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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)

VERY SUBSTANTIAL ACQUISITIONS AND MAJOR TRANSACTION

(1) ENTRUSTED LOAN AGREEMENTS

(2) LOANS TO AN ASSOCIATE

(3) STRUCTURED DEPOSIT AGREEMENTS

(1) THE ENTRUSTED LOAN AGREEMENTS

On 2 August 2011, 4 August 2011 and 17 August 2011, Kingstone Guangzhou, a wholly owned subsidiary of the Company, entered into the Entrusted Loan Agreements. Pursuant to the Entrusted Loan Agreements, Kingstone Guangzhou, through the Shenzhen Development Bank, provided entrusted loans aggregating to RMB310,000,000 to the Borrowers, who are Independent Third Parties. The Group has subsequently received the repayment of the entrusted loans and related interest in full.

Pursuant to Rules 14.22 and 14.23 of the Listing Rules, the Entrusted Loan Agreements will be aggregated. When aggregated, the Entrusted Loan Agreements constituted (i) advances to an entity under Rule 13.13 of the Listing Rules as such advances exceed 8% under the asset ratio as defined under the Listing Rule 14.07 and (ii) very substantial acquisitions of the Company under Chapter 14 of the Listing Rules.

(2) LOANS TO AN ASSOCIATE

On 15 July 2011 and 9 September 2011, Sichuan Jinshida, a wholly owned subsidiary of the Company, entered into loan arrangements with ICBC and Guangdong Jiapeng, a 49%-owned associate of the Group. Pursuant to the loan arrangements, Sichuan Jinshida, through ICBC, provided entrusted loans aggregating to RMB80,000,000 to Guangdong Jiapeng.

Pursuant to Rules 14.22 and 14.23 of the Listing Rules, the loans to Guangdong Jiapeng will be aggregated. When aggregated, the loans to Guangdong Jiapeng constituted major transactions of the Company under Chapter 14 of the Listing Rules.

(3) STRUCTURED DEPOSIT AGREEMENTS

During June to November 2011, the Company entered into Structured Deposit Agreements with Rosy Ever, who is an Independent Third Party. Pursuant to the Structured Deposit Agreements, the Company temporarily deposited monies with Rosy Ever for investment into a portfolio of financial products with features of capital preservation, floating income and without predetermined duration, including but not limited to government debts, the central bank notes and other bonds. The Group has subsequently received the repayment of the structured deposits and interest in full.

Pursuant to Rules 14.22 and 14.23 of the Listing Rules, the Structured Deposit Agreements will be aggregated. When aggregated, the Structured Deposit Agreements will constitute very substantial acquisitions of the Company under Chapter 14 of the Listing Rules.

GENERAL

A circular containing, among other things, details on Entrusted Loan Agreements, loans to Guangdong Jiapeng and the Structured Deposit Agreements together with a notice of the extraordinary general meeting of the Company, will be despatched to the Shareholders on or before 16 July 2012.

(1) ENTRUSTED LOAN AGREEMENTS

The major terms of the Entrusted Loan Agreements are set out below:

(i) RMB220 million entrusted loan to Guangzhou Huasheng

Date	:	2 August 2011
Lender	:	Kingstone Guangzhou
Borrower	:	Guangzhou Huasheng
Lending agent	:	Shenzhen Development Bank
Amount of the entrusted loan	:	RMB220,000,000, which shall be released to Guangzhou Huasheng at the request of Guangzhou Huasheng and upon deposit by Kingstone Guangzhou of the fund into the account designated by Shenzhen Development Bank

Term	:	four months commencing from 2 August 2011 to 2 December 2011. Pursuant to a loan extension agreement entered into between Kingstone Guangzhou, Guangzhou Huasheng and Shenzhen Development Bank on 2 December 2011, the term of the loan was extended for a further three months from 3 December 2011 to 2 March 2012
Interest rate	:	a fixed interest rate of 1.5% per month from 2 August 2011 to 2 December 2011 and a fixed interest rate of 27% per annum from 3 December 2011 to 2 March 2012
Repayment terms	:	the principal amount of the entrusted loan shall be repayable in full by Guangzhou Huasheng on the expiry of the entrusted loan, with interest thereunder repayable on a monthly basis
Purpose of the entrusted loan	:	the entrusted loan shall be used by Guangzhou Huasheng to purchase environmentally friendly equipments
Guarantees and security measures	:	Guangzhou Huasheng did not provide any security for the entrusted loan
Handling fee	:	Shenzhen Development Bank charged a handling fee of 1% per annum of the principal amount of the entrusted loan, which shall be paid by Guangzhou Huasheng

(ii) RMB20 million entrusted loan to Guangzhou Huasheng

Date	:	4 August 2011
Lender	:	Kingstone Guangzhou
Borrower	:	Guangzhou Huasheng
Lending agent	:	Shenzhen Development Bank
Amount of the entrusted loan	:	RMB20,000,000, which shall be released to Guangzhou Huasheng at the request of Guangzhou Huasheng and upon deposit by Kingstone Guangzhou of the fund into the account designated by Shenzhen Development Bank

Term	:	four months commencing from 4 August 2011 to 4 December 2011. Pursuant to a loan extension agreement entered into between Kingstone Guangzhou, Guangzhou Huasheng and Shenzhen Development Bank on 4 December 2011, the term of the loan was extended for a further three months from 5 December 2011 to 4 March 2012
Interest rate	:	a fixed interest rate of 1.5% per month from 4 August 2011 to 4 December 2011 and a fixed interest rate of 27% per annum from 5 December 2011 to 4 March 2012
Repayment terms	:	the principal amount of the entrusted loan shall be repayable in full by Guangzhou Huasheng on the expiry of the entrusted loan, with interest thereunder repayable on a monthly basis
Purpose of the entrusted loan	:	the entrusted loan shall be used by Guangzhou Huasheng to purchase environmentally friendly equipments
Guarantees and security measures	:	Guangzhou Huasheng did not provide any security for the entrusted loan
Handling fee	:	Shenzhen Development Bank charged a handling fee of 1% per annum of the principal amount of the entrusted loan, which shall be paid by Guangzhou Huasheng

(iii) RMB70 million entrusted loan to Guangzhou Xingguang

Date	:	17 August 2011
Lender	:	Kingstone Guangzhou
Borrower	:	Guangzhou Xingguang
Lending agent	:	Shenzhen Development Bank
Amount of the entrusted loan	:	RMB70,000,000, which shall be released to Guangzhou Xingguang at the request of Guangzhou Xingguang and upon deposit by Kingstone Guangzhou of the fund into the account designated by Shenzhen Development Bank

Term	:	three months commencing from 18 August 2011 to 18 November 2011. Pursuant to a loan extension agreement entered into between Kingstone Guangzhou, Guangzhou Xingguang and Shenzhen Development Bank on 18 November 2011, the term of the loan was extended for a further four months from 19 November 2011 to 18 March 2012
Interest rate	:	a fixed interest rate of 24% per annum from 18 August 2011 to 18 November 2011 and a fixed interest rate of 36% per annum from 19 November 2011 to 18 March 2012
Repayment terms	:	the principal amount of the entrusted loan shall be repayable in full by Guangzhou Xingguang on the expiry of the entrusted loan, with interest thereunder repayable on a monthly basis
Purpose of the entrusted loan	:	the entrusted loan shall be used by Guangzhou Xingguang to purchase raw materials
Guarantees and security measures	:	Guangzhou Xingguang did not provide any security for the entrusted loan
Handling fee	:	Shenzhen Development Bank charged a handling fee of 1% per annum of the principal amount of the entrusted loan, which shall be paid by Guangzhou Xingguang

The aggregate principal amount of the loans outstanding as at 31 December 2011 pursuant to the Entrusted Loan Agreements amounted to RMB310 million. During the respective term of the entrusted loans, aggregate interest income earned by the Group pursuant to the Entrusted Loan Agreements amounted to RMB43.2 million. The Group has subsequently received the repayment of the principal amount and related interest under the Entrusted Loan Agreements in full.

Reasons for and benefits of the Entrusted Loan Agreements

Reference is made to the section headed “Future Plans and Use of Proceeds” of the Prospectus. The Company intended to use: (i) approximately 70% of the net proceeds of the global offering to finance the construction of the main production facilities of the Zhangjiaba Mine and marble slab processing facilities, procure mining and processing equipment, and acquire land use rights; (ii) approximately 20% to establish distribution channels and networks to sell the Company’s marble products and to build the Company’s brand; (iii) approximately 10% to acquire and development additional marble reserves.

Immediately prior to 2 August 2011, when the first Entrusted Loan Agreement was entered into, approximately 90% of the net proceeds of the global offering, approximately RMB796,700,000, has not been utilised.

In view that (i) the interest rates under the Entrusted Loan Agreements were higher than the prevailing benchmark interest rate for fixed deposits in Renminbi announced by the People's Bank of China; and (ii) not all of the net proceeds of the global offering are immediately applied to the purposes as set out in the Prospectus, the Directors consider that the Entrusted Loan Agreements provide a reasonable return to the spare cash of the Group. Further, the Directors understood from Shenzhen Development Bank that the Borrowers are creditworthy and considered the risk of default to be minimal. Accordingly, the Company made short term investment in respect of its spare cash from the net proceeds of the global offering through the Entrusted Loan Agreements. As at the date of this announcement, the loan principals and the interests under the Entrusted Loan Agreements have been repaid to the Group in full. The Company intends to continue to utilize the net proceeds from the global offering in accordance with the original intention as stated in the Prospectus. To the extent that the net proceeds from the global offering are not immediately applied to the purposes as stated in the Prospectus, the Company would deposit the proceeds into interest-bearing accounts, such as short-term savings accounts or basic short-term money market funds, with licensed commercial banks and/or authorized financial institutions in Hong Kong or China.

The Directors are of the opinion that the terms of the Entrusted Loan Agreements are fair and reasonable and in the interest of the Company and its shareholders as a whole.

General information on the parties

The Group is principally engaged in marble mining and currently own and operate two marble mines, the Zhangjiaba Mine and the Tujisi Mine.

Guangzhou Huasheng is principally engaged in development and operation of real estate, investment with its own capital, wholesale and retail trading.

Guangzhou Xingguang is principally engaged in the provision of real estate agency services, investment planning, wholesale and retail trading, research and development of computer software and hardware.

Shenzhen Development Bank is a commercial bank established in the PRC and is principally engaged in banking, financial and other financial related services.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Shenzhen Development Bank, Guangzhou Huasheng and Guangzhou Xingguang and each of their respective ultimate beneficial owner is an Independent Third Party.

Implications under the Listing Rules

Pursuant to Rules 14.22 and 14.23 of the Listing Rules, the Entrusted Loan Agreements will be aggregated. When aggregated, the Entrusted Loan Agreements constituted (i) advances to an entity under Rule 13.13 of the Listing Rules as such advances exceed 8% under the asset ratio as defined under the Listing Rule 14.07 and (ii) very substantial acquisitions of the Company under Chapter 14 of the Listing Rules.

(2) LOANS TO AN ASSOCIATE

The major terms of the loans to Guangdong Jiapeng (which is a 49%-owned associate of the Group) in the form of entrusted loans are set out below:

(i) RMB35 million loan to Guangdong Jiapeng

Date	:	15 July 2011
Lender	:	Sichuan Jinshida
Borrower	:	Guangdong Jiapeng
Lending agent	:	ICBC
Amount of the entrusted loan	:	RMB35,000,000, which shall be released to Guangdong Jiapeng at the request of Sichuan Jinshida and upon deposit by Sichuan Jinshida of the fund into the account designated by ICBC
Term	:	one year commencing from 15 July 2011 to 14 July 2012
Interest rate	:	a fixed interest rate of 7.216% per annum
Repayment terms	:	the principal amount of the entrusted loan shall be repayable in full by Guangdong Jiapeng on the expiry of the entrusted loan, with interest thereunder repayable on a monthly basis
Purpose of the entrusted loan	:	the entrusted loan shall be used by Guangdong Jiapeng to purchase stone materials and as working capital
Guarantees and security measures	:	trade receivables of Guangdong Jiapeng
Handling fee	:	nil

(ii) RMB45 million loan to Guangdong Jiapeng

Date	:	9 September 2011
Lender	:	Sichuan Jinshida
Borrower	:	Guangdong Jiapeng
Lending agent	:	ICBC

Amount of the entrusted loan	:	RMB45,000,000, which shall be released to Guangdong Jiapeng at the request of Sichuan Jinshida and upon deposit by Sichuan Jinshida of the fund into the account designated by the Lending Agent
Term	:	one year commencing from 9 September 2011 to 8 September 2012.
Interest rate	:	a fixed interest rate of 7.216% per annum
Repayment terms	:	the principal amount of the entrusted loan shall be repayable in full by Guangdong Jiapeng on the expiry of the entrusted loan, with interest thereunder repayable on a monthly basis
Purpose of the entrusted loan	:	the entrusted loan shall be used by Guangdong Jiapeng to purchase stone materials and as working capital
Guarantees and security measures	:	trade receivables of Guangdong Jiapeng
Handling fee	:	nil

The aggregate principal amount of the loans to Guangdong Jiapeng and outstanding as at 31 December 2011 amounted to RMB80 million. During the respective term of the loans to Guangdong Jiapeng, aggregate interest income earned by the Group pursuant to the loans to Guangdong Jiapeng amounted to RMB5.8 million.

Reasons for and benefits of the loans to Guangdong Jiapeng

In July 2011, the Group acquired 49% of equity interests in Guangdong Jiapeng and it was envisaged at the time that the Group would co-operate with Guangdong Jiapeng to expand the distribution channels for the Group's products. According to the loan agreements dated 15 July 2011 and 9 September 2011 entered into between Guangdong Jiapeng, ICBC and Sichuan Jinshida and the confirmation signed by Guangdong Jiapeng and Sichuan Jinshida dated 20 April 2012, Guangdong Jiapeng shall use the loans to purchase stone materials and as working capital to expand the distribution channel for the Group.

In view that (i) the loans to Guangdong Jiapeng were part of the Group's effort to establish distribution channels and networks; and (ii) the loans were kept in a specified bank account which required Sichuan Jinshida's approval for any transfer, the Directors are of the opinion that the terms of the loans to Guangdong Jiapeng are fair and reasonable and in the interest of the Company and its shareholders as a whole.

General information on the parties

The Group is principally engaged in marble mining and currently own and operate two marble mines, the Zhangjiaba Mine and the Tujisi Mine.

Guangdong Jiapeng is a professional engineering company principally engaged in the design and construction of curtain wall engineering as well as decoration for construction. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, other than the Group's interest in 49% of the equity of Guangdong Jiapeng, Guangdong Jiapeng and each of its ultimate beneficial owner is an Independent Third Party.

ICBC is a commercial bank established in the PRC and is principally engaged in banking, financial and other financial related services.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, ICBC and each of its ultimate beneficial owner is an Independent Third Party.

Implications under the Listing Rules

Pursuant to Rules 14.22 and 14.23 of the Listing Rules, the loans to Guangdong Jiapeng will be aggregated. When aggregated, the loans to Guangdong Jiapeng constituted major transactions of the Company under Chapter 14 of the Listing Rules.

(3) STRUCTURED DEPOSIT AGREEMENTS

The major terms of the Structured Deposit Agreements are set out below:

(i) Structured deposit agreement of HK\$260,000,000

Date	:	7 June 2011
Parties	:	Company Rosy Ever
Amount of the deposit	:	HK\$260,000,000
Term	:	8 June 2011 to 24 June 2011
Income	:	2% per month during the term and payable on the maturity date of the deposits
Investment products	:	Rosy Ever shall invest the deposits into a portfolio of financial products with features of capital preservation, floating income and without predetermined duration, including but not limited to government debts, the central bank notes and other bonds

Financial service charge : The Company shall pay a financial service fee of 15% of the income gained under the structured deposit agreement to Rosy Ever

(ii) Structured deposit agreement of HK\$150,000,000

Date : 4 July 2011

Parties : Company
Rosy Ever

Amount of the deposit : HK\$150,000,000

Term : 5 July 2011 to 15 July 2011

Income : 2% per month during the term and payable on the maturity date of the deposits

Investment products : Rosy Ever shall invest the deposits into a portfolio of financial products with features of capital preservation, floating income and without predetermined duration, including but not limited to government debts, the central bank notes and other bonds

Financial service charge : The Company shall pay a financial service fee of 15% of the income gained under the structured deposit agreement to Rosy Ever

(iii) Structured deposit agreement of HK\$160,000,000

Date : 5 September 2011

Parties : Company
Rosy Ever

Amount of the deposit : HK\$160,000,000

Term : 6 September 2011 to 15 October 2011

Income : 2% per month during the term and payable on the maturity date of the deposits

Investment products : Rosy Ever shall invest the deposits into a portfolio of financial products with features of capital preservation, floating income and without predetermined duration, including but not limited to government debts, the central bank notes and other bonds

Financial service charge : The Company shall pay a financial service fee of 15% of the income gained under the structured deposit agreement to Rosy Ever

(iv) Structured deposit agreement of HK\$50,000,000

Date : 19 September 2011

Parties : Company
Rosy Ever

Amount of the deposit : HK\$50,000,000

Term : 20 September 2011 to 31 October 2011

Income : 2% per month during the term and payable on the maturity date of the deposits

Investment products : Rosy Ever shall invest the deposits into a portfolio of financial products with features of capital preservation, floating income and without predetermined duration, including but not limited to government debts, the central bank notes and other bonds

Financial service charge : The Company shall pay a financial service fee of 15% of the income gained under the structured deposit agreement to Rosy Ever

(v) Structured deposit agreement of HK\$163,582,795

Date : 16 October 2011

Parties : Company
Rosy Ever

Amount of the deposit : HK\$163,582,795

Term : 16 October 2011 to 31 January 2012

Income	:	2% per month during the term and payable on the maturity date of the deposits
Investment products	:	Rosy Ever shall invest the deposits into a portfolio of financial products with features of capital preservation, floating income and without predetermined duration, including but not limited to government debts, the central bank notes and other bonds
Financial service charge	:	The Company shall pay a financial service fee of 15% of the income gained under the structured deposit agreement to Rosy Ever

(vi) Structured deposit agreement of HK\$51,161,666

Date	:	1 November 2011
Parties	:	Company Rosy Ever
Amount of the deposit	:	HK\$51,161,666
Term	:	Three months commencing from 1 November 2011 to 31 January 2012
Income	:	2% per month during the term and payable on the maturity date of the deposits
Investment products	:	Rosy Ever shall invest the deposits into a portfolio of financial products with features of capital preservation, floating income and without predetermined duration, including but not limited to government debts, the central bank notes and other bonds
Financial service charge	:	The Company shall pay a financial service fee of 15% of the income gained under the structured deposit agreement to Rosy Ever

The aggregate principal amount under the Structured Deposit Agreements amounted to RMB684,490,458. As some of the structured deposits had matured during 2011, the outstanding structured deposits amounted to RMB170.2 million as at 31 December 2011. During the respective term of the Structured Deposit Agreements, aggregate interest income earned by the Group pursuant to the Structured Loans Agreements amounted to RMB19.9 million. The Group has subsequently received the repayment of the principal amount and the related interest under the Structured Deposit Agreements in full.

Reasons for and benefits of the Structured Deposit Agreements

In view that the interest rates under the Structured Deposit Agreements were higher than the prevailing benchmark interest rate for fixed deposits in Renminbi announced by the People's Bank of China, the Directors consider that the Structured Deposit Agreements provide a reasonable return to the spare cash of the Group.

General information on the parties

The Group is principally engaged in marble mining and currently own and operate two marble mines, the Zhangjiaba Mine and Tujisi Mine.

Rosy Ever is principally engaged as investment company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Rosy Ever and each of its ultimate beneficial owner is an Independent Third Party.

Implications under the Listing Rules

Pursuant to Rules 14.22 and 14.23 of the Listing Rules, the Structured Deposit Agreements will be aggregated. When aggregated, the Structured Deposit Agreements will constitute very substantial acquisitions of the Company under Chapter 14 of the Listing Rules.

GENERAL

A circular containing, among other things, details on Entrusted Loan Agreements, loans to Guangdong Jiapeng and the Structured Deposit Agreements together with a notice of the extraordinary general meeting of the Company, will be despatched to the Shareholders on or before 16 July 2012.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings, unless the context otherwise required:

“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Borrowers” (each a “Borrower”)	Guangzhou Huasheng and Guangzhou Xingguang
“Company”	China Kingstone Mining Holdings Limited (中國金石礦業控股有限公司), a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Entrusted Loan Agreements”	the three entrusted loan agreements dated 2 August 2011, 4 August 2011 and 17 August 2011 entered into between Kingstone Guangzhou, Shenzhen Development Bank and the respective Borrower
“Group”	the Company and its subsidiaries
“Guangdong Jiapeng”	Guangdong Jiapeng Construction Co., Ltd.* (廣東嘉鵬建設有限公司), a company owned as to 49% by the Group
“Guangzhou Huasheng”	Guangzhou Huasheng Industrial Co., Ltd.* (廣州華勝實業有限公司)
“Guangzhou Xingguang”	Guangzhou Xingguang Properties Co., Ltd.* (廣州星光置業有限公司)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“ICBC”	Industrial and Commercial Bank of China Guangzhou Tianpingjia sub-branch (中國工商銀行股份有限公司廣州天平架支行), a bank incorporated in the PRC
“Independent Third Party(ies)”	Party(ies), together with his/her/its ultimate beneficial owner(s) is/are independent of the Company and its connected persons
“Kingstone Guangzhou”	Kingstone (Guangzhou) Stone Industry Co., Ltd.* (金石(廣州)石業有限公司), a wholly owned subsidiary of the Company

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 7 March 2011 relating to the initial public offering of the Company’s shares on the Main Board of the Stock Exchange
“RMB”	Renminbi, the lawful currency of the PRC
“Rosy Ever”	Rosy Ever Limited (茂世有限公司)
“Shareholder(s)”	the holder(s) of share(s) of the Company
“Shenzhen Development Bank”	Shenzhen Development Bank Guangzhou Zhujiang New Town Sub-branch (深圳發展銀行股份有限公司廣州珠江新城支行), a bank incorporated in the PRC
“Sichuan Jinshida”	Sichuan Jiangyou Jinshida Stone Industry Co., Ltd.* (四川江油金時達石業有限公司), a wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Deposit Agreements”	the six structured deposit agreements dated 7 June 2011, 4 July 2011, 5 September 2011, 19 September 2011, 16 October 2011 and 1 November 2011 entered into between the Company and Rosy Ever

* *For identification purpose only*

By Order of the Board
China Kingstone Mining Holdings Limited
Xiong Wenjun
Executive Director

Hong Kong, 22 June 2012

As at the date of this announcement, the executive director of the Company is Mr. Xiong Wenjun, the independent non-executive directors of the Company are Mr. Deng Huiqing and Mr. Liu Yuquan.