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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)

DISCLOSEABLE TRANSACTION RELATING TO THE ACQUISITION OF 51% ISSUED SHARE CAPITAL IN THE TARGET COMPANY INVOLVING THE ISSUE OF CONVERTIBLE NOTE UNDER GENERAL MANDATE

THE S&P AGREEMENT

The Board announced that, on 21 June 2018 (after trading hours), the Company entered into the S&P Agreement with the Multiluck, pursuant to which the Company conditionally agreed to purchase, and the Multiluck conditionally agreed to sell the Sale Shares at the consideration of HK\$16,500,000 which will be satisfied by the issue of Convertible Note by the Company upon Completion.

Upon Completion, the Target Company will become a 51% owned subsidiary of the Company and accordingly, the financial information of the Target Company will be consolidated into the accounts of the Group.

As at the date of this announcement, the Company has a total of 2,832,082,770 Shares in issue. Assuming there is no further issue or repurchase of the Shares and based on the Conversion Price and assuming full conversion of the Convertible Note at the Conversion Price, the Convertible Note will be converted into a maximum of 165,000,000 Conversion Shares, representing approximately 5.83% of the total number of Shares in issue as at the date of this announcement and approximately 5.51% of the total number of Shares in issue as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Note. The Conversion Shares shall be allotted and issued by the Company pursuant to the General Mandate.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios (as calculated under Rule 14.07 of the Listing Rules) are more than 5% but less than 25%, and the consideration is satisfied by way of issue of Convertible Note, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

As Completion is conditional upon fulfilment of the conditions precedent set out in the S&P Agreement, the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE S&P AGREEMENT

Date: 21 June 2018 (after trading hours)

Parties

Vendor: Multiluck International Limited

Purchaser: China Kingstone Mining Holdings Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the fact that the Vendor is held as to 20% by Mr. Wang Minliang (the executive Director), the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons (having the meaning ascribed to it under the Listing Rules).

Assets to be acquired

Pursuant to the S&P Agreement, the Company has conditionally agreed to purchase, and Multiluck has conditionally agreed to sell the Sale Shares, representing 51% of the issued share capital of the Target Company, subject to fulfilment of the conditions precedent as set out below. The Target Company is a BVI investment holding company which directly holds the entire share capital of the USA Subsidiary.

Consideration for the Sale Shares

Pursuant to the S&P Agreement, the consideration of HK\$16,500,000 for the Sale Shares will be satisfied by the Company to issue Convertible Note on Completion.

The consideration for the Sale Shares was determined after arm's length negotiations between Multiluck and the Company after taking into consideration of the following factors:

- (i) the business development and future prospects of the Target Group after the Acquisition; and
- (ii) the reasons and benefits of the Acquisition as stated under the section headed "Reasons for and benefits of the Acquisition" in this announcement;

In view of the above, the Board considers that the terms and conditions (including the consideration for the Sale Shares) of the S&P Agreement are fair and reasonable and on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

Conditions Precedent

The sale and purchase of the Sale Shares will be conditional upon fulfillment of the following conditions:

- (a) the shares of the Company remaining listed and traded on the Stock Exchange at all times from the date of the S&P Agreement to and on the Completion Date;
- (b) the clearance of all announcement(s) and circular(s) (if required) to be issued by the Company under the Listing Rules and granting of all approvals, if necessary by the Stock Exchange or by Shareholders of the Company in respect of all transactions contemplated by the S&P Agreement;
- (c) the Company having conducted and completed due diligence on all business, assets and liabilities, legal and financial matters and all such other matters as deemed necessary by the Company in its absolute discretion, in relation to the Target Group, and the Company being satisfied with the result of such due diligence in its absolute discretion;
- (d) the Purchaser having received a legal opinion (in such form and substance to the Purchaser's reasonable satisfaction) covering the following major issues:–
 - (i) the USA Subsidiary having been duly established and validly subsisting;
 - (ii) the legality of the operation and business of the USA Subsidiary in all material respects;
 - (iii) the USA Subsidiary having obtained all the waivers, licences, consents or permits necessary for their operation and business and all such licences, consents and permits being in full force and effect;
 - (iv) the legality and validity of the material contracts entered into by the USA Subsidiary;
- (e) if applicable, the obtaining of all consents from any relevant government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the S&P Agreement and any of the transactions contemplated thereunder; and
- (f) the Company being satisfied that on or before Completion, Multiluck's warranties remain true and accurate in all material respects and are not misleading nor in breach in any material respect;

If the conditions set out in the above have not been fulfilled or waived on or before two months within the date of the S&P Agreement (other than condition (a) and (b) above which may not be waived) for whatever reason, the S&P Agreement will terminate and neither party will have any obligation and liability towards each other and will have no further claims against each other under the S&P Agreement save for costs, damages, compensation or otherwise, in respect of any antecedent breaches, as well as each party will bear its own costs and expenses (including legal fees) incurred in connection with the preparation, negotiation, execution and performance of the S&P Agreement and all documents incidental or relating to Completion.

Completion

Completion of the S&P Agreement will take place within three Business Days after the date on which all the conditions precedent have been fulfilled (or waived)(or such other later date as agreed between the parties).

Upon Completion, the Company will hold 51% equity interest of the Target Company. The Target Company will become a 51%-owned subsidiary of the Company and accordingly, the financial information of the Target Company will be consolidated into the accounts of the Group.

Profit Guarantee

The Vendor hereby irrevocably and unconditionally warrants, guarantees and undertakes to and with the Purchaser that the total consolidated net profit after tax of the Target Group for two years ending 31 December 2020 (the “**Aggregate Net Profit**”) as to be shown in the audited accounts of the Target Group to be prepared by a certified public accountant acceptable to the Purchaser shall not be less than HK\$4,000,000 (the “**Guaranteed Profit**”).

In the event that the Aggregate Net Profit is less than the Guaranteed Profit, the Vendor shall compensate the Purchaser in cash within 14 days after confirmation from the Vendor of the Aggregate Net Profit for the shortfall (the “**Compensation Sum**”) as calculated according to the following formula:

$$\text{Compensation Sum} = \frac{(\text{Guaranteed Profit} - \text{Aggregate Net Profit})}{\text{Guaranteed Profit}} \times \text{HK\$16,500,000}$$

In the event that the Aggregate Net Profit equals or falls below zero, the Compensation Sum shall be HK\$16,500,000.

TERMS OF THE CONVERTIBLE NOTE

Principle amount: HK\$16,500,000

Issuer: The Company

Conversion Price: HK\$0.1

The Conversion Price of the Convertible Note is HK\$0.1 per Conversion Shares, which represents:

- (i) a premium of approximately 11.11% to the closing price of HK\$0.090 per Share as quoted on the Stock Exchange on the date of the S&P Agreement; and

- (ii) a premium of approximately 5.93% to the average closing price of approximately HK\$0.0944 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the S&P Agreement.

The Conversion Price was arrived at after arm's length negotiations among the Company and the Vendor with reference to, among other things, the prevailing market performance of the Shares and the future prospect of the Company. The Directors consider that the terms of the Convertible Note are fair and reasonable and are in the interests of the Company and the Shareholders as whole.

Maturity date: 24 months from the date of the S&P Agreement

Interest rate: the Convertible Note shall not bear any interest

Conversion Shares: A maximum of 165,000,000 new Shares will be allotted and issued upon full conversion of the Convertible Note, which represents:

- (i) approximately 5.83% of the issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 5.51% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Note.

The Conversion Shares shall be allotted and issued pursuant to the General Mandate.

Conversion Rights: Noteholders shall have the rights, exercisable during the conversion period of the Convertible Note in the manner provided in the instruments of the Convertible Note, to convert the whole or any part of the outstanding principal amount of the Convertible Note.

No fraction of a Share shall be issued on conversion and no amount in lieu thereof shall be regarded to the Noteholder.

Limitations on conversion of the Convertible Note: The Company shall not allow conversion of any portion of the outstanding principal amount of the Convertible Note if upon such conversion, the Noteholder and parties acting in concert with it which when aggregated together with the existing Shares held shall be interested (whether directly or indirectly) in 29.9% or such other percentage as may from time to time be specified in the Takeovers Code has being the level of triggering a mandatory general offer, or the Company shall fail to maintain a 25% public float.

Redemption: The Convertible Note shall be redeemable by the Company at the Maturity Date at 100% of the face value of the Convertible Note by giving written notice of redemption to the Noteholder.

- Conversion Period:** The Conversion Rights attaching to the Convertible Note may be exercised on any Business Days following the date of issue of the Convertible Note until 4:00 p.m. on the Maturity Date.
- Ranking:** Shares issued upon conversion shall rank pari passu in all respects with all other existing Shares outstanding on the date of allotment and issue of the Conversion Shares.
- Transferability:** The Notes may not be transferred by the Noteholder, without the prior written consent of the Company.
- Voting:** Noteholder will not be entitled to attend or vote at any meetings of the Company by reason only of its being a Noteholder.
- Application for listing:** No application will be made by the Company for the listing of the Convertible Note. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

INFORMATION OF THE TARGET GROUP

Information of Multiluck

Multiluck, being the Vendor, is a company incorporated in the BVI on 19 April 2018 with limited liability and is an investment holding company which holds the entire issued share capital in the Target Company as at the date of this announcement.

Information of the Target Company

The Target Company is an investment holding company incorporated in the BVI on 27 April 2018 with limited liability and is wholly-owned by the Vendor. Save and except for the 100% equity interest in the USA Subsidiary, the Target Company has no other material assets and liabilities as at the date of the S&P Agreement.

Information of the USA Subsidiary

The USA Subsidiary is a company incorporated in the state of California, the United States of America on 26 March 2015 with limited liability and is wholly-owned by the Target Company. It is principally engaged in the provision of an integrated loyalty coupon system, which provides a blockchain-based digital coupon and rebate platform in the USA. Upon completion of the Acquisition, the Target Company will be owned as to 51% by the Company. The Directors are of the view that the USA Subsidiary will provide other source of income for the Company.

The Acquisition was negotiated on arm's length basis between the Company and the Vendor and is on normal commercial terms and the Directors have confirmed that the Acquisition is fair and reasonable and in the interests of the Company and its shareholders as a whole. As certain applicable percentage ratios (as calculated under Rule 14.07 of the Listing Rules) are more than 5%

but less than 25%, the Acquisition constitutes a discloseable transaction under the Listing Rules and is therefore subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Financial Information of the Target Group

Set out below are the unaudited financial information of the Target Group as prepared in accordance with International Financial Reporting Standards for the years ended 31 December 2016 and 2017 and for the five months ended 31 May 2018, respectively:

	Year ended 31 December 2016	Year ended 31 December 2017	Five months ended 31 May 2018
	Unaudited	Unaudited	Unaudited
	<i>(USD)</i>	<i>(USD)</i>	<i>(USD)</i>
Revenue	–	–	–
Loss before taxation	(457,856)	(374,745)	(97,615)
Loss after taxation	(457,856)	(374,745)	(97,615)

The unaudited net assets value of the Target Group as at 31 May 2018 was approximately USD327,048 (approximately HK\$2.6 million).

REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal activities of the Group are mining, processing and trading of marble stones and marble-related products.

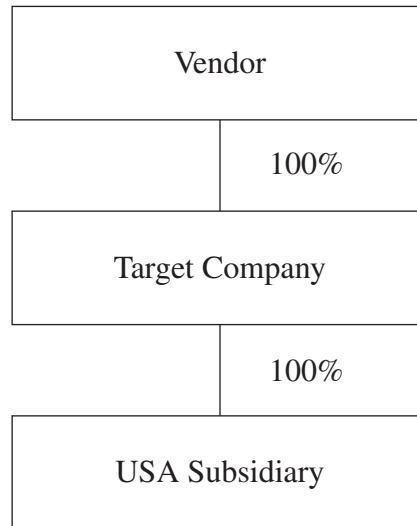
The Board considers that the Acquisition is a valuable investment opportunity for the Company as it diversifies the Group's existing business of mining, processing and trading of marble stones and marble-related products. The Acquisition allows the Group to enter the blockchain-based digital coupon and rebate platform business. This is a growing business due to the rapidly growing popularity and usage of the information technology globally. Accordingly, the Directors believe that the Acquisition will enable the Company to strengthen and enhance its business profile and diversify its income source.

In consideration of the above, the Board considers that the terms of the S&P Agreement are normal commercial terms and are fair and reasonable and in the interests of the Company and Shareholders as a whole.

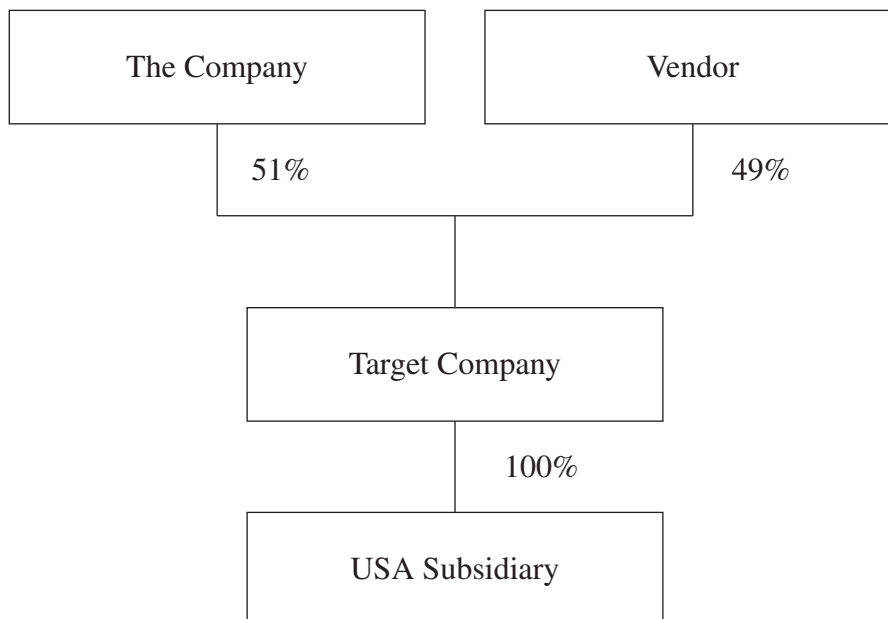
TARGET GROUP STRUCTURE

The following diagrams set out the shareholding structure of the Target Group as at the date of this announcement and immediately upon Completion.

Shareholding structure of the Target Group as at the date of this announcement



Shareholding structure of the Target Group immediately upon Completion



EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The existing shareholding structure of the Company as at the date of this announcement and the shareholding structure of the Company immediately after the full conversion of the Convertible Note, assuming there is no other change in the shareholding structure of the Company since the date of this announcement:

Shareholders	As at the date of this announcement		Immediately upon full conversion of the Convertible Note	
	<i>Number of Shares</i>	<i>% (approximately)</i>	<i>Number of Shares</i>	<i>% (approximately)</i>
Ninotre Investment Limited	304,966,082	10.77	304,966,082	10.17
Vendor/Noteholder	–	–	165,000,000	5.51
Public shareholders	2,527,116,688	89.23	2,527,116,688	84.32
	<u>2,832,082,770</u>	<u>100</u>	<u>2,997,082,770</u>	<u>100</u>

LISTING RULE IMPLICATIONS

As certain applicable percentage ratios (as calculated under 14.07 of the Listing Rules) are more than 5% but less than 25% and the consideration is satisfied by way of issue of Convertible Note, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules and is therefore subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

As Completion is conditional upon fulfilment of the conditions precedent set out in the S&P Agreement, the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

Unless the context requires otherwise, the use of capitalized terms in this announcement shall have the following meanings:

“Acquisition”	the acquisition of the Target Company by the Company pursuant to the S&P Agreement
“Board”	the board of Directors
“Business Day”	a day (other than Saturday, Sunday, public holiday or any day on which a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning is hoisted) on which banks in Hong Kong are open for business
“BVI”	British Virgin Islands

“Company” or “Purchaser”	China Kingstone Mining Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares under the S&P Agreement
“Completion Date”	within three Business Days after all of the conditions precedents set out in the S&P Agreement have been satisfied or waived thereof, where applicable
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Conversion Price”	HK\$0.1 per Conversion Share
“Conversion Share(s)”	maximum of 165,000,000 new Shares to be allotted and issued by the Company under the Convertible Note at the Conversion Price of HK\$0.1 per Conversion Share
“Convertible Note”	a zero coupon redeemable convertible note in the principal sum of HK\$16,500,000 due in two years from the date of its issue
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate to issue Shares granted to the Board at the annual general meeting of the Company held on 25 May 2018
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Noteholder(s)”	holder of the Convertible Note
“S&P Agreement”	the conditional sale and purchase agreement in relation to the Acquisition dated 21 June 2018 entered between the Purchaser and the Vendor
“Sale Shares”	the 51% share capital of the Target Company
“Shareholder(s)”	shareholder(s) of the Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company

“Stock Exchange	The Stock Exchange of Hong Kong Limited
“Target Company”	Global Harvest Group Limited, a company incorporated in the BVI with limited liability on 27 April 2018
“Target Group”	collectively the Target Company, and the USA Subsidiary
“USA Subsidiary”	Golden West Capital Inc., a company incorporated in the state of California, the United States with limited liability on 26 March 2015
“Vendor/Multiluck”	Multiluck International Limited, a company incorporated in BVI with limited liability on 19 April 2018
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“USD”	United States dollars, the lawful currency of the United States
“%”	per cent

By Order of the Board
CHINA KINGSTONE MINING HOLDINGS LIMITED
Wang Minliang
Chairman and Executive Director

Hong Kong, 21 June 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.