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)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

RESULTS HIGHLIGHTS

	Six months ended 30 June			
	2021	2020	Change	
	(unaudited)	(unaudited)		
	RMB'000	*RMB'000*	*RMB'000*	*%*
Revenue	**35,420**	39,487	-4,067	-10.3
Loss for the period	**(15,909)**	(17,854)	+1,945	N/A
	RMB cents	*RMB cents*	*RMB cents*	*%*
	(unaudited)	(unaudited)		
Basic loss per share	**(0.56)**	(0.63)	+0.07	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 2021 together with the comparative figures for the corresponding period in year 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
REVENUE	*4*	**35,420**	39,487
Cost of sales		**(28,400)**	(36,914)
Gross profit		**7,020**	2,573
Other income and gains	*5*	**32**	168
Selling and distribution costs		**(1,800)**	(794)
Administrative expenses		**(13,885)**	(11,951)
Impairment loss recogised in respect of trade receivables, net of reversal		**(6,729)**	(7,533)
Finance costs	*6*	**(361)**	(317)
LOSS BEFORE TAX		**(15,723)**	(17,854)
Income tax expense	*7*	**(186)**	–
LOSS FOR THE PERIOD	*8*	**(15,909)**	(17,854)
Other comprehensive (loss)/income:			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(492)**	1,840
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(16,401)**	(16,014)
Loss per share			
– Basic and diluted *(RMB cents)*	*9*	**(0.56)**	(0.63)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

	Notes	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (unaudited)
NON-CURRENT ASSETS			
Property, plant and equipment		**173,080**	173,904
Intangible assets		**39,756**	39,756
Right-of-use assets		**1,634**	2,185
Prepayment		**51,330**	51,330
		265,800	267,175
CURRENT ASSETS			
Inventories		**363**	363
Trade receivables	*11*	**60,666**	78,852
Prepayment, deposits and other receivables		**4,652**	4,208
Cash and cash equivalents		**9,593**	4,254
		75,274	87,677
CURRENT LIABILITIES			
Trade payables	*12*	**7,065**	8,998
Lease liabilities		**158**	624
Other payables and accruals		**23,417**	18,500
Amount due to a director		**6,157**	6,294
Other loans		**3,967**	3,867
Tax payables		**186**	–
		40,950	38,283
NET CURRENT ASSETS		**34,324**	49,394
TOTAL ASSETS LESS CURRENT LIABILITIES		**300,124**	316,569
NON-CURRENT LIABILITIES			
Lease liabilities		**135**	179
Provision for environmental rehabitation		**2,697**	2,697
Deferred tax liabilities		**608**	608
		3,440	3,484
NET ASSETS		**296,684**	313,085
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**24,435**	24,435
Reserves		**272,249**	288,650
TOTAL EQUITY		**296,684**	313,085

NOTES

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 ("Interim Financial Statements") have been prepared in accordance with International Accounting Standard 34 ("IAS 34") issued by the International Accounting Standards Board (the "IASB") 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 financial statements for the year ended 31 December 2020.

The Interim Financial Statements have been prepared in accordance with the same accounting policies applied in the 2020 annual financial statements, except for additional accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs") and application of certain accounting policies which became relevant to the Group for the six months ended 30 June 2021 as set out in note 3.

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.

The Interim Financial Statements contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and financial performance of the Group since the 2020 annual financial statements. The Interim Financial Statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRSs.

The Interim Financial Statements have been prepared on the historical cost basis.

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

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 2020.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Statements have been prepared on the historical cost basis.

Other than additional accounting policies resulting from application of amendments to IFRSs, the accounting policies and the methods of computation used in the Interim Financial Statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020.

APPLICATION OF NEW AND AMENDMENTS TO IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by IASB, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's Interim Financial Statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to IFRS 16	Covid-19-Related Rent Concessions

The application of 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 Interim Financial Statements.

The Group has not applied any new and amendments to IFRSs that have been issued but not yet effective for the current accounting period.

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 the PRC.

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

Entity-wide disclosures

Information about revenue

The following table sets forth the total revenue from external customers during the period:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue from contracts with customer recognised at a point in time:		
Marble slags	**28,287**	12,659
Marble slabs	**7,133**	26,828
	35,420	39,487

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Bank interest income	**1**	1
Others	**31**	19
Exchange gain, net	**–**	12
Gain on disposal of right-of-use assets	**–**	63
Government grants	**–**	73
	32	168

6. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on lease liabilities	**12**	47
Interest on amount due to a director	**219**	218
Interest on other loans	**130**	52
	361	317

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PRC Enterprise Income Tax:		
– Current tax	**186**	–

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 2021 and 2020.

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

No provision for Hong Kong Profits Tax has been made for both periods as the Group has no assessable profits arising in Hong Kong.

No provision for PRC Enterprise Income Tax has been made for the six months ended 30 June 2020 as the Group has no assessable profits arising in or derived from the PRC.

8. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Amortisation of intangible assets	**–**	994
Cost of inventories sold	**29,796**	36,914
Depreciation of property, plant and equipment	**540**	5,498
Depreciation of right-of-use assets	**540**	735
Expense related to short-term leases	**218**	150
Loss on disposal of property, plant and equipment	**–**	151

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 RMB15,909,000 attributable to owners of the Company for the six months ended 30 June 2021 (six months ended 30 June 2020: RMB17,854,000) and the weighted average number of 2,832,083,000 (six months ended 30 June 2020: 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 for both periods as it had an anti-dilutive effect on the basic loss per share.

10. DIVIDEND

The Directors do not recommend payment of any dividend for each of the six months ended 30 June 2021 and 2020.

11. TRADE RECEIVABLES

An aged analysis of trade receivables, as at the end of the reporting periods based on earlier of invoice date or goods delivery date, and net of allowance for credit losses, is as follows:

	30 June 2021 *RMB'000* **(unaudited)**	31 December 2020 *RMB'000* (audited)
0 to 90 days	**11,678**	27,030
91 to 180 days	**4,259**	17,616
181 to 365 days	**23,943**	22,989
Over 1 year	**20,786**	11,217
	60,666	78,852

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 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:

	30 June 2021 *RMB'000* **(unaudited)**	31 December 2020 *RMB'000* (audited)
0 to 60 days	**7,010**	7,573
61 to 120 days	**–**	1,370
121 to 180 days	**–**	–
Over 180 days	**55**	55
	7,065	8,998

13. SHARE CAPITAL

Ordinary shares of HK$0.01	Number of shares *'000*	Amounts *RMB'000*
Authorised:		
As at 1 January 2020 (audited), as at 31 December 2020 (audited), as at 1 January 2021 (audited) and as at 30 June 2021 (unaudited)	**150,000,000**	**1,215,275**
Issued and fully paid:		
As at 1 January 2020 (audited), as at 31 December 2020 (audited), as at 1 January 2021 (audited) and as at 30 June 2021 (unaudited)	**2,832,083**	**24,435**

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

China Kingstone Mining Holdings Limited (the "Company"), together with its subsidiaries (the "Group"), were principally engaged in production and sales of marble and marble related products in China. The Group is the mining operator, focusing on marble products, and owned the largest beige marble mine in China, namely Zhangjiaba Mine, which is located in Zhenjiang Village, Xiangshui County, Jiangyou City of Sichuan Province, China, in terms of marble reserves, according to the certification issued by China Stone Material Association in August 2010.

The mining permit of Zhangjiaba Mine expired on 21 February 2021 and is currently in the process of being renewed for another 5 years. The Company initiated the renewal process in September 2020 with the relevant regulatory authorities in China. During recent enquiries with the Natural Resources Bureau of Mianyang Municipal*（綿陽市自然資源局）, the Company was informed that the Natural Resources Bureau of Mianyang Municipal was still in the process of reviewing the renewal application.

Marble Slabs Business

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

China's economy was recovering but cautioned that new waves of more virulent Covid-19 variant infections could lead to a faster and significant increase in infection cases. China is still grappling with the economic effects of the Covid-19 pandemic and trade tension between US and China. The construction industry in the PRC remained stable and positive, however, the Group believes that it is partly a result of an increase in government spending on the construction and infrastructure sectors. Some construction companies, particularly small and medium sized ones, were still facing financial difficulties and inclined to be cost-conscious in respect of their selection of construction materials. Against this backdrop, the Group has to be more prudent of the anticipated lowered credit quality of the customers. During the six months ended 30 June 2021 ("HY2021"), revenue attributable to marble slabs business was approximately RMB7.1 million, representing a decrease of RMB19.7 million or 73.4% as compared to RMB26.8 million for the six months ended 30 June 2020 ("HY2020"). The Group strove to manage a fine line between business growth and credit risk. The Group believes that it has to take a conservative approach on making any additional investment in working capital. The implementation of tighter credit control procedures by the Group resulted in a decrease of marble slab transactions with those customers with overdue outstanding invoices.

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 slag is a raw material for the production of ground calcium carbonate (the "GCC"). The Group sells the marble slags to the GCC manufactures which are close to the Zhangjiaba mine.

The Group believes that China is one of the few economies to achieve an overall positive rate of growth during the global pandemic-related recession. However, the uneven recovery across the countries around the world has posed concerns for the outlook of China's economy. Demand of marble slags remained generally stable because it is a raw material for manufacturing ground calcium carbonate ("GCC"), which is widely used in production of many daily products, such as construction materials, paper, plastic, paints, etc. During HY2021, revenue attributable to the marble slags business was approximately RMB28.3 million, representing an increase of RMB15.6 million or 123.5% as compared to RMB12.7 million for HY2020. The increase was primarily due to an increase in demand and increase in the average price of marble slags resulting from the recovery of most industrial sectors in China post-pandemic. However, the recovery could be risked or weakened by the economic effects from sluggish domestic consumption and slow recovery of export markets due to the trade tension between US and China.

Despite the setbacks in the GCC business plan with the GCC manufacturer under the memorandum of understanding dated 14 April 2017, the Group attempted to look for another cooperation partner to roll out the GCC business plan but to no avail, due to the Covid-19 pandemic and closing of borders, which made it harder to hold face-to-face meetings for the required negotiations. The Group believes that it owns rich marble resources that can be extracted from the Zhangjiaba Mine, giving it a competitive advantage to develop the GCC business, which currently requires more time to take off.

Exploration, Development and Production Activities at the Mine

The Group focuses on the development and mining at the Zhangjiaba mine during the year. The Zhangjiaba Mine contains 44.2 million cubic meters 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 during the six months ended 30 June 2021.

The Zhangjiaba mine mainly divided into the eastern mining zone and the western mining zone. During HY2021, the Group continued to carry out the stripping of the overburden materials at the surface for the both eastern and western zone of the deposit. The deposit in these areas was 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 will commenced no earlier than 2022.

During HY2021, the aggregate expenditure of the mining operations of the Group was approximately RMB23.2 million (HY2020: RMB11.5 million), which mainly included depreciation on property, plant and equipment and amortisation of intangible assets of approximately RMB1.8 million (HY2020: RMB0.7 million), safety protection related expenses and repairing cost of approximately RMB0.2 million (HY2020: RMB0.1 million) and subcontracting cost of stripping of approximately RMB21.2 million (HY2020: RMB10.7 million). During HY2021, the Group employed an outsourced engineering team to work on the mine areas in order to reduce the fixed cost of production and increase the financial flexibility of the Group.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately RMB4.1 million or 10.3% from approximately RMB39.5 million for HY2020 to approximately RMB35.4 million for HY2021. The decrease was primarily due to a combined effect of (i) a decrease of approximately RMB19.7 million in sales of marble slabs from approximately RMB26.8 million for HY2020 to approximately RMB7.1 million for HY2021, primarily resulting from a decrease in demand for marble slabs due to a tightened credit terms imposed by the Group; and (ii) an increase of approximately RMB15.6 million in sales of marble slags from approximately RMB12.7 million for HY2020 to approximately RMB28.3 million for HY2021, primarily resulting from the recovery of the industrial sectors in China to boost in demand for marble slags and its average selling price.

Revenue by products

	Six months ended 30 June		
	2021	2020	Change
	RMB'000	*RMB'000*	
Marble slabs	**7,133**	26,828	–73.4%
Marble slags	**28,287**	12,659	+123.5%
	35,420	39,487	-10.3%

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

	Six months ended 30 June		
	2021	2020	Change
Sales volume:			
Marble slabs (square meter)	**26,000**	95,500	–72.8%
Marble slags (ton)	**1,408,575**	712,850	+97.6%
Average selling prices:			
Marble slabs (RMB per square meter)	**274.3**	280.9	–2.3%
Marble slags (RMB per ton)	**20.1**	17.8	+12.9%

Gross Profit and Gross Profit Margin

Gross profit increased by approximately RMB4.4 million or 169.2% from approximately RMB2.6 million for HY2020 to approximately RMB7.0 million for HY2021. The increase was primarily due to an increase in the average selling price of marble slags, resulting from the recovery of demand for marble slags from the industrial sectors in China.

Gross profit margin increased by approximately 13.3 percentage points from approximately 6.5% for HY2020 to approximately 19.8% for HY2021. The increase was primarily due to a increase in gross profit margin of marble slags.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB1.0 million from approximately RMB0.8 million for HY2020 to approximately RMB1.8 million for HY2021. The increase was primarily due to an increase in direct sales tax, resulting from an increase in sales volume of marble slags.

Administrative expenses

Administrative expenses increased by approximately RMB1.9 million from approximately RMB12.0 million for HY2020 to approximately RMB13.9 million for HY2021. The increase was primarily due to an increase of RMB3.3 million in government levy for natural resources consumption tax and value added tax in relation to the Zhangjiaba Mine.

Impairment loss of trade receivables

During HY2021, the Group made an impairment loss of RMB6.7 million on trade receivable, representing a decrease of RMB0.8 million, as compared to RMB7.5 million for HY2020. The Company assessed the expected credit loss based on the historical loss experience and forward-looking information that may impact the customers' ability to repay the outstanding balances.

Loss for the period

As a result of the foregoing, the Group recorded a loss of approximately RMB15.9 million for HY2021, representing a decrease of approximately RMB2.0 million as compared to a loss of RMB17.9 million for HY2020.

Liquidity and Capital Resources

As at 30 June 2021, the Group's total equity interests were approximately RMB296.7 million, representing a decrease of approximately RMB16.4 million or 5.2% as compared to approximately RMB313.1 million as at 31 December 2020. The decrease was mainly attributable to a loss of approximately RMB15.9 million incurred for HY2021.

As at 30 June 2021, the Group had cash and bank balances of approximately RMB9.6 million (31 December 2020: RMB4.3 million). Cash and bank balances were mainly denominated in Hong Kong dollar and Chinese Renminbi ("RMB"). As at 30 June 2021, the Group had available working capital facilities of approximately RMB5.0 million (31 December 2020: Nil) with an independent third party, among which approximately RMB0.6 million had been utilized during HY2021, as such there are RMB4.4 million unutilized working capital facilities available to the Group. The Group has adequate financial resources to meet the anticipated future liquidity requirement and capital expenditure commitment.

As at 30 June 2021, total borrowings, including other loans of approximately RMB4.0 million (31 December 2020: RMB3.9 million) and loans from a director (included in amount due to directors), amounted to approximately RMB4.4 million (31 December 2020: RMB4.4 million), amounted to approximately RMB8.4 million (31 December 2020: RMB8.3 million) and was unsecured and shall mature within one year. The annual interest rates of the borrowings for HY2021 ranged from 5.0% to 12.0% p.a. (2020: 5.0% to 12.0% p.a.). All of them are dominated in Hong Kong dollar. It was accounted for as current liabilities of the Group. The Group does not currently use any derivatives to manage interest rate risk. Gearing ratio, representing total borrowings divided by total equity, was 0.03 (31 December 2020: 0.03).

Capital Expenditure

During HY2021, the Group's capital expenditure amounted to RMB0.4 million (HY2020: RMB3.0 million), which was primarily related to the acquisition of property, plant and equipment.

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 Chinese Renminbi, which is the functional and reporting currency of the Group, except certain administrative expenses, denominated in Hong Kong dollar and 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 2021, the Group had a total of 24 employees (as at 30 June 2020: 28). The total staff cost, including directors' emoluments, share options benefit and pension scheme contribution, was approximately RMB2.7 million for HY2021 (HY2020: RMB2.5 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 2021, the Group had no pledge of assets (31 December 2020: Nil).

Capital Commitment

As at 30 June 2021, the Group had a capital commitment for the purchase of property, plant and equipment and construction of property, plant and equipment which were contracted for but not provided for amounted to approximately RMB8.8 million (31 December 2020: approximately RMB8.8 million) and approximately RMB6.8 million (31 December 2020: approximately RMB6.8 million), respectively.

Contingent Liabilities

Save as disclosed in the below section headed "LITIGATION UPDATE" in respect of the outstanding proceedings against the Group, as at 30 June 2021, the Group had no significant contingent liabilities (31 December 2020: Nil).

Litigation Update

(a) On 8 August 2018, the Company received a writ of summons (the "Writ") issued in the Court of First Instance of the High Court of Hong Kong under Commercial List Action No. 5 of 2018 (the "Action") by Mr. Li Jiaju (the "Plaintiff A") against Kinwin International Investment Limited (the "1st Defendant"), a company wholly owned by a former director, the Company (the "2nd Defendant") and the former director (the "3rd Defendant"), in relation to a claim for the sum of approximately HK$23.7 million plus interest and costs against the 1st Defendant or alternatively, a claim for a sum of approximately HK$21.2 million plus interest and costs against the Company or alternatively a claim for the sum owned by the 1st Defendant against the 3rd Defendant, pursuant to a loan agreement between the Plaintiff A and the 1st Defendant and an alleged deed of assignment that was executed between the Plaintiff A, 1st Defendant, the 2nd Defendant.

(b) On 22 August 2018, the High Court of Hong Kong Special Administrative Region ("High Court") handed down a judgment to dismiss the application for summary judgment from Zhongtai International Wealth Management Limited (the "Plaintiff B") which is the financier of Royal Moon for underwriting of open offer announced by the Company on 14 May 2015, for a claim that the Company is liable to account to the Plaintiff B for wrongfully returning the balance of fund of approximately HK$61.4 million from the open offer bank account to Royal Moon on the ground of the alleged breach of trust and/or breach of equitable/fiduciary duties.

The Plaintiff B is claiming for equitable compensation and/or damages, and/or account of profits on the ground of the Company's breach of trust, together with an order to pay to the Plaintiff B such sum as may be found due or payable, including relevant interests and costs. The Plaintiff B is also seeking for a declaration that the Company is liable to account to the Plaintiff B for the balance of the fund in the open offer account of the Company or such other sum as the Court thinks fit on the ground of its breach of trust.

The Company considered no provisions should be made for the above cases as each of these proceedings is still at its early stage and the Company is highly unlikely to incur any further liability as at 30 June 2021 and 31 December 2020.

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.

The net proceeds had been utilised for the year ended 31 December 2020 ("FY2020") and HY2021 as follows:

	Intended use of proceeds	**Actual use of proceeds during FY2020**	**Actual use of proceeds during HY2021**	**Unutilized Proceeds as at 31 December 2020**	**Unutilized Proceeds as at 30 June 2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The contribution of funding for the GCC business					
– Set-up of manufacturing building (including the property, plant and equipment)	149,150	–	–	–	–
– General working capital of the calcium carbonate business	42,610	547	–	4,430	2,026
General working capital of the Group					
– Purchasing of machineries for marble mining business	15,000	–	–	–	–
– Marble slabs business	20,000	31,132	–	–	–
– Settlement of litigation	–	8,421	–	–	–
– Other general working capital	49,780	7,071	2,404	–	–
	276,540	47,171	2,404	4,430	2,026

As the GCC business plan was unable to materialize within the intended timeframe, the Group resolved the reallocation of part of net proceeds originally intended for the GCC business to meet the on-going needs and shortfall required for the general working capital of the Group. This includes reallocating 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.

As at 30 June 2021, the Group intends to apply the unutilized proceeds to the general working capital of the Group on or before 31 December 2021.

PROSPECTS

China as well as most of the developed economies have made significant progress in developing Covid-19 vaccines and appear to be on tract towards an economic recovery. There is finally a silver lining to end the global recession. However, there will always be a risk that the new variants of Covid-19 could set back the hard-fought progress. Apart from the concerns of the potential decoupling between US and China, the speed and extent of the economic recovery remain uncertain. The Group will remain vigilant against unpredictable international developments, and external factors that might adversely affect the Group's business. The Group will continue strengthening production and operations, and expanding the client base, in order to improve the performance of the marble business. On the other hand, the Group will continue looking for new business opportunities, seeking 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 HY2021 except for a deviation from code provisions A.2.1 and A.1.8 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 HY2021, the board of directors of the Company (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 devising and implementing 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 strengthens the 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)). 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 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 E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting. As disclosed above, the Board did not appoint a chairman during HY2021 and therefore the post was vacant during the Company's annual general meeting held on 29 June 2021 (the "AGM"). The Board elected Ms. Zhang Cuiwei to chair the AGM. As such, the Board is of the view that code 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

Save as the deviation from the code provision A.2.1 and A.1.8 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 HY2021 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 HY2021.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company comprised three independent non-executive Directors, namely Mr. Andreas Varianos, Mr. Mehmet Ahmed and Mr. Yang Ruimin. The audit committee members of the Company have reviewed the unaudited interim results of the Group for HY2021 and has 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 2021.

PUBLICATION OF THE INTERIM RESULTS AND 2021 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 2021 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, 27 August 2021

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, Mr. Mehmet Ahmed and Mr. Yang Ruimin as independent non-executive directors.