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 and continued in Bermuda with limited liability)

(Stock Code: 1380)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

RESULTS HIGHLIGHTS

	Six months ended 30 June			
	2018 (unaudited)	2017 (unaudited)	Change	
Revenue *(RMB in thousand)*	**25,113**	4,710	+20,403	+433.2%
Profit/(loss) for the period *(RMB in thousand)*	**945**	(15,542)	+16,487	N/A
Basic earnings/(loss) per share *(RMB cents)*	**0.03**	(3.29)	N/A	N/A

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 2018 together with the comparative figures for the corresponding period in year 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
REVENUE	*4*	**25,113**	4,710
Cost of sales		**(21,959)**	(2,821)
Gross profit		**3,154**	1,889
Other income and gains	*5*	**15,871**	1,238
Selling and distribution costs		**(317)**	(385)
Administrative expenses		**(18,636)**	(18,258)
Gain on disposal of a subsidiary		**882**	–
OPERATING PROFIT/(LOSS)		**954**	(15,516)
Finance costs	*6*	**(9)**	(26)
PROFIT/(LOSS) BEFORE TAX		**945**	(15,542)
Income tax	*7*	**–**	–
PROFIT/(LOSS) FOR THE PERIOD	*8*	**945**	(15,542)
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**5,232**	(15,389)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		**6,177**	(30,931)
Earnings/(loss) per share *(RMB cents)*:			
– Basic and diluted	*9*	**0.03**	(3.29)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**194,617**	202,027
Intangible assets		**43,732**	43,732
Prepaid land lease payments		**1,269**	1,287
		239,618	247,046
CURRENT ASSETS			
Inventories		**3,049**	3,028
Trade receivables	*11*	**42,782**	33,293
Prepayments, deposits and other receivables		**35,485**	15,159
Cash and cash equivalents		**139,455**	168,613
		220,771	220,093
CURRENT LIABILITIES			
Trade payables	*12*	**2,117**	1,920
Other payables and accruals		**16,947**	13,952
Obligation under finance lease		**357**	396
Provision for litigation		**21,800**	37,500
		41,221	53,768
NET CURRENT ASSETS		**179,550**	166,325
TOTAL ASSETS LESS CURRENT LIABILITIES		**419,168**	413,371

	Notes	**30 June 2018** *RMB'000* **(unaudited)**	31 December 2017 *RMB'000* (audited)
NON-CURRENT LIABILITIES			
Obligation under finance lease		**58**	201
Provision for environmental rehabilitation		**2,697**	2,697
Deferred tax liabilities		**371**	608
		3,126	3,506
NET ASSETS		**416,042**	409,865
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**24,435**	24,435
Reserves		**391,607**	385,430
Total equity		**416,042**	409,865

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENT

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2018 ("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 2017 ("2017 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 2017.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2017.

In the current period, the Group applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs").

Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contacts With Customers
(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

The application of the above amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in the Group's interim condensed consolidated financial statements and did not require retrospective adjustments.

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 entity-wide disclosures.

Entity-wide disclosures

Information about products

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

	Six months ended 30 June			
	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
	(unaudited)		(unaudited)	
Marble slags	**5,071**	**20**	4,710	100
Marble slabs	**20,042**	**80**	–	–
	25,113	**100**	4,710	100

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Reversal of impairment	**–**	1,200
Bank interest income	**1**	1
Machinery rental income	**–**	18
Miscellaneous	**170**	19
Reversal of provision for litigation	**15,700**	–
	15,871	1,238

6. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Finance leases charges	**9**	26
	9	26

7. INCOME TAX

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax	**–**	–
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 2018 and 2017.

8. PROFIT/(LOSS) FOR THE PERIOD

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Amortisation of intangible assets	**18**	17
Depreciation of items of property, plant and equipment	**6,241**	5,643
Loss on disposal of property, plant and equipment	**2,052**	1,510

9. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share attributable to owners of the Company is based on the profit/(loss) for the six months ended 30 June 2018 attributable to owners of the Company of approximately RMB945,000 (six months ended 30 June 2017: loss of RMB15,542,000) and the weighted average number of 2,832,083,000 (six months ended 30 June 2017: 472,014,000) ordinary shares in issue during the period.

(b) Diluted earnings/(loss) per share

Diluted earnings per share for the six months ended 30 June 2018 was the same as the basic earnings per share because the computation of diluted earnings per share did not assume the exercises of the Company's outstanding share options as the exercise price of the share option exceeded the average market price of ordinary shares during the period.

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.

10. DIVIDEND

The Directors do not recommend the payment of any dividend for each of the six months ended 30 June 2018 and 2017.

11. TRADE RECEIVABLES

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**145,573**	136,084
Less: impairment	**(102,791)**	(102,791)
	42,782	33,293

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 2018	31 December 2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 90 days	**17,384**	22,941
91 to 180 days	**2,515**	–
181 to 365 days	**4,033**	–
Over 1 year	**18,850**	10,352
	42,782	33,293

Reconciliation of allowance for trade receivables:

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
At beginning of period/year	**102,791**	99,346
Allowance for the period/year	**–**	3,445
At end of period/year	**102,791**	102,791

The Group's trading terms with its customers are mainly on credit. The credit period is generally three month. 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 2018, trade receivables of RMB18,850,000 (as at 31 December 2017: RMB10,352,000) were past due but not impaired, among which RMB10,352,000 (as at 31 December 2017: RMB10,352,000) were secured by certain properties in the PRC as collateral.

12. TRADE PAYABLES

Trade payables are non-interest-bearing and are normally settled in 90 days. An aged analysis of trade payables, based on the invoice date, is as follows:

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 60 days	**677**	585
61 to 120 days	**–**	–
121 to 180 days	**6**	2
Over 180 days	**1,434**	1,333
	2,117	1,920

13. SHARE CAPITAL

Ordinary shares of HK$0.1	**Number of shares**	
	'000	*RMB'000*
At 1 January 2017	472,014	3,883
Rights issue *(Note (a))*	2,360,069	20,552
At 31 December 2017, at 1 January 2018 and 30 June 2018	2,832,083	24,435

Note:

(a) On 7 July 2017, the Company issued rights shares on the basis of five rights shares for every one existing share held on 3 March 2017, at the subscription price of HK$0.12 per rights share, resulting in net proceeds of approximately HK$276.5 million, which was used for purchasing of machineries, financing business development and would also be used for future investment opportunities.

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.

Sales Volume

The summarized sales volume are set out below:

	Six months ended 30 June		
	2018	2017	Change
Sales volume:			
Marble blocks *(cubic meter)*	**–**	–	N/A
Marble slabs *(square meter)*	**79,000**	–	N/A
Marble slags *(tonnes)*	**197.159**	224,286	-12.1%
Average selling prices:			
Marble blocks *(RMB per cubic meter)*	**–**	–	N/A
Marble slabs *(RMB per square meter)*	**254**	–	N/A
Marble slags *(RMB per tonnes)*	**26**	21	+23.8%

Exploration, Development and Production Activities

There was no geological exploration activity during the six months ended 30 June 2018 ("HY18") 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 HY18, 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 hard to compete with the import marble stones. It is expected that the further development of the mine to lower benches will be required for large block production.

During HY18, the aggregate expenditure of the mining operation of the Group was approximately RMB5.8 million, which mainly included depreciation on property, plant and equipment of approximately RMB3.5 million, fuel and materials consumption of approximately RMB1.5 million and repair and safety protection costs of approximately RMB0.5 million.

FINANCIAL REVIEW

Revenue and Gross Profit

The Group's revenue increased by RMB20.4 million or 433% to RMB25.1 million for HY18 from RMB4.7 million for the six months ended 30 June 2017 ("HY17").The increase was primarily due to an increase of RMB20.0 million in sales of marble slabs for HY18.

Gross profit increased by RMB1.3 million or 68% to RMB3.2 million for HY18 from RMB1.9 million for HY17. The increase was primarily due to an increase of HK$1.0 million in gross profit from trading of marble slabs.

Selling and distribution expenses

Selling and distribution expenses was RMB0.4 million and RMB0.3 million for HY17 and HY18, respectively.

Administrative expenses

Administrative expenses increased from RMB18.3 million for HY17 to RMB18.6 million for HY18. The increase was primarily due to an increase in legal and professional fee incurred for HY18.

Profit/(loss) for the period

The Group recorded a profit of RMB0.9 million for HY18 as compared to a loss of RMB15.5 million for HY17. The increase was primarily due to improvement of gross profit for HY18 and a gain on RMB15.7 million of reversal of provision for litigation for HY18.

Liquidity and Capital Resources

As at 30 June 2018, the Group's total equity interests was RMB416.0 million (31 December 2017: RMB409.9 million), representing an increase of 1.5%. The increase was mainly attributable to a gain of RMB5.2 million from exchange difference on translation of foreign operation.

As at 30 June 2018, the Group had cash and bank balances of RMB139.5 million (31 December 2017: RMB168.6 million). Cash and bank balances were mainly denominated in Hong Kong dollars and Chinese Renminbi ("RMB"). The Group has adequate financial resources to meet the anticipated future liquidity requirement and capital expenditure commitment.

Capital Expenditure

The Group's capital expenditure was amounted to RMB1.3 million during HY18 (HY17: 19.6 million), which was primarily related to an acquisition of property, plant and equipments.

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 2018, the Group had a total workforce of 25 (31 December 2017: 25). The total staff cost, including directors' emoluments, share options benefit and pension scheme contribution, was approximately RMB3.1 million for HY18 (HY17: RMB3.7 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 2018 and 2017, the Group had no pledge of assets.

Contingent Liabilities

As at 30 June 2018 and 2017, the Group had no material contingent liabilities.

Capital Commitment

As at 30 June 2018, the Group has capital commitment of RMB10.7 (HY17: Nil) for the acquisition of property, plant and equipment not provided for in the condensed consolidated financial statements.

Business Update

On 14 April 2017, the Group entered in a non-legal binding memorandum of understanding (the "MOU") with a ground calcium carbonate manufacturer (the "JV partner") to form a joint venture company to extend the downstream business of calcium carbonate production in Jiangyou City, Sichuan Province.

On 22 June 2018, the Group and the shareholder of JV Partner entered into a joint venture agreement (the "JV Agreement") in relation to the formation of a joint venture company (the "JV Company") to operate the calcium carbonate production in Jiangyou City, Sichuan Province, in which the initial registered capital is RMB10 million. Pursuant to the JV Agreement, the capital contribution in the amount of RMB5.1 million and RMB4.9 million will be made by the Group and the shareholder of JV Partner, respectively.

The JV Company was formed on 1 August 2018. The equity interests in JV Company are owned as to 51% and 49% by the Group and the shareholder of the JV Partner, respectively, and the financial results of JV Company will be consolidated into the Group's consolidated financial statements.

PROSPECT

The Zhangjiaba mine of the Group was still under development to lower benches for a higher quality large block production. The quality of marble stones on the delivery of upper benches of the Zhangjiaba mine is hard to compete with the import marble stones. During the period under review, the revenue of the Group mainly relied on the sale of marble slags through the stripping of overburden and trading of marble slabs. The Group has planned to extend the downstream business of calcium carbonate production by utilizing the same resources in the Zhangjiaba mine, through a joint venture company which is owned as to 51% by the Group.

With the fierce competition in the PRC construction material market, the marble stone business of the Group is facing a great challenge and uncertainty in the forthcoming years. The development of the calcium carbonate production business can expand the Group's income stream and supplement its existing marble product business.

Looking ahead, the Group will continue to consolidate the production and operations and explore any new business opportunities so arising in order to optimize the 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 2018 except for a deviation from code provisions A.2.1, A.1.8 and A6.7 of CG Code.

(i) 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 2018, 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 2018, 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.

(ii) 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. Currently, The Company does not have insurance cover in this respect as the Board believes that, with the current internal control system and the close supervision of the management, the Directors' risk of being sued or getting involved in litigation in their capacity as a director of the Company is relatively low. Nevertheless, the Board will review the need for insurance cover from time to time.

(iii) 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 25 May 2018 due to business reasons. Ms. Zhang Cuiwei, the executive director of the Company, was authorized by the Chairman present to chair the meeting.

(iv) On 12 March 2018, Mr. Ma Ho Yin ("Mr. Ma") resigned as independent non-executive director, chairman of nomination committee and member of audit committee and remuneration committee. Following the resignation of Mr. Ma, the Company has only two independent non-executive Directors, which falls below the minimum number required under Rules 3.10(1) and 3.10A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). In addition, the Company is unable to comply with the requirements set out under the Listing Rules in (i) Rule 3.21 in relation to the composition of the Audit Committee (ii) Rule 3.25 in relation to the composition of the Remuneration Committee and (iii) code provision A.5.1 of CG Code as set out in Appendix 14 in relation to the composition of the Nomination Committee.

    On 11 June 2018, Mr. Yang Ruimin ("Mr. Yang") was appointed as independent non-executive director, chairman of nomination committee and member of audit committee and remuneration committee. Following the appointment of Mr. Yang, the Company has fully complied with all the requirements set out under the Listing Rules as mentioned above.

Save as the deviation from the code provision A.2.1, A.1.8, A.5.1 and E.1.2 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 2018 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 2018.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company comprised three independent non-executive directors, namely Ms. Wang Yihua, Mr. Yang Ruimin 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 2018 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 2018.

Publication of the Unaudited Consolidated Interim Results and 2018 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 2018 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, 28 August 2018

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