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 2019

RESULTS HIGHLIGHTS

	Six months ended 30 June		Change	
	2019	2018		
	(unaudited)	(unaudited)		
	RMB'000	*RMB'000*	*RMB'000*	*%*
Revenue	**29,298**	25,113	+4,185	+16.7%
(Loss)/profit for the period	**(20,606)**	945	-21,551	-2,280.5%
	RMB cents	*RMB cents*	*RMB cents*	*%*
Basic (loss)/earnings per share	**(0.73)**	0.03	-0.76	-2,533.3%

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 2019 together with the comparative figures for the corresponding period in year 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
REVENUE	*4*	**29,298**	25,113
Cost of sales		**(24,930)**	(21,959)
Gross profit		**4,368**	3,154
Other income and gains	*5*	**11**	15,871
Selling and distribution costs		**(688)**	(317)
Administrative expenses		**(19,996)**	(18,636)
Impairment allowance of trade receivables, net		**(3,193)**	–
(Loss)/gain on deregistration/disposal of a subsidiary		**(1,094)**	882
OPERATING (LOSS)/PROFIT		**(20,592)**	954
Finance costs	*6*	**(14)**	(9)
(LOSS)/PROFIT BEFORE TAX		**(20,606)**	945
Income tax	*7*	**–**	–
(LOSS)/PROFIT FOR THE PERIOD	*8*	**(20,606)**	945
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**119**	5,232
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(20,487)**	6,177
(Loss)/earnings per share *(RMB cents)*:			
–Basic and diluted	*9*	**(0.73)**	0.03

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	**30 June 2019 RMB'000 (unaudited)**	31 December 2018 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**185,003**	189,365
Intangible assets		**43,732**	43,732
Prepaid land lease payments		**–**	1,253
Right of use asset		**3,023**	–
Prepayment		**51,330**	51,642
		283,088	285,992
CURRENT ASSETS			
Inventories		**363**	369
Trade receivables	*11*	**70,581**	71,684
Prepayments, deposits and other receivables		**6,985**	3,941
Cash and cash equivalents		**57,567**	65,058
		135,496	141,052
CURRENT LIABILITIES			
Trade payables	*12*	**2,155**	1,814
Obligation under finance lease		**–**	233
Lease liabilities		**1,023**	–
Other payables and accruals		**18,222**	19,264
Provision for litigation		**1,200**	1,200
		22,600	22,511
NET CURRENT ASSETS		**112,896**	118,541
TOTAL ASSETS LESS CURRENT LIABILITIES		**395,984**	404,533

	Notes	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Lease liabilities		**1,194**	–
Provision for environmental rehabilitation		**2,697**	2,697
Deferred tax liabilities		**608**	608
		4,499	3,305
NET ASSETS		**391,485**	401,228
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**24,435**	24,435
Reserves		**367,050**	376,793
Total equity		**391,485**	401,228

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENT

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2019 ("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 2018 ("2018 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 2018.

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 2019 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2018.

Except for IFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16 replaces IAS 17, Leases, and the related interpretations, IFRIC 4, Determining whether an arrangement contains a lease, SIC 15, Operating leases-incentives, and SIC 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment and land use right.

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates uses for determination of the present value of the remaining lease payments was 5.25%

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics; and

(iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in note 35(a) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019.

	1 January 2019
	RMB'000
Operating lease commitments at 31 December 2018	2,060
Less: commitments relating to leases exempt from capitalisation:	
– Short-term lease which is early terminate on or before 30 June 2019	(2,060)
Total lease liabilities recognised at 1 January 2019	–

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of IFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of IFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018	**Capitalisation of operating lease**	**Reclassification of lease prepayments and obligation under finance lease**	**Carrying amount at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:				
Right-of-use assets	–	–	1,253	1,253
Lease prepayments	1,253	–	(1,253)	–
Total non-current assets	**285,992**	**–**	**–**	**285,992**
Total current assets	**141,052**	**–**	**–**	**141,052**
Lease liabilities (current)	–	–	233	233
Obligation under finance lease (current)	233	–	(233)	–
Current liabilities	**22,511**	**–**	**–**	**22,511**
Net current assets	**118,541**	**–**	**–**	**118,541**
Total assets less current liabilities	**404,533**	**–**	**–**	**404,533**
Lease liabilities (non-current)	–	–	201	201
Obligation under finance lease (non-current)	201	–	(201)	–
Total non-current liabilities	**3,305**	**–**	**–**	**3,305**
Net assets	**401,228**	**–**	**–**	**401,228**

c. **Impact on the financial result, segment results and cash flows of the Group**

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of comprehensive income, as compared to the results if IAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

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			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
	(unaudited)		(unaudited)	
Marble slags	**13,635**	**47**	5,071	20
Marble slabs	**15,663**	**53**	20,042	80
	29,298	**100**	25,113	100

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Bank interest income	**1**	1
Miscellaneous	**10**	170
Reversal of provision for litigation	**–**	15,700
	11	15,871

6. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Finance leases charges	**14**	9
	14	9

7. INCOME TAX

	Six months ended 30 June	
	2019	2018
	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 2019 and 2018.

8. (LOSS)/PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Amortisation of intangible assets	**–**	18
Depreciation of items of property, plant and equipment	**6,029**	6,241
Loss on disposal of property, plant and equipment	**426**	2,052
Share option expenses	**10,745**	–

9. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share attributable to owners of the Company is based on a loss of approximately RMB20,606,000 attributable to owners of the Company for the six months ended 30 June 2019 (six months ended 30 June 2018: a profit of approximately RMB945,000) and the weighted average number of 2,832,083,000 (six months ended 30 June 2018: 2,832,083,000) ordinary shares in issue during the period.

(b) Diluted (loss)/earnings per share

The calculation of diluted loss per share had not taken into consideration the assumed exercise of the Company's outstanding share options during the six months ended 30 June 2019 as it had an anti-dilutive effect on the basic 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.

10. DIVIDEND

The Directors do not recommend the payment of any dividend for each of the six months ended 30 June 2019 and 2018.

11. TRADE RECEIVABLES

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**184,956**	182,782
Less: impairment	**(114,375)**	(111,098)
	70,581	71,684

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 2019	31 December 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 90 days	**2,893**	2,878
91 to 180 days	**15,963**	33,060
181 to 365 days	**34,914**	16,632
Over 1 year	**16,811**	19,114
	70,581	71,684

Reconciliation of allowance for trade receivables:

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
At beginning of period/year	**111,098**	102,791
Allowance for the period/year	**3,552**	8,307
Amount recovered during the period	**(336)**	–
Exchange realignment	**61**	–
At end of period/year	**114,375**	111,098

The Group's trading terms with its customers are mainly on credit. The credit period is generally three month. 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 2019, included in trade receivables past due but not impaired were trade receivable of approximately RMB10,352,000 (as at 31 December 2018: RMB10,352,000) 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 2019	31 December 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 60 days	**1,985**	1,765
61 to 120 days	**–**	–
121 to 180 days	**–**	–
Over 180 days	**170**	49
	2,155	1,814

13. SHARE CAPITAL

Ordinary shares of HK$0.01	**Number of shares**	
	'000	*RMB'000*
At 1 January 2018 and 31 December 2018, at 1 January 2019 and 30 June 2019	2,832,083	24,435

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 in China, namely Zhangjiaba Mine, in terms of marble reserves, according to the certification issued by China Stone Material Association in August 2010. Zhangjiaba Mine is located in Zhenjiang Village, Xiangshui County, Jiangyou City of Sichuan Province, China.

Exploration, Development and Production Activities at the Mine

The Group focuses on the development and mining at the Zhangjiaba mine during the six months ended 30 June 2019 ("HY2019"). The Zhangjiaba Mine 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). There was no geological exploration activity during HY2019.

The Zhangjiaba mine mainly divided into the eastern mining zone and the western mining zone. During HY2019, the Group continues to carry out the stripping of the overburden materials at the surface for the both eastern and western zone. It is expected that the further development of the mine to lower benches will be required for large block production. Under the current mining condition, the Group is unable to estimate when the large and entire marble blocks could be produced.

During HY2019, the aggregate expenditure of the mining operation of the Group was approximately RMB9.4 million, which mainly included depreciation on property, plant and equipment of approximately RMB3.6 million, fuel and materials consumption of approximately RMB3.5 million, and repair and safety protection costs of approximately RMB1.0 million.

Marble Slabs Business

The marble stones are widely used in construction and decoration industry for decorative purposes due to its bright color and lustrous finish. Marble slabs are used in application such as interior and exterior decoration, laying pavements, stairs, flooring and furniture. The Group sells marble slabs through some distributors or purchasing agents which have a strong track record and broad sales and marketing network with property developers and construction companies in China.

In view of the rapid urbanization in China and the Belt and Road initiative that have driven the infrastructure development, the Group had expected the marble slabs business would ratchet up with upbeat forecast. However, the recent US and China trade standoff dealt a blow to the property development market in China. Most of building materials are on the list of the additional import and export tariff tax imposed by the United States and China. As the marble slabs business of the Group hinges on property development and construction industry in China, the Group recorded a decrease of 21.8% in sales of marble slabs from RMB20.0 million for the six months ended 30 June 2018 ("HY2018") to RMB15.7 million for HY2019, resulting from a decrease in demand of the marble slabs for decorative purpose. The Group expects weakening demand in marble slabs may be exacerbated in the second half year of 2019 if trade disputes between US and China persists. The Group have to maintain a high degree of vigilance against unpredictable international developments and sensitive external environment that adversely affect the Group's business and also take extra-cautious of the plan for the expansion in marble slabs business.

Marble Slags and Calcium Carbonate Business

Marble slag is produced by the cracked marble stones and in the course of stripping overburden at Zhangjiaba mine. Marble slag is raw materials for the production of ground calcium carbonate (the "GCC"). The Group sells the marble slags to the GCC manufacturers which are close to the Zhangjiaba mine. For HY2019, revenue attributable to marble slags business was approximately RMB13.6 million as compared to RMB5.1 million for HY2018. Such increase was primarily due to ramping up the production of the marble slags through speeding up the stripping of ore, as well as staying strong demand of marble slags from the GCC manufacturer.

The Group plans to embark on the GCC business and integrate with the existing marble slags business. GCC is produced by the grinding process to transform marble slags into a powder. GCC is widely used as raw materials in production of building and construction materials, paper, plastics, paints, coatings and also personal health and food production. The Group may utilize its own rich marble resources from the Zhangjiaba mine to produce marble slags and then further process to GCC. The Group expects that the integration will result in a synergy that allows the Group's calcium carbonate business more competitive as result of stable supply of marble slags and gaining cost advantage. The Group is now undergoing the negotiation for the cooperation agreement with the joint venture partner of the Group.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by RMB4.2 million or 16.7% from RMB25.1 million for HY2018 to RMB29.3 million for HY2019. The increase was primarily due to an increase of RMB8.6 million in sales of marble slags but partly offset by a decrease of RMB4.4 million in sales of marble slabs.

Analysis by products

	Six months ended 30 June		
	2019	2018	Change
Marble slabs	**15,663**	20,042	-21.8%
Marble slags	**13,635**	5,071	+168.9%
	29,298	25,113	+16.7%

Analysis by sales volume and selling price:

	Six months ended 30 June		
	2019	2018	Change
Sales volume:			
Marble slabs (square meter)	**56,562**	79,000	-28.4%
Marble slags (tonnes)	**485,704**	197,159	+146.4%
Average selling prices:			
Marble slabs (RMB per square meter)	**277**	254	+9.1%
Marble slags (RMB per tonnes)	**28**	26	+7.7%

Gross Profit and Gross Profit Margin

Gross profit increased by RMB1.2 million or 3.8% from RMB3.2 million for HY2018 to RMB4.4 million for HY2019. Gross profit margin increased from 12.6% for HY2018 to 14.9% for HY2019. The increase was primarily due to an increase in sales of marble slags which has higher gross profit margin than sales of marble slabs.

Selling and Distribution Expenses

Selling and distribution expenses increased from RMB0.3 million for HY2018 to RMB0.7 million for HY2019. The increase was primarily due to an increase in the transportation cost, resulting from an increase in the sales volume of marble slags.

Administrative Expenses

Administrative expenses increased from RMB18.6 million for HY2018 to RMB20.0 million for HY2019.

The Group has implemented cost cutting measures, including a reduction in the staff cost, rental expenses and other general expenses since late 2018 in order to increase the effectiveness of the operation of the Group. The cost reduction plan has been panned out during HY2019. The increase in administrative expenses was primarily due to an increase of RMB10.7 million in share option expense in relation to the share options granted to the Director and certain employees of the Group during HY2019.

(Loss)/Profit for the Period

The Group recorded a loss of RMB20.6 million for HY2019 as compared to a profit of RMB0.9 million for HY2018, as a result of a combined effect of (i) a reversal of RMB15.7 million in provision for litigation in relation to a claim against Sichuan Jiangyou Jinshida Stone Co., Limited, a wholly-owned subsidiary of the Company, involving the Zhangjiaba mine. A settlement of litigation was reached with the Plaintiff on 5 July 2018; (ii) an increase of RMB3.2 million in provision for impairment loss on trade receivables; and (iii) a loss of RMB1.1 million on deregistration of a PRC subsidiary.

Liquidity and Capital Resources

As at 30 June 2019, the Group's total equity interests was RMB391.5 million (31 December 2018: RMB401.2 million), representing a decrease of 2.4%. The decrease was mainly attributable to a combined effect of a loss of RMB20.6 million incurred for HY2019 and an increase of RMB10.7 million in share option reserve for HY2019.

As at 30 June 2019, the Group had cash and bank balances of RMB57.6 million (31 December 2018: RMB65.1 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 RMB3.2 million during HY2019 (HY2018: RMB1.3 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 2019, the Group had a total of 28 (31 December 2018: 23) employees. The total staff cost, including directors' emoluments, share options benefit and pension scheme contribution, was approximately RMB13.2 million for HY2019 (HY2018: RMB3.1 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 2019, the Group had no pledge of assets (31 December 2018: Nil).

Capital Commitment

As at 30 June 2019, the Group had a capital commitment of approximately RMB14.6 million (31 December 2018: RMB15.3 million) in relation to the construction and purchase of property, plant and equipment contracted for but not provided in the financial statements.

Contingent Liabilities

As at 30 June 2019, the Group had no material contingent liabilities (31 December 2018: Nil).

PROSPECT

China economy shows a sign of slowdown resulting from the US-China raging trade disputes and it seems they make no headway to truce the trade war. The Group braces for facing the great challenges in year 2019 as the growth of the Group's business hinges upon the prospect of China economy. The Group will take very cautious of and vigilant to the pace of further expansion of marble business in China. Despite these headwinds, the Group will continue to consolidate the production and operations and extend the customer base to get improved in the performance of the marble business. On the other hand, the Group will continue to explore new business opportunities so arising in order to maximize 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 2019 except for a deviation from code provisions A.2.1 and A.1.8 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 2019, the Board has yet to appoint the chairman (the "Chairman") and CEO of the Company. The independent board members will temporarily take the role of Chairman to ensure that the Board is effective in its take of setting and implement the Company's direction and strategy, while the executive board members will take up the role of CEO to manage the operation of the Group. 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 of the Company (the "Director(s)). 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 is relatively low. Nevertheless, the Board will review the need for insurance cover from time to time.

Save as the deviation from the code provision A.2.1 and A.1.8 of the CG Code, in the opinion of the Directors, the Company has complied with all code provisions as set out in the CG Code throughout the six months ended 30 June 2019 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 2019.

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 2019 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 2019.

Publication of the Unaudited Consolidated Interim Results and 2019 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 2019 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 2019

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