KINGSTONE
金 石 礦 業

# CHINA KINGSTONE MINING HOLDINGS LIMITED
# 中國金石礦業控股有限公司

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

**(Stock Code: 1380)**

## UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

**RESULTS HIGHLIGHTS**

| | **Six months ended 30 June** | | | |
|---|---|---|---|---|
| | **2020** | 2019 | Change | |
| | **(unaudited)** | (unaudited) | | |
| | ***RMB'000*** | *RMB'000* | *RMB'000* | *%* |
| Revenue | **39,487** | 29,298 | +10,189 | +34.8 |
| Loss for the period | **(17,854)** | (20,606) | +2,752 | N/A |
| | ***RMB cents*** | *RMB cents* | *RMB cents* | *%* |
| Basic loss per share | **(0.63)** | (0.73) | +0.10 | N/A |

The board of directors (the "**Board**") of China Kingstone Mining Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2020 together with the comparative figures for the corresponding period in year 2019 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2020*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2020** | 2019 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| | | **(unaudited)** | (unaudited) |
| **REVENUE** | *4* | **39,487** | 29,298 |
| Cost of sales | | **(36,914)** | (24,930) |
| **Gross profit** | | **2,573** | 4,368 |
| Other income and gains | *5* | **168** | 11 |
| Selling and distribution costs | | **(794)** | (688) |
| Administrative expenses | | **(11,951)** | (19,996) |
| Impairment allowance of trade receivables, net | | **(7,533)** | (3,193) |
| Loss on deregistration of a subsidiary | | **–** | (1,094) |
| **OPERATING LOSS** | | **(17,537)** | (20,592) |
| Finance costs | *6* | **(317)** | (14) |
| **LOSS BEFORE TAX** | | **(17,854)** | (20,606) |
| Income tax | *7* | **–** | – |
| **LOSS FOR THE PERIOD** | *8* | **(17,854)** | (20,606) |
| **Other comprehensive income:** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on translation of foreign operations | | **1,840** | 119 |
| **TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | **(16,014)** | (20,487) |
| Loss per share *(RMB cents)*: | | | |
| –Basic and diluted | *9* | **(0.63)** | (0.73) |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*As at 30 June 2020*

| | Notes | 30 June 2020 RMB'000 (unaudited) | 31 December 2019 RMB'000 (audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **175,978** | 178,732 |
| Intangible assets | | **40,750** | 41,744 |
| Right of use asset | | **2,246** | 3,878 |
| Prepayment | | **51,330** | 51,330 |
| | | **270,304** | 275,684 |
| **CURRENT ASSETS** | | | |
| Inventories | | **362** | 363 |
| Trade receivables | *11* | **81,851** | 59,368 |
| Prepayments, deposits and other receivables | | **3,406** | 3,774 |
| Cash and cash equivalents | | **20,568** | 49,022 |
| | | **106,187** | 112,527 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | *12* | **3,677** | 558 |
| Lease liabilities | | **245** | 1,429 |
| Other payables and accruals | | **16,545** | 18,167 |
| Amounts due to directors | | **6,394** | 5,586 |
| Other loans | *13* | **3,654** | – |
| Provision for litigation | | **10,601** | 10,601 |
| | | **41,116** | 36,341 |
| **NET CURRENT ASSETS** | | **65,071** | 76,186 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **335,375** | 351,870 |
| **NON-CURRENT LIABILITIES** | | | |
| Lease liabilities | | **560** | 1,041 |
| Provision for environmental rehabilitation | | **2,697** | 2,697 |
| Deferred tax liabilities | | **608** | 608 |
| | | **3,865** | 4,346 |
| **NET ASSETS** | | **331,510** | 347,524 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | *14* | **24,435** | 24,435 |
| Reserves | | **307,075** | 323,089 |
| **TOTAL EQUITY** | | **331,510** | 347,524 |

# NOTES TO INTERIM CONDENSED FINANCIAL STATEMENT

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020 ("Interim Financial Statements") have been prepared in accordance with International Accounting Standard 34 ("IAS 34") issued by the International Accounting Standards Board and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Interim Financial Statements do not include all the information and disclosures required in a full set of financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019 ("2019 Annual Report").

## 2. ESTIMATES

The preparation of the Interim Financial Statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

In preparing the Interim Financial Statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and the methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2019.

**Application of amendments to IFRSs**

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS standards and the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB"), for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| Amendments to IAS 1 and IAS 8 | Definition of Material |
| Amendments to IFRS 3 | Definition of Business |
| Amendments to IFRS 9, IAS 39 and IFRS 7 | Interest Rate Benchmark Reform |

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 4. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue represents the net invoiced value of goods sold, net of trade discounts and returns.

The Group's revenue and contribution to profit were mainly derived from its sale of marble and marble related products, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. In addition, the principal assets employed by the Group are located in Sichuan Province, the PRC.

Accordingly, no segment analysis is presented other than entity-wide disclosures.

**Entity-wide disclosures**

***Information about products***

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

| | Six months ended 30 June | | | |
|---|---|---|---|---|
| | **2020** | | 2019 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| | **(unaudited)** | | (unaudited) | |
| Marble slags | **12,659** | **32** | 13,635 | 47 |
| Marble slabs | **26,828** | **68** | 15,663 | 53 |
| | **39,487** | **100** | 29,298 | 100 |

## 5. OTHER INCOME AND GAINS

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Bank interest income | **1** | 1 |
| Exchange gain, net | **12** | – |
| Gain on disposal of right-of-use assets | **63** | – |
| Miscellaneous | **19** | 10 |
| Government grant | **73** | – |
| | **168** | 11 |

## 6. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Interest on lease liabilities | **47** | 14 |
| Interest on amount due to a director | **218** | – |
| Interest on other loan | **52** | – |
| | **317** | 14 |

## 7. INCOME TAX

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Current tax | **–** | – |
| Deferred tax | **–** | – |
| | **–** | – |

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 25% for the six months ended 30 June 2020 and 2019.

## 8. LOSS FOR THE PERIOD

The Group's loss for the period is arrived at after charging:

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Amortisation of intangible assets | **994** | – |
| Depreciation of items of property, plant and equipment | **5,498** | 6,029 |
| Depreciation of right-of-use assets | **735** | – |
| Operating lease rental for office | **–** | 837 |
| Loss on disposal of property, plant and equipment | **151** | 426 |
| Share option expenses | **–** | 10,745 |

## 9. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on a loss of approximately RMB17,854,000 attributable to owners of the Company for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB20,606,000) and the weighted average number of 2,832,083,000 (six months ended 30 June 2019: 2,832,083,000) ordinary shares in issue during the period.

### (b) Diluted loss per share

The calculation of diluted loss per share had not taken into consideration the assumed exercise of the Company's outstanding share options during the six months ended 30 June 2020 and 2019 as it had an anti-dilutive effect on the basic loss per share.

## 10. DIVIDEND

The Directors do not recommend the payment of any dividend for each of the six months ended 30 June 2020 and 2019.

## 11. TRADE RECEIVABLES

| | **30 June 2020** *RMB'000* **(unaudited)** | 31 December 2019 *RMB'000* (audited) |
|---|---|---|
| Trade receivables | **229,229** | 198,666 |
| Less: impairment *(Note)* | **(147,378)** | (139,298) |
| | **81,851** | 59,368 |

*Note:*

The impairment loss comprised of 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 "**Default Receivables**"). The court judgment was handed down to grant the right of transfer of title of the Pledged Property to the Group in August 2016. The Company opted to sell the Default Receivables over the past three years after conducting a thorough cost-benefit and feasibility assessment of the two options for optimal recovery.

The first method of disposing the Pledged Property (the "**Disposal**") comes with many disadvantages that would ultimately erode the net proceeds of the debt recovery. Firstly, the Disposal will require the Group company to first transfer the Pledged Property from the debtor to itself (the "**Transfer**"). Based on the Company's best estimate, the Transfer would involve a hefty amount of transfer, land, property and other administrative taxes of over RMB8.4 million, which would strain the Company's cash flow. The Transfer is a pre-requisite for the Group company to proceed with the Disposal.

In addition to the aforementioned costs of the Transfer, the Disposal would incur additional land and sales taxes and administrative costs. As the Pledged Property was acquired by way of Court Order, the amount of the land and transfer taxes levied on the Disposal is hard to estimate, especially since the Pledged Property may be subject to a case-by-case adjudication by the Chinese tax authorities. In light of the substantial costs and uncertainty involved with the Transfer and Disposal, it would not be economical for the Company to recover the Default Receivables by this first method.

The second option of selling the Default Receivables will not involve the costs and procedure of the Disposal as outlined above. A willing buyer will directly purchase the Group company with the Default Receivables. While this option will still include the costs of the Transfer (as there will be a change in the beneficial owner of the Pledged Property), no Disposal will be required and the Company will not have to bear these additional costs. A thorough financial assessment of the two options has demonstrated that selling the Default Receivables would be in the best interests of the Company and render the highest net proceeds from the recovery.

The Group has taken steps to sell the Default Receivables but in vain for the past years. Such Default Receivables had been fully impaired.

An aged analysis of trade receivables, as at the end of the reporting periods based on the goods delivery date, and net of impairments, is as follows:

| | **30 June 2020** | 31 December 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| 0 to 90 days | **26,674** | 28,652 |
| 91 to 180 days | **8,307** | – |
| 181 to 365 days | **16,862** | 10,843 |
| Over 1 year | **30,008** | 19,873 |
| | **81,851** | 59,368 |

Reconciliation of allowance for trade receivables:

| | **30 June 2020** | 31 December 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| At beginning of period/year | **139,298** | 111,098 |
| Allowance for the period/year | **7,533** | 28,200 |
| Exchange realignment | **547** | – |
| At end of period/year | **147,378** | 139,298 |

The Group's trading terms with its customers are mainly on credit. The credit period is generally three month. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Trade receivables are non-interest-bearing.

## 12. TRADE PAYABLES

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

| | **30 June 2020** | 31 December 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| 0 to 60 days | **3,622** | 436 |
| 61 to 120 days | **–** | 50 |
| 121 to 180 days | **–** | – |
| Over 180 days | **55** | 72 |
| | **3,677** | 558 |

## 13. OTHER LOANS

The other loans are unsecured, interest rate at 5% p.a and repayable within one year.

## 14. SHARE CAPITAL

| Ordinary shares of HK$0.01 | Number of shares | |
|---|---|---|
| | *'000* | *RMB'000* |
| At 1 January 2019 and 31 December 2019, at 1 January 2020 and 30 June 2020 | 2,832,083 | 24,435 |

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

China Kingstone Mining Holdings Limited (the "Company"), together with its subsidiaries (the "Group"), is a mining operator in China which focuses on beige marble blocks and processing of marble slabs, and owns Zhangjiaba Mine, the largest beige marble mine in China in terms of marble reserves, according to the certification issued by China Stone Material Association in August 2010. Zhangjiaba Mine is located in Zhenjiang Village, Xiangshui County, Jiangyou City of Sichuan Province, China,

### Marble Slabs Business

The marble stones are widely used in the construction and decoration industry for decorative purposes due to its bright color and lustrous finish. Marble stones are used in applications 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 networks with property developers and construction companies in China.

It has probably been a difficult year for most of the countries in the world, which had no choice but to impose travel bans or lockdowns in attempt to contain the spread of the novel coronavirus, COVID-19. These emergency public health measures triggered the cool down of global economic activities. In addition, rising tensions between US and China has continued to weigh on the business sentiment and investor's confidence. During the six months ended 30 June 2020 ("HY2020"), revenue attributable to marble slabs business was approximately RMB26.8 million, representing an increase of approximately RMB11.1 million or 71.3% as compared to approximately RMB15.7 million for the six months ended 30 June 2019 ("HY2019"). The Group believes that an increase in the sales of marble slabs during HY2020 was primarily due to pent-up demand in the marble products during the pandemic outbreak of COVID-19. The Group does not see signs of recovery in the construction materials market any time soon, which is also highly correlated to the property development industry. Given the grim economic prospects, the Group believes that it will remain a formidable challenge for the marble slab business to recover in the second half year of 2020.

### Marble Slags 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 slags are raw materials for the production of ground calcium carbonate (the "GCC"). The Group sells the marble slags to the GCC manufacturers, which are close to the Zhangjiaba mine.

The first identified case of the novel coronavirus was reported in China around December 2019. The PRC authorities swiftly implemented a series of emergency public health measures that caused serious disruptions to production, supply chain and logistics services across most cities on mainland China. It caused the production of marble slags of the Group to come to a standstill until around March 2020 as the PRC authorities began to ease certain travel restrictions and allow the resumption of production in most cities in China. Despite the Group losing some production time during HY2020, its revenue attributable to marble slags business still managed to reach approximately RMB12.7 million, representing a decrease of approximately RMB0.9 million or 7.2% as compared to approximately RMB13.6 million in HY2019.

China is showing signs of economic recovery since June 2020 as it has successfully kept the spread of COVID-19 at bay as compared to other major economies. However, the resurgence of COVID-19 will still be a concern until a vaccine is in place. Given that the COVID-19 pandemic is raging in most major economies, the outlook of China's economy is not too optimistic. The property development market has also not been able to make an instant rebound from the aftermath of COVID-19. This has driven some marble mine operators to convert part of its production capacity from marble blocks to producing marble slags in the short run to counteract the effects of the dampened economy. The demand for marble slags is also relatively stable and a good source of revenue during this interim period. However, the sudden increase in supply of marble slags in the market has inevitably driven down its selling price, especially against the current grim economic backdrop. This had a negative impact on the Group's gross margin for marble slags during HY2020. Nonetheless, the Group believes the plunge in the price of marble slags is temporary and will recover gradually once the demand for marble blocks revive with the resumption of construction and property development projects.

The Group plans to embark on the GCC business and integrate itself with the existing marble slags business. GCC is produced by a grinding process, which transforms marble slags into a powder. GCC is widely used as a raw material in the production of building and construction materials, paper, plastics, paints, coatings and also personal health and food production. The Group may utilize its own rich marble resources from the Zhangjiaba mine to produce marble slags and then further process them to become GCC. The Group expects that the integration will result in a synergy that will increase the competitiveness of the Group's GCC business as the Group has a stable supply of marble slags in its possession and can benefit from cost advantages.

The Group entered into a non-binding memorandum of understanding (the "MOU") with a GCC manufacturer as a joint venture partner which possesses rich experience in the operation of a GCC production site for setting up a GCC business in Jiangyou in April 2017. The Group believes that the joint venture party backed out of the MOU as the Group had halted this business plan due to litigation proceedings involving the Zhangjiaba mine until July 2018 when the litigation was settled. The Group attempted to press ahead with the re-negotiation of the co-operation with the joint venture partner but failed to strike a reciprocal deal. As such, the Group expects that it will need to change its tack and explore other alternatives to implement this GCC business plan.

### Exploration, Development and Production Activities at the Mine

The Group focused on the development of and mining at the Zhangjiaba mine during HY2020. The Zhangjiaba Mine 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). There was no geological exploration activity during HY2020.

The Zhangjiaba mine is mainly divided into the eastern mining zone and the western mining zone. During HY2020 and HY2019, the Group continues to carry out the stripping of the overburden materials at the surface for both the eastern and western zone of the deposit. The deposit in these areas is still cracked. The Group expects that further development of the mine to lower benches will be required for large block production and the block production to commence no earlier than 2021.

During HY2020, the aggregate expenditure of the mining operations of the Group was approximately RMB11.5 million (HY2019: RMB9.4 million), which mainly included depreciation on property, plant and equipment of approximately RMB0.7 million (HY2019: RMB3.6 million), safety protection related expenses of approximately RMB0.1 million (HY2019: RMB1.0 million) and subcontracting costs of stripping of approximately RMB10.7 million (HY2019: RMB0.5 million) and none of consumables and fuel in HY2020 (HY2019: RMB3.5 million). During HY2020, the Group expanded the mine areas operated on by the outsourced engineering team in order to reduce the fixed cost of production and increase the financial flexibility of the Group.

## FINANCIAL REVIEW

### Revenue

The Group's revenue increased by approximately RMB10.2 million or 34.8% from approximately RMB29.3 million for HY2019 to approximately RMB39.5 million for HY2020. The increase was primarily due to a combined effect of (i) an increase of approximately RMB11.1 million in sales of marble slabs from approximately RMB15.7 million for HY2019 to approximately RMB26.8 million for HY2020, primarily resulting from the pent-up demand for marble slabs during the lockdown of cities in China in early 2020; and (ii) a decrease of approximately RMB0.9 million in sales of marble slags from approximately RMB13.6 million for HY2019 to approximately RMB12.7 million for HY2020, primarily resulting from the suspension of marble slags production for almost three months due to emergency public health measures implemented by the PRC authorities and a decrease in the average selling price of marble slags.

***Revenue by products***

| | Six months ended 30 June | | |
|---|---|---|---|
| | **2020** | 2019 | Change |
| | ***RMB'000*** | *RMB'000* | |
| Marble slabs | **26,828** | 15,663 | +71.3% |
| Marble slags | **12,659** | 13,635 | -7.2% |
| | **39,487** | 29,298 | +34.8% |

Analysis by sales volume and selling price are set out below:

| | Six months ended 30 June | | |
|---|---|---|---|
| | **2020** | 2019 | Change |
| **Sales volume:** | | | |
| Marble slabs (square meter) | **95,500** | 56,562 | +68.8% |
| Marble slags (ton) | **712,850** | 485,704 | +46.8% |
| **Average selling prices:** | | | |
| Marble slabs (RMB per square meter) | **280.9** | 276.9 | +1.4% |
| Marble slags (RMB per ton) | **17.8** | 28.1 | -36.7% |

**Gross Profit and Gross Profit Margin**

Gross profit decreased by approximately RMB1.8 million or 40.9% from approximately RMB4.4 million for HY2019 to approximately RMB2.6 million for HY2020. The decrease was primarily due to a decrease of in the average selling price of marble slags, resulting from an increase in the supply of marble slags in the market.

Gross profit margin decreased by approximately 8.4 percentage points from approximately 14.9% for HY2019 to approximately 6.5% for HY2020. The decrease was primarily due to a decrease in gross profit margin of marble slags.

**Selling and distribution expenses**

Selling and distribution expenses increased by approximately RMB0.1 million from approximately RMB0.7 million for HY2019 to approximately RMB0.8 million for HY2020. The increase was primarily due to an increase in transportation costs and direct sales tax, resulting from an increase in sales volume of marble slags.

**Administrative expenses**

Administrative expenses decreased by approximately RMB8.0 million from approximately RMB20.0 million for HY2019 to approximately RMB12.0 million for HY2020. The decrease was primarily due to a decrease of RMB10.7 million in share option expenses.

**Impairment loss of trade receivables**

During HY2020, the Group made an impairment loss of RMB7.5 million on trade receivables, representing an increase of RMB4.3 million, as compared to RMB3.2 million for HY2019. The increase was primarily due to an increase in expected credit loss for the further delay in invoice payment by the Group's customers amid the tightening financial market environment.

**Loss for the period**

As a result of the foregoing, the Group recorded a loss of approximately RMB17.9 million for HY2020, representing a decrease of approximately RMB2.7 million as compared to a loss of RMB20.6 million for HY2019.

**Liquidity and Capital Resources**

As at 30 June 2020, the Group's total equity interests were approximately RMB331.5 million, representing a decrease of approximately RMB16.0 million or 4.6% as compared to approximately RMB347.5 million as at 31 December 2019. The decrease was mainly attributable to a loss of approximately RMB17.9 million incurred for HY2020.

As at 30 June 2020, the Group had cash and bank balances of approximately RMB20.6 million (31 December 2019: RMB49.0 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 30 June 2020, total borrowings, including other loan of RMB3.6 million and interest-bearing loans of RMB4.4 million from a director (included in amount due to directors), amounted to approximately RMB8.0 million (31 December 2019: RMB4.3 million) was unsecured and matured within one year. The annual interest rates of the borrowings for HY2020 ranged from 5.0% to 10% p.a. (2019: 10% p.a.). All of them are dominated in Hong Kong Dollars ("HKD"). It was accounted for as current liabilities of the Group. The Group does not currently use any derivatives to manage interest rate risk. The gearing ratio, representing total borrowings divided by total equity, was 0.02 (31 December 2019: 0.01).

**Capital Expenditure**

During HY2020, the Group's capital expenditure amounted to RMB3.0 million (HY2019: RMB3.2 million), which was primarily related to the acquisition of plant and machinery.

**Exposure to Fluctuations in Exchange Rates**

The Group principally operates its businesses in the PRC. The Group is not exposed to significant foreign exchange risk as most of the Group's business transactions, assets and liabilities are principally denominated in RMB, which is the functional and reporting currency of the Group, except certain administrative expenses, denominated in HKD and the United States dollar, in the Hong Kong office. The Group has not entered into any foreign exchange contract as hedging measures.

**Human Resources**

As at 30 June 2020, the Group had a total of 28 employees (31 December 2019: 31). The total staff cost, including directors' emoluments, share options benefit and pension scheme contribution, was approximately RMB1.8 million for HY2020 (HY2019: RMB13.2 million).

The Group's emolument policies are formulated on the performance of individual employee and on the basis of the salary trends in Hong Kong and the PRC, and will be reviewed regularly. Subject to the Group's profitability, the Group may also distribute discretionary bonus to its employees as an incentive for their contribution to the Group.

**Pledge of Assets**

As at 30 June 2020, the Group had no pledge of assets (31 December 2019: Nil).

**Capital Commitment**

As at 30 June 2020, the Group had a capital commitment of approximately RMB15.6 million (31 December 2019: RMB15.6 million) in relation to the construction or purchase of property, plant and equipment contracted for but not provided in the financial statements.

**Contingent Liabilities**

As at 30 June 2020, the Group had no significant contingent liabilities (31 December 2019: Nil).

**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, respectively, by issuing 2,360,068,975 rights shares to qualifying shareholders by way of the rights issue at a 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$276.54 million.

As at 29 September 2017, the Company resolved to change the use of the unutilized net proceeds of HK$50.94 million for the settlement of the potential damages arising from the litigation to use the unutilized proceeds of (i) approximately HK$15 million for purchasing of machineries for replacement of well-worn mining equipment; (ii) approximately HK$20 million for marble slabs business, and (iii) HK$15.94 million for general working capital. For details, please refer to the announcement of the Company dated 29 September 2017.

The net proceeds had been utilised as follows:

| | Intended use of proceeds *HK$'000* | Actual use of proceeds for the period ended 31 December 2019 *HK$'000* | Actual use of proceeds for the period ended 30 June 2020 *HK$'000* | Unutilised Proceeds *HK$'000* |
|---|---|---|---|---|
| The contribution of funding for the GCC business | | | | |
| – Set-up of manufacturing building (including property, plant and equipment) | 149,150 | 60,000 | 60,000 | 17,111 |
| – General working capital of the GCC business | 42,610 | – | 504 | 4,560 |
| General working capital of the Group | | | | |
| – Purchasing of machineries for marble mining business | 15,000 | 15,000 | 15,000 | – |
| – Marble slab business | 20,000 | 61,220 | 89,220 | – |
| – Settlement of litigation | – | 24,976 | 24,976 | – |
| – Other general working capital | 49,780 | 63,743 | 65,169 | – |
| | 276,540 | 224,939 | 254,869 | 21,671 |

**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, 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 attempted to press ahead with the re-negotiation of the acceptable terms for both parties but was unable to strike a reciprocal deal. As such, the Group will change its tack and explore other alternatives to implement this GCC business plan.

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 with the joint venture partner came to an end, the Group has withheld the delivery of the plant and equipment from the suppliers until further notice. The Company intends to apply the unutilized proceeds to the GCC business and general working capital of the Group on or before 31 December 2021.

**Re-allocation of Use of Proceeds**

As the Group was unable to materialize the GCC business plan for the reasons as disclosed above, the Group resolved and ratified the re-allocation of part of the net proceeds originally intended for the GCC business to meet the on-going needs and shortfalls required for the general working capital of the Group. This includes re-allocating such unused proceeds to the working capital for the existing marble business, payment for the settlement of litigation and other general administrative expenses, such as rental expenses, salary and other administrative expenses. The Board has authorized the unused proceeds originally intended for the GCC business to be applied to the general working capital of the Group as when required.

## PROSPECTS

The COVID-19 pandemic has pushed the global economy towards a recession. 2020 has been fraught with uncertainty and difficulties. The China economy has also faced the challenges of the deteriorating US-China relationship and regional geopolitical tensions and potential conflict with the Asian countries neighbouring China. The Group will maintain a high degree of vigilance against unpredictable international developments and sensitive external factors that could adversely affect the Group's business. Despite these headwinds, the Group will continue to consolidate the production and operations and extend the customer base to improve the performance of the marble business. On the other hand, the Group will continue to explore new business opportunities in order to maximize shareholder's value in the future.

## OTHER INFORMATION

## CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for HY2020 except for a deviation from code provisions A.2.1, A.1.8 and A.5.1 of CG Code.

Under code provision A.2.1 of CG Code, the roles of chairman and chief executive officer 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 HY2020, the Board has yet to appoint a chairman (the "Chairman") and chief executive officer (the "CEO") of the Company. The independent Board members will temporarily take the role of Chairman to ensure that the Board is effective in its take of setting and implement the Company's direction and strategy, while the executive Board members will take up the role of CEO to manage the operation of the Group. The Board considers that there is sufficient balance of power and the current arrangement maintains a strong and effective management of the Company.

Under code provision of A.1.8 of CG Code, the Company should arrange appropriate insurance cover in respect of legal action against the directors of the Company (the "Director(s)"). The Company does not have insurance cover in this respect as the Board believes that, with the current internal control system and the close supervision of the management, the Directors' risk of being sued or getting involved in litigation in their capacity as a Director is relatively low. Nevertheless, the Board will review the need for insurance cover from time to time.

Under code provision of A.5.1 of CG Code, the Company should establish a nomination committee which is chaired by the chairman of the Board or an independent non-executive Director and comprises a majority of independent non-executive Directors. In the annual general meeting held on 29 June 2020 (the "AGM"), Mr. Sheng Guoliang was not re-elected by the shareholders of the Company as an independent non-executive Director. As a result, Mr. Sheng Guoliang was no longer an independent non-executive Director after AGM. In the meantime, Mr. Sheng Guoliang ceased to be a member of the nomination committee of the Company. Therefore, there were only two members in the nomination committee of the Company and only one of who was an independent non-executive Director after AGM. The Company has not complied with the requirements under the code provision of A.5.1 of CG Code.

Save as the deviation from the code provision A.2.1, A.1.8 and A.5.1 of the CG Code, in the opinion of the Directors, the Company has complied with all code provisions as set out in the CG Code throughout HY2020 and, where appropriate, the applicable recommended best practices of the CG Code.

## COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions by the Directors. The Company confirms that, having made specific enquiries with all Directors of the Company, all Directors confirmed that they have complied with the required standards set out in the Model Code and its own code of conduct regarding directors' securities transaction throughout HY2020.

## AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company comprised two independent non-executive Directors, namely Mr. Andreas Varianos (chairman of audit committee) and Mr. Yang Ruimin. The audit committee members of the Company have reviewed the unaudited interim results of the Group for HY2020 and had recommended their adoption to the Board.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

## PUBLICATION OF THE INTERIM RESULTS AND 2020 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the HKExnews website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (http://www.hkexnews.hk) and the Company's website (http://www.kingstonemining.com), and the 2020 Interim Report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 28 August 2020

*As at the date of this announcement, the Board comprises Mr. Zheng Yonghui, Mr. Zhang Weijun, Mr. Zhang Mian and Ms. Zhang Cuiwei as executive directors, and Mr. Andreas Varianos and Mr. Yang Ruimin as independent non-executive directors.*