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KINGSTONE
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CHINA KINGSTONE MINING HOLDINGS LIMITED

中國金石礦業控股有限公司

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

(Stock Code: 1380)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

	Year ended 31 December		**Change**	
	2020	2019		
Revenue *(RMB'000)*	**72,765**	65,689	**+7,076**	+10.8%
Loss for the year attributable to owners of the Company *(RMB'000)*	**(30,449)**	(68,505)	**+38,056**	N/A
Basic loss per share *(RMB cents)*	**(1.1)**	(2.4)	**+1.3**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	3	**72,765**	65,689
Cost of sales		**(65,864)**	(61,260)
Gross profit		**6,901**	4,429
Other income and gains, net	4	**142**	767
Loss on deregistration of a subsidiary		**–**	(1,117)
Selling and distribution expenses		**(1,941)**	(2,458)
Impairment loss under expected credit loss model		**(14,446)**	(28,234)
Administrative expenses		**(20,469)**	(41,721)
Finance costs	5	**(636)**	(171)
LOSS BEFORE TAX	6	**(30,449)**	(68,505)
Income tax expenses	7	**–**	–
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(30,449)**	(68,505)
Other comprehensive (loss)/income:			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(3,990)**	3,847
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(34,439)**	(64,658)
LOSS PER SHARE (RMB cents)			
– Basic and diluted		**(1.1)**	(2.4)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**173,904**	178,732
Intangible assets		**39,756**	41,744
Right-of-use assets		**2,185**	3,878
Prepayment		**51,330**	51,330
		267,175	275,684
CURRENT ASSETS			
Inventories		**363**	363
Trade receivables	*10*	**78,852**	59,368
Prepayment, deposits and other receivables		**4,208**	3,774
Cash and cash equivalents		**4,254**	49,022
		87,677	112,527
CURRENT LIABILITIES			
Trade payables	*11*	**8,998**	558
Lease liabilities		**624**	1,429
Other payables and accruals		**18,500**	18,167
Amounts due to directors		**6,294**	5,586
Other loans		**3,867**	–
Provision for litigation		**–**	10,601
		38,283	36,341
NET CURRENT ASSETS		**49,394**	76,186
TOTAL ASSETS LESS CURRENT LIABILITIES		**316,569**	351,870
NON-CURRENT LIABILITIES			
Lease liabilities		**179**	1,041
Provision for rehabilitation		**2,697**	2,697
Deferred tax liabilities		**608**	608
		3,484	4,346
NET ASSETS		**313,085**	347,524
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital		**24,435**	24,435
Reserves		**288,650**	323,089
TOTAL EQUITY		**313,085**	347,524

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited and by the disclosure requirements of the Hong Kong Companies Ordinances ("HKCO"), Cap.622.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied *the Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the ISAB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the 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 year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
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	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2018 –2020[2]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after 1 January 2022.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 June 2020.
[5] Effective for annual periods beginning on or after 1 January 2021.

The Directors anticipate that the application of new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue represents the consideration for 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 Group's total revenue were derived in the People's Republic of China (the "PRC") and over 90% of the Group's non-current assets are located in the PRC, no geographical segment information in accordance with IFRS 8 is presented.

Information about products

The following table sets forth the total revenue from external customers by product during the year:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers recognised at a point in time:		
Marble slabs	**41,413**	39,892
Marble slags	**31,352**	25,797
	72,765	65,689

Information about major customers

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

	2020	2019
	RMB'000	*RMB'000*
Customer A	**18,963**	20,177
Customer B	**22,450**	19,715
Customer C	**31,352**	17,925

4. OTHER INCOME AND GAINS, NET

	2020	2019
	RMB'000	*RMB'000*
Interest income	**1**	1
Exchange (loss)/gain	**(11)**	10
(Loss)/gain on disposal of property, plant and equipment	**(150)**	414
Gain on early termination of lease	**69**	10
Government grants *(Note)*	**144**	–
Others	**89**	332
	142	767

Note: During the year ended 31 December 2020, the amount represents government subsidies granted due to the COVID-19 pandemic under Employment Support Scheme of the Hong Kong Government.

5. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest on lease liabilities	**77**	92
Interest on loan from a director	**403**	79
Interest on other loans	**156**	–
	636	171

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2020	2019
	RMB'000	*RMB'000*
Cost of inventories sold	**65,864**	61,260
Staff costs (including directors' remuneration):		
Wages and salaries	**4,468**	5,963
Equity-settled share-based payments expenses	**–**	10,954
Retirement benefits scheme contributions	**121**	154
Other staff benefits	**10**	108
	4,599	17,179
Auditor's remuneration		
– Audit services	**444**	493
– Non-audit services	**142**	56
Amortisation of intangible assets	**1,988**	1,988
Depreciation of property, plant and equipment	**4,678**	12,074
Depreciation of right-of-use assets	**1,506**	1,392
Expenses related to short-term lease	**447**	542
(Reversal of provision)/provision for litigation	**(3,401)**	9,401

7. INCOME TAX EXPENSES

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.

The tax rate of subsidiaries of the Company in Hong Kong is 16.5% for both years.

No provision for PRC Enterprise Income Tax and Hong Kong Profits Tax has been made for both years in the consolidated financial statements as the Group has sufficient tax losses brought forward to set off against assessable profits or no assessable profits arising in the PRC or Hong Kong.

8. LOSS PER SHARE

(a) Loss per share－Basic

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of approximately RMB30,449,000 (2019: loss of RMB68,505,000) and the weighted average number of approximately 2,832,083,000 (2019: 2,832,083,000) ordinary shares in issue during the year.

(b) Loss per share－Diluted

For the year ended 31 December 2019 and 2020, the effects of all potential ordinary shares are anti-dilutive since their assumed exercise would result in a decrease in loss per share.

The basic and diluted loss per share are the same for the year ended 31 December 2019 and 2020.

9. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2020, nor has any dividend been proposed since the reporting period (2019: Nil).

10. TRADE RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables from contracts with customers	**230,560**	198,666
Less: Allowance for credit losses	**(151,708)**	(139,298)
	78,852	59,368

An aged analysis of trade receivables, as at the end of the reporting period based on the invoice date or revenue recognition date, and net of allowance for credit losses, is as follows:

	2020	2019
	RMB'000	*RMB'000*
0 to 90 days	**27,030**	28,652
91 to 180 days	**17,616**	–
181 to 365 days	**22,989**	10,843
Over 1 year	**11,217**	19,873
	78,852	59,368

11. TRADE PAYABLES

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

	2020	2019
	RMB'000	*RMB'000*
0 to 60 days	**7,573**	436
61 to 120 days	**1,370**	50
121 to 180 days	**–**	–
Over 180 days	**55**	72
	8,998	558

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2020 (2019: 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 slabs are used in application such as interior and exterior decoration, laying pavements, stairs, flooring and furniture. The Group sells marble slabs through some distributors or purchasing agents which have a strong track record and broad sales and marketing network with the property developers and construction companies in China.

During FY2020, most of countries imposed travel bans and even lockdowns in a bid to contain the spread of Covid-19. These emergency public health measures triggered the cool down of global economic activities. The construction market has remained stable at the time of the Covid-19 pandemic. However, the demand for marble slabs was still weak as property developers were more inclined to be cost-conscious with selecting their construction materials. In addition, the persistent tension between US and China has weighed on overall business sentiment and investor's confidence. Some small-medium construction companies are facing financial difficulties. The Group believes that it will remain a formidable challenge for the development of marble slab business amid the possible worsening credit quality of the customers.

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 ground calcium carbonate powder ("GCC"). The Group sells the marble slags to the GCC manufacturers which are close to the Zhangjiaba mine.

Despite the serious disruption to production in early year 2020 for almost three months due to the Covid-19 epidemic, the Group managed to ramp up the production of marble slags through ore stripping. With the global economic uncertainty, the property development market has hardly been able to make an instant rebound from the aftermath of Covid-19. This has driven some marble mine operations to convert part of its production capacity to producing marble slags in the short run to counteract the effects of the dampened economy. The sudden increase in the supply of marble slags in the market has inevitably driven down its selling price, especially against the grim economic backdrop. The Group believes the plunge in the selling price of marble slag is temporary and will recover gradually in line with the economic recovery in China.

The Group plans to embark on the GCC business and integrate this into 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 the Zhangjiaba Mine to produce marble slags and then further process them to become 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.

The Group has 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 joint venture party backed out of the MOU as the Group had halted the 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 cooperation with the joint venture partner but failed to strike a reciprocal deal. As such, the Group expects that it will need to look for new cooperation partners and explore other alternatives to implement this GCC business plan. During FY2020, the Group has been attempting to reach certain potential cooperation partners. However, chances of meetings for further discussion and negotiation have been on hold due to the travel restrictions imposed amid the Covid-19 pandemic. The Group believes it needs more time until our GCC business can be off the ground.

Exploration, Development and Production Activities

The Group focuses on the development and mining at the Zhangjiaba mine during FY2020. The Zhangjiaba mine contains 44.2 million cubic meter of measured and indicated marble resources, which represents 16.8 million cubic meter of proved and probable marble reserves based on a block rate of 38%, according to the independent competent person's report dated on 7 March 2011 (as shown in the Company's Prospectus). There was no geological exploration activity for the new mining site during FY2020.

The Zhangjiaba mine is mainly divided into the eastern mining zone and the western mining zone. During FY2020, the Group continued 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 the further development of the mine to lower benches will be required for large block production and the block production will commence no earlier than 2022.

During FY2020, the aggregate expenditure of the mining operation of the Group was approximately RMB26.8 million (FY2019: RMB23.9 million), which mainly included depreciation on property, plant and equipment of approximately RMB0.5 million (FY2019: RMB7.6 million), safety protection related expenses of approximately RMB0.1 million (FY2019: RMB2.3 million) and subcontracting cost of stripping of approximately RMB25.9 million (FY2019: RMB9.8 million) and none of consumables and fuel (FY2019: RMB3.5 million). During FY2020, the Group expanded the mine areas worked 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 RMB7.1 million or 10.8% from approximately RMB65.7 million for FY2019 to approximately RMB72.8 million for FY2020. The increase was primarily due to a combined effect of (i) an increase of RMB1.5 million in sales of marble slabs from RMB39.9 million for FY2019 to RMB41.4 million for FY2020, resulting from the pent-up demand during the period of the lockdown in China in early 2020; and (ii) an increase of RMB5.6 million in sales of marble slags from RMB25.8 million for FY2019 to RMB31.4 million for FY2020, as result of ramping up the production of marble slags through speeding up the stripping.

Revenue by products

	Year ended 31 December		
	2020	2019	Change
	RMB'000	*RMB'000*	%
Marble slabs	**41,413**	39,892	+3.8%
Marble slags	**31,352**	25,797	+21.5%
	72,765	65,689	+10.8%

Analysis by sales volume and selling price

	Year ended 31 December		
	2020	2019	Change
Sales volume:			
Marble slabs (square meter)	**147,500**	139,062	+6.1%
Marble slags (ton)	**1,718,977**	1,135,574	+51.4%
Average selling prices:			
Marble slabs (RMB per square meter)	**280.8**	286.9	–2.1%
Marble slags (RMB per ton)	**18.2**	22.7	–19.8%

Gross profit and Gross profit margin

Gross profit increased by approximately RMB2.5 million or 55.8% from approximately RMB4.4 million for FY2019 to approximately RMB6.9 million for FY2020. The increase was primarily due to an increase in production output of marble slags.

Gross profit margin increased by 2.8 percentage points from 6.7% for FY2019 to 9.5% for FY2020. The increase was primarily due to gain cost advantage by an increase in production output for the marble slags.

Selling and distribution expenses

Selling and distribution expenses decreased from RMB2.5 million for FY2019 to RMB1.9 million for FY2020. The decrease was primarily due to a decrease in transportation cost.

Administrative expenses

Administrative expenses decreased from RMB41.7 million for FY2019 to RMB20.5 million for FY2020. The decrease was primarily due to (i) a decrease of RMB10.9 million in share option expenses in relation to share options granted to the Directors and certain employees of the Group and (ii) a decrease of RMB9.4 million in provision for litigation and a reversal of HK$3.4 million in provision for litigation in relation to the legal case of the disputes of an agreement dated 9 August 2013 for assignment of loan receivables.

Impairment loss under expected credit loss model

The Group made an impairment loss of RMB14.4 million under expected credit loss model for FY2020, representing a decrease by RMB13.8 million, as compared to RMB28.2 million for FY2019. The impairment loss was provided for FY2020 primarily due to an increase in gross trade receivables resulting from payment delays of the outstanding invoices owed from marble slab customers, due to challenging financial market conditions in 2020. The Group manages its credit risk by offering standardized credit terms to its customers of marble products for an approved credit term of 90 days. However, some major customers with longer relationships with the Group were granted longer payment terms. The Group's credit policy and the determination of impairment loss on trade receivable is also influenced by the individual characteristics of each customer and default risk of the industry in which the customers operate.

Loss for the year attributable to owners of the Company

As a result of the foregoing, the Group recorded a loss of RMB30.4 million for FY2020, representing a decrease of RMB38.1 million as compared to a loss of RMB68.5 million for FY2019.

Liquidity and Capital Resources

As at 31 December 2020, the Group's total equity interests were approximately RMB313.1 million, representing a decrease of 9.9% as compared with RMB347.5 as at 31 December 2019. The decrease was mainly attributable to a net loss of RMB30.4 million recorded for FY2020.

As at 31 December 2020, the Group had cash and bank balances of approximately RMB4.3 million (31 December 2019: approximately 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 31 December 2020, total borrowings of the Group, comprising other loans of approximately RMB3.9 million and a director's loan (included in amount due to directors) of approximately RMB4.4 million was unsecured and matured within one year. The annual interest rate of the borrowings for FY2020 ranged from 5% to 12% per annum (FY2019: 10%). Expect for RMB500,000 other loan, all other borrowings are denominated in Hong Kong dollars and 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 total borrowings divided by total equity, was 0.03 (31 December 2019: 0.01)

Capital Expenditure

During FY2020, the Group's capital expenditure amounted to RMB6.3 million (FY2019: RMB3.3 million), which was primarily related to acquisition of property, plant and equipment.

Charge of the Group's Assets

As at 31 December 2020 and 2019, the Group did not have any charges on its assets.

Significant Investment Held

As at 31 December 2020 and 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 and Capital Commitments

As at 31 December 2020 and 2019, the Group did not have any significant contingent liabilities.

As at 31 December 2020, the Group had capital commitments for purchase of property, plant and equipment and construction of property, plant and equipment which were contracted but not provided for amounted to approximately RMB8.8 million (2019: approximately RMB8.8 million) and approximately RMB6.8 million (2019: approximately RMB6.8 million), respectively.

Human Resources

As at 31 December 2020, the Group had employed a total of 28 employees (31 December 2019: 31 employees). The total staff cost, including directors' emoluments, share options benefit and pension scheme contribution, was approximately RMB4.6 million for FY2020 (FY2019: RMB17.2 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 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$50.94 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 million); (ii) investments in the marble slabs business (approximately HK$20 million), and (iii) general working capital (approximately HK$15.94 million). For details, please refer to the announcement of the Company dated 29 September 2017.

During FY2020 and FY2019, the net proceeds had been utilized as follows:

	Intended use of proceeds *HK$'000*	Actual use of proceeds during FY2019 *HK$'000*	Actual use of proceeds during FY2020 *HK$'000*	Unutilized Proceeds as at 31 December 2019 *HK$'000*	Unutilized Proceeds as at 31 December 2020 *HK$'000*
The contribution of funding for the GCC business					
– Set-up of manufacturing building (including the property, plant and equipment)	149,150	–	–	17,482	–
– General working capital of the calcium carbonate business	42,610	–	547	34,119	4,430
General working capital of the Group					
– Purchasing of machineries for marble mining business	15,000	–	–	–	–
– Marble slabs business	20,000	11,500	31,132	–	–
– Settlement of litigation	–	–	8,421	–	–
– Other general working capital	49,780	8,545	7,071	–	–
	276,540	20,045	47,171	51,601	4,430

The Company intends to apply the unutilized proceeds to the general working capital of the Group on or before 31 December 2021.

Intended use of the unutilized proceeds and 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 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 need to look for a new cooperation partners or 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.

During FY2020, the Group has been attempting to reach certain potential cooperation partners, however, chances of meetings for further discussion and negotiation have been on hold due to the travel restriction imposed amid the Covid-19 pandemic. The Group believes it needs more time until our GCC business can be off the ground.

PROSPECTS

Business Reviews and 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. Though the China economy is showing a sign of bottoming out, the Group believes it is a long way to go back to the pre-Covid-19 levels given that most of major economies in Europe and the United States are still in the grip of Covid-19 pandemic.

The demand for the marble slabs was still relatively weak. The Covid-19 pandemic has caused construction project delays, which resulted in some construction companies, particularly small and medium sized ones, facing financial difficulties. The Group has been extra cautious with additional investment in working capital and containing the credit risk of our customers. The Group's decision to tighten credit control may adversely affect the Group's financial performance if and when the Group decides to reduce marble slab transactions with its customers on the condition the overdue outstanding invoices are settled.

Sales of marble slags remained generally stable as a raw material for producing GCC which is widely used in production of daily products, such as construction material, paper, plastic, paints, etc. The Group's production volume of marble slags continued to increase but the average selling price dropped due to slowing the economic growth in the PRC and a sudden increase in supply in the market during FY2020. The Group believes the price of marble slags will return to its normal level when the China economy re-gains positive momentum.

The year 2021 has begun with promising news about Covid-19 vaccines. The inoculation plan has been going down in many countries. There is hope that the spread of Covid-19 shall curb and a sense that the worst is behind us. The Company will continue to maintain a high degree of vigilance against unpredictable international developments and sensitive external factors that could adversely affect the Group's business. Despite the difficulties ahead, the Group will continue to consolidate the production and operations of the mining business and extend the customer base to improve the performance of the marble business. 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 2020.

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 2020.

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 FY2020 except for a deviation from code provisions A.2.1, E.1.2 and A.1.8 of CG Code

Deviation from A.2.1 of the CG Code

Under code provision A.2.1 of the 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 FY2020, 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 of the Board 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 E.1.2 of the CG Code

Under the code provision of E.1.2 of CG Code, the chairman of the Board should attend the annual general meeting. As disclosed above, the Board did not appoint a chairman during FY2020 and therefore the post was vacant during the Company's annual general meeting held on 29 June 2020 (the "Annual General Meeting"). The Board elected Ms. Zhang Cuiwei to chair the Annual General Meeting. As such, the Board is of the view that provision E.1.2 of the CG Code was not applicable to the Company at the time and should not be regarded as a deviation from the CG Code.

Deviation from A.1.8 of the CG Code

Under code provision of A.1.8 of the 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.

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 audited consolidated financial statements for the year ended 31 December 2020. 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.

SCOPE OF WORK OF ELITE PARTNERS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Company's auditor, Elite Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statement for the year. The work performed by Elite Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Elite Partners CPA Limited on this announcement.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2020 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This 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 2020 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, 29 March 2021

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