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)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

UNAUDITED CONSOLIDATED RESULTS

For the reasons explained below under "Review of Unaudited Annual Results", the auditing process for the annual results of China Kingstone Mining Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") has not been completed. The unaudited consolidated results of the Company have not yet been agreed with the auditor of the Company and have therefore been reviewed by the Company's audit committee (the "**Audit Committee**") without disagreement. The Board will use its reasonable endeavours to publish its preliminary announcement of the audited results for the year ended 31 December 2019 (the "**Audited Final Results**"), which will be agreed with the auditor of the Company as soon as possible and in any event after travel restrictions imposed due to the COVID-19 coronavirus are lifted in Hong Kong and Mainland China.

In the meantime, the board of directors (the "**Board**") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 together with the comparative figures for the corresponding period in 2018 as follows:

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Change	
	2019 (unaudited)	2018 (audited)		
Revenue *(RMB'000)*	**65,689**	67,719	**-2,030**	-3.0%
Loss for the year attributable to owners of the Company *(RMB'000)*	**(68,505)**	(19,270)	**-49,235**	N/A
Basic loss per share *(RMB cents)*	**(2.4)**	(0.7)	**-1.7**	N/A

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** ***RMB'000*** **(unaudited)**	2018 *RMB'000* (audited)
REVENUE	*3*	**65,689**	67,719
Cost of sales		**(61,260)**	(63,170)
Gross profit		**4,429**	4,549
Other income and gains	*4*	**767**	14,540
(Loss)/gain on disposal of a subsidiary		**(1,117)**	566
Selling and distribution costs		**(2,458)**	(1,210)
Impairment loss of trade receivables		**(28,200)**	(8,307)
Administrative expenses		**(41,755)**	(29,393)
Finance costs	*5*	**(171)**	(15)
LOSS BEFORE TAX	*6*	**(68,505)**	(19,270)
Income tax	*7*	**–**	–
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(68,505)**	(19,270)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of overseas operations		**3,847**	10,633
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(64,658)**	(8,637)
LOSS PER SHARE (RMB cents)	*8*		
– Basic and diluted		**(2.4)**	(0.7)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 31 December 2019

	Notes	**2019** **RMB'000** **(unaudited)**	2018 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**178,732**	189,365
Intangible assets		**41,744**	43,732
Prepaid land lease payments		**–**	1,253
Right-of-use assets		**3,878**	–
Prepayment		**51,330**	51,642
		275,684	285,992
CURRENT ASSETS			
Inventories		**363**	369
Trade receivables	*10*	**59,368**	71,684
Prepayments, deposits and other receivables		**3,774**	3,941
Cash and cash equivalents		**49,022**	65,058
		112,527	141,052
CURRENT LIABILITIES			
Trade payables	*11*	**558**	1,814
Obligation under finance lease		**–**	233
Lease liabilities		**1,429**	–
Other payables and accruals		**18,167**	19,264
Amounts due to a director		**5,586**	–
Provision for litigation		**10,601**	1,200
		36,341	22,511
NET CURRENT ASSETS		**76,186**	118,541
TOTAL ASSETS LESS CURRENT LIABILITIES		**351,870**	404,533
NON-CURRENT LIABILITIES			
Lease liabilities		**1,041**	–
Provision for rehabilitation		**2,697**	2,697
Deferred tax liabilities		**608**	608
		4,346	3,305
NET ASSETS		**347,524**	401,228
EQUITY			
Equity attributable to owners of the Company			
Share capital		**24,435**	24,435
Reserves		**323,089**	376,793
Total equity		**347,524**	401,228

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. BASIS OF PREPARATION

The unaudited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which include all applicable individual International Financial Reporting Standards, International Accounting Standards ("IAS") and interpretations, and applicable disclosure requirements of the Hong Kong Companies Ordinances and applicable disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The unaudited consolidated financial statements have been prepared under the historical cost convention.

2. APPLICATIONS OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

IFRS 16	Leases
IFRIC-Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited consolidated financial statements.

Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 Leases ("IAS 17"), and the related interpretations.

Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date.

Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;

- any lease payments made at or before the commencement date, less any lease incentives received;

- any initial direct costs incurred by the Group; and

- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

<u>Leasehold land and building</u>

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

<u>Refundable rental deposits</u>

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

<u>Lease liabilities</u>

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

On transition, the Group has made the following adjustments upon application of IFRS 16:

The Group recognised lease liabilities of approximately RMB233,000 and right-of-use assets of approximately RMB1,253,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental discount rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental discount rate applied is 4.7%.

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	2,060
Less: Recognition exemption – short-term leases	(393)
	1,667
Lease liabilities discounted at relevant incremental borrowing rates	(47)
Add: Obligation under finance lease recognised at 31 December 2018	233
Lease liabilities at 1 January 2019	1,853
Analysed as	
Current	1,671
Non-current	182
	1,853

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Note	*RMB'000*
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		1,620
Reclassified from prepaid land lease payments	*(a)*	1,253
		2,873
By class		
Leasehold lands		1,253
Leased properties		1,620
		2,873

Notes:

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the non-current portion of prepaid land lease payments amounting to approximately RMB1,253,000 were reclassified to right-of-use assets.

(b) In relation to assets previously under finance leases, the carrying amounts of the relevant assets which were still under lease as at 1 January 2019 amounting to approximately RMB433,000. The Group did not recategorise the relevant asset as right-of-use assets because it is short term lease which is terminated during the year of 2019. In addition, the Group reclassified the obligations under finance leases of approximately RMB233,000 to lease liabilities as current liabilities respectively at 1 January 2019.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amount previously reported at 31 December 2018** *RMB'000*	**Adjustments** *RMB'000*	**Carrying amount under IFRS 16 at 1 January 2019** *RMB'000*
Non-current assets				
Prepaid land lease payments		1,253	(1,253)	–
Right-of-use assets		–	2,873	2,873
Current liabilities				
Lease liabilities		–	1,671	1,671
Obligations under finance lease		233	(233)	–
Non-current liabilities				
Lease liabilities		–	182	182

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

New and amendments to IFRSs in issue but not yet effective

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2020

The directors of the Company consider that the application of all new and amendments to IFRSs and IASs is unlikely to have a material impact on the Group's financial position and performance as well as disclosure in foreseeable future.

3. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue represents the net invoiced value of goods sold, net of trade discounts and returns and various types of government surcharges, where applicable.

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 operating 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 and Guangdong 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 year:

	2019		2018	
	RMB'000 **(unaudited)**	*%*	*RMB'000* (audited)	*%*
Marble slabs	**39,892**	**60.7%**	52,567	77.6%
Marble slags	**25,797**	**39.3%**	15,152	22.4%
	65,689	**100%**	67,719	100%

Information about major customers

Revenue from major customers, each of whom accounted for 10% or more of the total revenue is set out below:

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Customer A	**20,177**	30,812
Customer B	**19,715**	21,755
Customer C*	**17,925**	–

* *Revenue derived from Customer C did not contribute over 10% or more of total revenue of the Group during the year ended 31 December 2018.*

4. OTHER INCOME AND GAINS

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Interest income	**1**	1
Exchange gain	**10**	–
Gain on disposal of property, plant and equipment	**414**	–
Gain on disposal of right-of-use assets	**10**	–
Reversal of provision for litigation, net	**–**	14,500
Others	**332**	39
	767	14,540

5. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Finance leases charges	**–**	15
Interest on lease liabilities	**92**	–
Interest on amounts due to directors	**79**	–
	171	15

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Cost of inventories sold	**61,260**	63,170
Staff costs (including directors' remuneration):		
Wages and salaries	**5,963**	6,565
Equity-settled share option expenses	**10,954**	–
Pension scheme contributions – Defined contribution scheme	**43**	104
Other staff benefits	**219**	153
	17,179	6,822
Auditors' remuneration	**493**	470
Amortisation of prepaid land lease payments	**–**	34
Amortisation of intangible assets	**1,988**	–
Depreciation of items of property, plant and equipment	**12,074**	13,142
Depreciation of right-of-use assets	**1,392**	–
Impairment of other receivables	**34**	–
Operating lease rentals for office	**–**	5,637
Short-term lease payments	**542**	–
Provision for litigation	**9,401**	–
Loss on disposal of property, plant and equipment	**–**	1,848

7. INCOME TAX

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Current – the PRC		
– Charge for the year	**–**	–
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 both years.

8. LOSS PER SHARE

(a) Loss per share – Basic

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately RMB68,505,000 (2018: loss of RMB19,270,000) and the weighted average number of 2,832,083,000 (2018: 2,832,083,000) ordinary shares in issue during the year.

(b) Loss per share – Diluted

For the year ended 31 December 2018 and 2019, the effects of all potential ordinary shares are anti-dilutive since their assumed exercise would result in a decrease in loss per share.

9. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

10. TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**198,666**	182,782
Less: impairment	**(139,298)**	(111,098)
	59,368	71,684

The Group's trading terms with its customers are mainly on credit. Except for certain customers solicited by the Group at the beginning of its commercial operation were granted for a longer credit terms, the credit period is generally three months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Trade receivable are non-interest-bearing.

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:

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 90 days	**28,652**	2,878
91 to 180 days	**–**	33,060
181 to 365 days	**10,843**	16,632
Over 1 year	**19,873**	19,114
	59,368	71,684

The director believed that no impairment loss is necessary in respect of other balances which are past due but not impaired as the balances are still considered recoverable after taking into account the relationship with, credit rating of and settlement history of these customers.

Reconciliation of impairment of trade receivables:

	2019 *RMB'000* (unaudited)	2018 *RMB'000* (audited)
At beginning of year	**111,098**	102,791
Allowance for the year	**28,200**	8,307
At end of year	**139,298**	111,098

As at 31 December 2018, included in trade receivables past due but not impaired were trade receivables of approximately RMB10,352,000 (2017: RMB10,352,000) which were secured by certain properties in the PRC as collateral ("Properties"). A valuation was conducted on the Properties by an independent valuer and the recoverable amounts of the trade receivables based on the net realisable values of the Properties were higher than the carrying amount (after deduction of tax and estimated legal costs).

As at 31 December 2019, the Group fully impaired trade receivables secured by the Properties.

11. 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:

	2019 *RMB'000* (unaudited)	2018 *RMB'000* (audited)
0 to 60 days	**436**	1,765
61 to 120 days	**50**	–
121 to 180 days	**–**	–
Over 180 days	**72**	49
	558	1,814

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Marble Slab Business

Marble stones are widely used in construction and decoration industry for decorative purposes due to its bright colour and lustrous finish. Marble slags 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 the 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 slab business to ratchet up with upbeat forecast. However, during FY2109, the growth in construction industry was apparently slowing down and facing a stiff challenge even as the China government stepped up the stimulus amid the escalating US-China trade war. The US and China imposed trade tariffs across a variety of products in a seemingly endless series of tit-for-tat measures, including most kinds of building materials. The Group recorded a decrease of 24.1% in sales of marble slabs from RMB52.6 million for FY2018 to RMB39.9 million for FY2019, resulting from a decrease in demand of the marble slabs for decorative purpose. The Group expects weakening demand in marble slabs will continue for years if the trade disputes drag on and the spread of the New Coronavirus persists. The Group has to maintain a high degree of vigilance against unpredictable international developments and sensitive external factors that may adversely affect the Group's marble slab business.

Marble Slag and Calcium Carbonate Business

Marble slags are produced in the course of stripping overburden at Zhangjiaba mine and by crushing the cracked marble stones. Marble slag is a core raw material for the production of GCC. The Group sells the marble slags to the GCC manufacturers which are close to the Zhangjiaba mine. Revenue attributable to the marble slag business was approximately RMB25.8 million for FY2019, representing an increase of RMB10.6 million as compared to RMB15.2 million for FY2018. Such increase was primarily due to ramping up the production of marble slags through speeding up the stripping of ore. Demand of marble slags from the GCC manufacturers stays strong.

The Group plans to embark on the GCC business and integrate with the existing marble slag business. GCC is produced by the grinding process to transform marble slags into a powder. GCC is widely used as raw materials in the production of building and construction materials, paper, plastics, paints, coatings, and personal health and food production. The Group may utilize its own rich marble resources from Zhangjiaba mine to produce marble slags and then further process to GCC. The Group expects that the downstream vertical integration will result in a synergy that allows the Group's GCC business to become competitive as the Group has a stable supply of marble slags in its own hand and enjoys cost advantages. During FY2019, the Group was still undergoing the negotiation for the cooperation agreement but no deal has been made yet.

Exploration, Development and Production Activities

There was no geological exploration activity during the year. The Group focuses on the development and mining at the Zhangjiaba mine. The Zhangjiaba mine located in Sichuan Province of China contains 44.2 million cubic meters of measured and indicated marble resources, which represents 16.8 million cubic meters 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 is mainly divided into the eastern mining zone and the western mining zone. During FY2019 and FY2018, the Group continues to carry out the stripping of the overburden materials at the the both eastern and western zone of the deposit. The deposit in these areas is still cracked. The Group expects that the further development of the mine to lower benches will be required for large block production and the block production will commence not earlier than year 2021.

During FY2019, the aggregate expenditure of the mining operation of the Group was approximately RMB23.9 million (FY2018: RMB20.7 million), which mainly included depreciation on property, plant and equipment of RMB7.6 million (FY2018: RMB6.8 million), consumables and fuel of RMB3.54 million (FY2018: RMB3.84 million), safety protection related expenses of RMB2.3 million (FY2018: RMB1.1 million) and subcontracting cost for stripping of RMB9.8 million (FY2018: Nil).

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately RMB2.0 million or 3.0% from approximately RMB67.7 million for FY2018 to approximately RMB65.7 million for FY2019. The decrease was primarily due to a combined effect of (i) a decrease of RMB12.7 million in sales of marble slabs from RMB52.6 million for FY2018 to RMB39.9 million for FY2019, resulting from the weakening demand in marble slab, and (ii) an increase of RMB10.6 million in sales of marble slags from RMB15.2 million for FY2018 to RMB25.8 million for FY2019, as result of ramping up the production of marble slags through speeding up the stripping.

Revenue by products

	Year ended 31 December		
	2019	2018	Change
	RMB'000	*RMB'000*	*%*
Marble slabs	**39,892**	52,567	–24.1%
Marble slags	**25,797**	15,152	+70.3%
	65,689	67,719	

Analysis by sales volume and selling price

	Year ended 31 December		
	2019	2018	Change
Sales volume:			
Marble slabs (square meter)	**139,062**	204,566	–32.0%
Marble slags (ton)	**1,135,574**	563,187	+101.6%
Average selling prices:			
Marble slabs (RMB per square meter)	**286.9**	257.0	+11.6%
Marble slags (RMB per ton)	**22.7**	26.9	–15.6%

Gross profit and Gross profit margin

Gross profit decreased by approximately RMB0.1 million or 2.2% from approximately RMB4.5 million for FY2018 to approximately RMB4.4 million for FY2019. The decrease was primarily due to a decrease in gross profit of marble slabs, resulting from a decrease in its sales.

Gross profit margin remained at 6.7% for FY2018 and FY2019, respectively. Increase in gross profit margin of marble slabs, resulting from an increase of 11.6% in average selling price of marble slabs from RMB257.0 per square meter for FY2018 to RMB286.9 per square meter for FY2019, was offset by a decrease in gross profit margin of marble slags, resulting from a decrease of 15.6% in average selling price of marble slags from RMB26.9 per ton for FY2018 to RMB22.7 per ton for FY2019.

Selling and distribution expenses

Selling and distribution expenses increased from RMB1.2 million for FY2018 to RMB2.5 million for FY2019. The increase was primarily due to an increase in transportation cost and direct sales tax, resulting from an increase in the sales volume of marble slags.

Administrative expenses

Administrative expenses increased by RMB12.4 million from RMB29.4 million for FY2018 to RMB41.8 million for FY2019. The increase was primarily due to an increase of RMB11.0 million in share option expenses in relation to share options granted to the Directors and certain employees of the Group during FY2019 and an increase of HK$9.4 million in additional provisions for litigation in relation to a dispute that the plaintiff claimed against the Group to refund the deposit and part of consideration for a loan assignment agreement dated 9 August 2013 but the Group considered it should be forfeited and non-refundable.

The Group has implemented retrenchment measures, including a reduction of staff cost, rental expenses and other general operating expenses since late 2018 in order to increase the effectiveness of the operation of the Group and weather any difficulties we may face under the circumstances of slowing economic growth in the PRC.

Impairment loss of trade receivables

The Group made an impairment loss of RMB28.2 million on trade receivable for FY2019, representing an increase by RMB19.9 million, as compared to RMB8.3 million for FY2018. The increase in impairment losses for FY2019 primarily comprised:

1) A trade receivable that was secured by a property located in Inner Mongolia (the "Pledged Property"). The pledgee of the Pledged Property defaulted in 2012 and the Group took legal action to recover the trade receivable. The court judgment was handed down to grant the right of transfer of the title of Pledged Property to the Group in August 2016. The Group has taken steps to sell the trade receivable associated with Pledged Property but in vain for over the past three years. An additional impairment loss of RMB9.4 million in relation to the trade receivable was provided during FY2019;

2) An increase of RMB10.5 million in an impairment loss of on trade receivables primarily in relation to the marble slab business was provided for FY2019, due to an increase in the expected credit loss rate for FY2019. The Group expects that the weakening demand of marble slabs will continue amid the deceleration in economic growth in China. The Group's ultimate customers are mainly small-medium sized enterprises in China which generally faces financial difficulties owing to the tightening financial market conditions and has delayed the payment of our invoices.

Loss for the year attributable to owners of the Company

The Group recorded a loss of RMB68.5 million for FY2019, representing an increase of RMB49.2 million as compared to RMB19.3 million for FY2018, as a result of a combined effect of (i) a gain of RMB15.7 million on reversal of provision for litigation due to a settlement of a claim against the Group being reached with the plaintiff during FY2018; (ii) an increase of RMB19.9 million in provision for impairment loss on trade receivables, and (iii) an increase of RMB12.4 million in administrative expenses.

Liquidity and Capital Resources

As at 31 December 2019, the Group's total equity interests were approximately RMB347.5 million (31 December 2018: RMB401.2 million), representing a decrease of 13.4% as compared with that as at 31 December 2018. The decrease was mainly attributable to total comprehensive loss of RMB64.7 million recorded for FY2019.

As at 31 December 2019, the Group had cash and bank balances of approximately RMB49.0 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.

As at 31 December 2019, a loan from a director (included in amount due to a director) amounted to approximately RMB4.3 million (31 December 2018: Nil) was unsecured, interest-bearing at 10% per annum, mature in one year and dominated in Hong Kong dollars. It was accounted for as current liabilities of the Group. The Group does not currently use any derivatives to manage the interest rate risk. Gearing ratio, representing the loan divided by total equity, was 0.01 (31 December 2018: Nil).

Capital Expenditure

During FY2019, the Group's capital expenditure amounted to RMB3.3 million (FY2018: RMB2.8 million), which was primarily related to acquisition of property, plant and equipments.

Charge of the Group's assets

As at 31 December 2019, the Group did not have any charges on its assets.

Significant investment held

As at 31 December 2019, there were no material investments held by the Group.

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 RMB, which is the functional and reporting currency of the Group, except certain administrative expenses of the Hong Kong office which were denominated in Hong Kong dollars. The Group has not entered into any foreign exchange contracts as hedging measures.

Contingent liabilities

As at 31 December 2019, the Group did not have any significant contingent liabilities.

Human Resources

As at 31 December 2019, the Group had employed a total of 31 employees (31 December 2018: 25 employees). The total staff cost, including directors' emoluments, share options benefit and pension scheme contribution, was approximately RMB17.2 million for FY2019 (FY2018: RMB6.8 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 a discretionary bonus to its employees as an incentive for their contribution to the Group.

Use of proceeds from fund raising activities

On 3 March 2017 and 24 April 2017, the Company entered into an agreement and supplemental agreement with an underwriter by issuing 2,360,068,975 rights shares to qualifying shareholders by way of the rights issue at subscription price of HK$0.12 per rights share on the basis of five rights shares for every share in issue on the record date. The net proceeds from the rights issue were approximately HK$276.5 million. The rights issue was made for the purposes of (i) approximately HK$191.8 million (RMB170.0 million) for the contribution of funding in the joint venture company for the calcium carbonate business, in which approximately HK$149.2 million (RMB132.2 million) for the set-up of manufacturing building (including the property, plant and equipment) and approximately HK$42.6 million (RMB37.8 million) for the general working capital of the business; (ii) approximately HK$33.8 million (RMB30.0 million) for general working capital of the Group, including but not limited to the operating cash used for the daily production of marble and marble related products, the settlement of outstanding accounts payable to vendors and the general operating expenses of the Group; and (iii) the remaining net proceed of approximately HK$50.9 million (RMB45.2 million) for the settlement of the potential damages arising from the litigation in relation to the breach of a written underwriting agreement and between the underwriter of the open offer announced by the Company on 14 May 2015.

As at 29 September 2017, the Company resolved to change the use of the unutilized net proceeds of HK$50.9 million for the settlement of the potential damages arising from the litigation to use the unutilized proceeds for (i) purchasing machineries for replacement of well-worn mining equipment (approximately HK$15.0 million); (ii) investments in the marble slabs business (approximately HK$20.0 million), and (iii) general working capital (approximately HK$15.9 million). For details, please refer to the announcement of the Company dated 29 September 2017.

As at 31 December 2019, the net proceeds had been utilised as follows:

	Intended use of proceeds *HK$'000*	**Actual use of proceeds** *HK$'000*
The contribution of funding for the calcium carbonate business		
– The set-up of manufacturing building (including the property, plant and equipment)	149,150	60,000
– General working capital of the calcium carbonate business	42,610	–
General working capital of the Group		
– Purchasing of machineries for replacement of well-worn mining equipment	15,000	15,000
– Marble slabs business	20,000	61,220
– Settlement of litigation involving Sichuan Jinshida *(Note 1)*	–	24,976
– Other general working capital	49,780	63,743
	276,540	224,939

Note 1:

For the details, please refer to the announcement of the Company dated 2 November 2017, 17 April 2018, 23 April 2018, 18 May 2018, 23 May 2018, 13 June 2018, 20 June 2018, 26 June 2018 and 5 July 2018

Intended use of the unutilized proceeds and/or the expected timeline

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

During FY2018, the JV partner obtained the land use approval for part of the planned production site from the Land and Resources Department of Jiangyou City and the Construction Permit on site from the relevant authority in China. In the wake of the settlement of the litigation involving the auction of the Zhangjiaba mine in July 2018, the Group and JV Partner eagerly underwent the re-negotiation of the operational details of the cooperation.

In June 2018, the Group and a joint venture partner (the "JV Partner"), who is the shareholder of the ground calcium carbonate manufacturer, entered into a joint venture agreement (the "JV agreement") in relation to formation of a joint venture company (the "JV Company") to operate the ground calcium carbonate ("GCC") production in Jiangyou City, Sichuan Province, the PRC. In August 2018, an equity joint venture company (the "JV Company") was formed as to 51% by the Group and 49% by the JV Partner in accordance with the JV agreement. The Group also made the deposit payment of approximately RMB51.6 million for acquisition of property, plant and equipment in respect of the GCC business. However, given that certain fund needs for the GCC business development plan have already been contributed by the JV Partner as opposed to the Group under the MOU, the JV Partner demanded to adjust the terms of the cooperation framework. The Group and JV Partner worked on the negotiation for over one-year. Unfortunately, the Group foresees that there is a very low chance of it making a deal with the JV Partner. Despite this setback, the Group is still digging its heel in the GCC business which allows the Group to achieve product diversification and result in a synergy. The Group is exploring other alternatives to develop the GCC business. As at 31 December 2019, the Group expects that the intended use of unutilized proceeds will be applied to the GCC business and general working capital of the Group.

During FY2018, the Group made a deposit payment of approximately RMB51.3 million (equivalent to approximately HK$60.0 million) to suppliers for the acquisition of plant and equipment in respect of the GCC business. As the negotiation of the cooperation agreement may be falling apart, the Group has withheld the delivery of the plant and equipment until further notice. The timeline of the cash deployment for the GCC business has not been determined yet.

The GCC business plan was unable to be materialized as planned for the reasons as disclosed above and dragged on for almost two years. The Group reassigned part of net proceeds for the GCC business to meet the on-going need for the general working capital of the Group, including the working capital for the existing marble business, payment for the settlement of litigation and other general administrative expenses, such as rent, salary, legal fees.

PROSPECTS

Business Reviews and Prospects

The China economy is showing a sign of slowdown resulting from the US-China trade war that has simmered for over 18 months. Though the phase one interim agreement has been made in December 2019 to prevent a further escalation of the trade war, it is expected that the next round of the negotiation between the US and China would get tougher once they begin tackling the thorny issues on which they had clashed. China economy has not got out of woods yet. Furthermore, in early of year 2020, the outbreak of new coronavirus pneumonia epidemic (the "New Coronavirus") in China followed hard on the heels of the phase one's US-China trade truce. It looks set to further dampen sentiment in the market. To a large extent the marble product businesses of the Group hinges upon the economic prospect of China. The Group has been left reeling from the double blow of the US-China trade war and New Coronavirus facing an uncertain future in the coming years.

During FY2019, the construction industry in China was still strong but its growth was obviously slowing down which resulted from the trade pressure exerted by the US in the trade war, denting the economic growth in China. The Group realized that many small and medium-sized construction companies were struggling to stay afloat and facing financial distress. The Group expects that the weakening demand of marble slabs will continue amid the deceleration in economic growth in China. Under this highly uncertain economic environment, the Group has to be extra cautious of and closely monitor any further investment of working capital in marble slab business in order to contain the credit risk of our customers.

In these years, the Group has made strides in the development of marble slag business. Sales of marble slags grew by 2.3 times in two-year time from RMB7.7 million in 2017 to RMB25.8 million in 2019. The marble slag business has become one of the Group's business focuses. Despite the uncertainty in China economy, the marble slag business has shown strong resilience to the external headwinds. The Group expects that the sales of marble slags will grow at a bit slower pace in the coming years as the economic activities in China are likely to decline due to the spread of the New Coronavirus.

The Group had set the business expansion plan of a downstream vertical integration to GCC business. The Group entered into a non-binding memorandum of understanding with a GCC manufacture as joint venture partner which possesses rich experience on operation of a GCC production in a bid to plunge into the ground calcium carbonate powder ("GCC") business in Jiangyou City in April 2017. However, several months after the MOU signed, the Group halted the cooperation plan with the joint venture partner as there was a litigation of the Group involving the Zhangjiaba mine that might discourage the joint venture partner from making progress on the GCC business with the Group. The re-negotiation of the cooperation had been set in motion after the settlement of the litigation in July 2018. Unfortunately, after over one-year's negotiation, the Group was unable to nail down the new cooperation agreement and foresees that the chance of making a deal with the joint venture partner is very low. Despite this setback, the Group is still digging its heels in developing GCC business as it allows the Group to achieve product diversification and result in a synergy. The Group is exploring other alternatives to achieve this business plan of GCC.

The Company will continue to consolidate the production and operations of marble stone and its related business as well as make good use of our marble resources. On the other hand, the Group will also continue to explore new business opportunities so arising in order to maximize shareholders' value in the future.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries or holding company or subsidiary of the holding company has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities of the Company by the directors. Having made specific enquiry to all the Directors, they confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2019.

CORPORATE GOVERNANCE PRACTICES

The Company strives to attain and maintain high standards of corporate governance consistent with the needs and requirements of its businesses and the best interest of all of its stakeholders. The Board believes that high standards of corporate governance provide a framework and solid foundation for the Group to safeguard the interests of shareholders and other stakeholders and enhance the shareholders' value.

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 of Hong Kong Limited (the "Listing Rules") for FY2019 except for a deviation from code provisions A.2.1, A.1.8 and E.1.2 of CG Code.

Deviation from A.2.1 of CG Code

Under code provision A.2.1 of CG Code, the roles of chairman and chief executive officer ("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 FY2019, there is no officer carrying the title of CEO and also no chairman being appointed by the Board. The duties of the CEO are undertaken by executive directors of the Company while the independent board members assume the role and responsibility of chairman to ensure that the board is effective in its task of setting and implementing the company's direction and strategy. The Board considers that there is sufficient balance of power and the current arrangement maintains a strong management position of the Company.

Deviation from A.1.8 of CG Code

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 Director's 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.

Deviation from E.1.2 of CG Code

Under the code provision of E.1.2 of CG Code, the chairman of the Board should attend the annual general meeting. The Board elected an executive Director, Mr. Zheng Yonghui, to attend and chair the annual general meeting.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee, which consists of three members, all of whom are independent non-executive Directors, has reviewed the Group's unaudited consolidated financial statements for the year ended 31 December 2019. The Audit Committee is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and other applicable legal requirements, and those adequate disclosures have been made.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to travel restrictions in force in parts of China to combat the COVID-19 coronavirus outbreak. The unaudited annual results contained herein have not been agreed with the Company's auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

Pursuant to Rule 13.49(3)(ii)(b) of the Listing Rules, if the Audited Final Results differ materially from the unaudited consolidated results above, full particulars of and reasons for the difference, must be set out in the preliminary announcement of the Audited Final Results.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein; and (ii) circumstances arising from the audit of the Group or financial statements which constitute price sensitive information. In addition, the Company, will issue further announcement(s) as and when necessary if there are other material developments in the completion of the auditing process.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

PUBLICATION OF THE UNAUDITED CONSOLIDATED ANNUAL RESULTS AND 2019 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This unaudited annual results announcement is published on the website of the Stock Exchange (http://www.hkex.com.hk) and the Company's website (www.kingstonemining.com), and the 2019 Annual Report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
China Kingstone Mining Holdings Limited
Cheung Wai Kee
Company Secretary

Hong Kong, 25 March 2020

As at the date of this announcement, the Board comprises of 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.