collateral ("Properties"). In year 2016 a court order obtained from the PRC court that the tittle of Properties be transferred to the Group as part settlement of trade receivable. The Group has been assessing the feasibility of administrative procedures and further cost to be incurred in relation to the title transfer of Properties.

12. TRADE PAYABLES

Trade payables are non-interest-bearing and are normally settled in 180 days. An aged analysis of trade payables, based on the invoice date, is as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Outstanding balances with ages:		
0 to 60 days	**614**	3,483
61 to 120 days	**–**	4,957
121 to 180 days	**5**	–
Over 180 days	**8,683**	1,363
	9,302	9,803

13. INTEREST BEARING LOAN

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Unsecured – within one year	**–**	358

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 beige marble blocks and processing of marble slabs, and owned the largest beige marble mine, namely Zhangjiaba Mine, which is located in Zhenjiang Village, Xiangshui County, Jiangyou City of Sichuan Province, China, in terms of marble reserves, according to the certification issued by China Stone Material Association in August 2010.

Production and Sales Volume

The summarized production and sales volume are set out below:

	Six months ended 30 June		
	2017	2016	Change
Production volume:			
Marble blocks mined *(cubic meter)*	**–**	–	N/A
Marble slabs processed *(square meter)*	**–**	–	N/A
Marble slags produced *(tonnes)*	**224,286**	43,496	416%
Sales volume:			
Marble blocks *(cubic meter)*	**–**	–	N/A
Marble slabs *(square meter)*	**–**	–	N/A
Marble slags *(tonnes)*	**224,286**	43,496	416%
Average selling prices:			
Marble blocks *(RMB per cubic meter)*	**–**	–	N/A
Marble slabs *(RMB per square meter)*	**–**	–	N/A
Marble slags *(RMB per tonne)*	**21**	18	17%

Exploration, Development and Production Activities

There was no geological exploration activity during the six months ended 30 June 2017 ("HY17") as the Group focuses on the development and mining at the Zhangjiaba mine during the year. The Zhangjiaba mine located in Sichuan Province of China, contains 44.2 million cubic meter of measured and indicated marble resources, which represents 16.8 million cubic meter of proved and probable marble reserves based on a block rate of 38%, according to the independent competent person's report dated on 7 March 2011 (as shown in the Company's Prospectus).

The Zhangjiaba mine mainly divided into the eastern mining zone and the western mining zone. During HY17, the Group was carrying out the stripping at the Zhangjiaba mine. As the Group was mining the relatively upper benches of the mine, the limestone deposit in this area is still cracked and the quality of the marble stone in terms of the color and pattern is not satisfactory. It is expected that the further development of the mine to lower benches will be required for large block production.

During HY17, the aggregate expenditure of the mining operation of the Group was approximately RMB3.5 million, which mainly included depreciation on property, plant and equipment of approximately RMB2.8 million, fuel consumption of approximately RMB0.1 million, staff costs of approximately RMB0.3 million and repair and maintenance costs of approximately RMB0.3 million.

During HY17, the Group has not entered into any contracts and did not have any commitment relating to infrastructure projects, subcontracting arrangements and purchase of equipment.

FINANCIAL REVIEW

Revenue and Gross Profit

The Group's revenue increased by RMB3.9 million or 487.5% to RMB4.7 million for HY17 from RMB0.8 million for the six months ended 30 Jun 2016 ("HY16").The increase was primarily due to an increase in sales of marble slags arising from the stripping of the mine.

Gross profit increased by RMB1.6 million or 533.3% to RMB1.9 million for HY17 from RMB0.3 million for HY16. The increase was primarily due to an increase in sales volume of marble slags during HY17.

Selling and distribution expenses

Selling and distribution expenses increased from RMB0.3 million for HY16 to RMB0.4 million for HY17. The increase was primarily due to an increase in transportation cost, arising from an increase of sales volume of marble slags.

Administrative expenses

Administrative expenses decreased from RMB25.7 million for HY16 to RMB18.3 million for HY17. The decrease was primarily due to a decrease in staff cost and a decrease in legal and professional fee for HY17.

Loss for the period

The Group recorded a loss of RMB15.5 million for FY17 as compared to a loss of RMB73.6 million for FY16, as a result of a combined effect of (i) an increase in sales and gross profit for the Group, (ii) a decrease by RMB7.4 million in administrative expenses and (iii) a decrease by RMB46.9 million in impairment of secured senior loan note.

Liquidity and Capital Resources

As at 30 June 2017, the Group's total equity interests was RMB235.2 million (31 December 2016: RMB169.4 million), representing an increase of 38.8%. The increase was mainly attributable to a loss of RMB15.5 million incurred for the period and exchange loss of RMB15.4 million on transaction of non-PRC operation and an increase in capital reserve in respect of fund raised by way of the right issue.

As at 30 June 2017, the Group had cash and bank balances of RMB97.8 million (31 December 2016: RMB7.2 million). Cash and bank balances were mainly denominated in Hong Kong dollars and Chinese Renminbi ("RMB").

Capital Expenditure

The Group's capital expenditure was amounted to RMB4.9 million during HY17 (HY16: 3.7 million), which was primarily related to an acquisition of plant and machinery.

Exposure to Fluctuations in Exchange Rates

The Group principally operates its businesses in the PRC. The Group is not exposed to significant foreign exchange risk as most of the Group's business transactions, assets and liabilities are principally denominated in Chinese Renminbi ("RMB"), which is the functional and reporting currency of the Group, except certain 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 2017, the Group had a total workforce of 32 (31 December 2016: 37). The total staff cost, including directors' emoluments, share options benefit and pension scheme contribution, was approximately RMB2.2 million for HY17 (HY16: RMB4.7 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.

Pledge of Assets

As at 30 June 2017 and 2016, the Group had no pledge of assets.

Contingent Liabilities

As at 30 June 2017 and 2016, the Group had no material contingent liabilities.

PROSPECT

The Group's business of marble products is closely associated with the growth and prosperity of the property market in the PRC. However, the PRC government moved to cool property demand and price growth with a raft of austerity measures and policies. The Company expects the property developer will invest less in new construction projects. The marble stone business of the Group is still full of challenges. The Group will continue to carry out the further development of the mine to lower benches for a higher quality large block production. In short terms, the Company may rely on the sales of marble slags through the striping of overburden and cracked limestone and sourcing the marble slabs from other supplier for the Group 's customers.

In pursuance of the Group's strategic plan to increase its competitiveness and to seek market opportunities to supplement its marble stone related business, the Group intends to co-operate with a partner company which is engaged in the manufacturing and sales of ground calcium carbonate products to form a joint venture company to develop the calcium carbonate business. The joint venture company would be able to supplement its existing marble and marble related business by utilizing the same resources while expansion of income stream. This new project is subject to obtaining the land use right approval for establishing the production plant of calcium carbonate product by the partner company.

Looking ahead, the Group will continue to consolidate the production and operations and also extend the customer base to get improved in the performance of the business of marble related business. On the other hand, the Group will continue to explore new business opportunities so arising in order to maximise shareholder's value in the future.

OTHER INFORMATION

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 Rules Governing the Listing of Securities on the Stock Exchange (the " Listing Rules") for the six months ended 30 June 2017 except for a deviation from code provisions A.2.1, A.1.8 and E1.2 of CG Code.

Under code provision A.2.1 of CG Code, the roles of chairman and chief executive officer (the "CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. During the six months ended 30 June 2017, there is no officer carrying the title of CEO. The duties of CEO are undertaken by executive directors of the Company. Although the responsibility of chairman and a part of responsibility of CEO are vested in Mr. Wang Minliang during the six months ended 30 June 2017, in which all major decisions are made in consultation with the other Board members and the senior management of the Company. The Board considers that there is sufficient balance of power and the current arrangement maintains a strong management position of the Company.

Under code provision of A.1.8 of CG Code, the Company should arrange appropriate insurance cover in respect of legal action against the Directors. The directors and officers liability insurance of the Company was expired on 23 March 2017. The Company is taking steps in negotiating the insurance coverage and the insurance policy terms with different insurers to arrange the directors and officers liability insurance.

Under code provision of E.1.2 of CG Code, Mr. Wang Minliang, the chairman of the Board was unable to attend the annual general meeting of the Company held on 30 June 2017 due to business reasons. Ms. Zhang Cuiwei, the executive director of the Company, was authorized by the Chairman present to chair the meeting.

Save as the deviation from the code provision A.2.1, A1.8 and E1.2 of the CG Code, in the opinion of the directors of the Company, the Company has complied with all code provisions as set out in the CG Code throughout the six months ended 30 June 2017 and, where appropriate, the applicable recommended best practices of the CG Code.

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 2017.

Audit Committee and Review of Interim Results

The audit committee of the Company comprised three independent non-executive directors, namely Ms. Wang Yihua, Mr. Ma Ho Yin and Mr. Sheng Guoliang. The audit committee of the Company has reviewed the unaudited interim results of the Group for the six months ended 30 June 2017 and has recommended their adoption to the Board.

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 2017.

Publication of the Unaudited Consolidated Interim Results and 2017 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 2017 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
Cheung Wai Kee
Company Secretary

Hong Kong, 25 August 2017

As at the date of this announcement, the Board comprises Mr. Wang Minliang (Chairman), Mr. Zhang Jianzhong, Mr. Zhang Weijun and Ms. Zhang Cuiwei as executive directors, and Mr. Ma Ho Yin, Ms. Wang Yihua and Mr. Sheng Guoliang as independent non-executive directors.