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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

	Year ended 31 December		**Change**	
	2022	2021		
Revenue *(RMB'000)*	**72,289**	74,247	**(1,958)**	-2.6%
Loss for the year attributable to owners of the Company *(RMB'000)*	**(61,884)**	(50,342)	**(11,542)**	+22.9%
		(Restated)		
Basic loss per share *(RMB cents)*	**(43.7)**	(35.6)	**(8.1)**	+22.8%

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Notes	**2022** *RMB'000*	2021 *RMB'000*
REVENUE	*3*	**72,289**	74,247
Cost of sales		**(45,441)**	(59,012)
Gross profit		**26,848**	15,235
Other income and gains, net	*4*	**2,040**	1,092
Selling and distribution expenses		**(8,476)**	(3,733)
Impairment losses under expected credit loss model, net of reversal		**(41,009)**	(7,400)
Impairment losses recognised in respect of non-financial assets		**–**	(33,541)
Administrative expenses		**(38,275)**	(20,587)
Finance costs	*5*	**(1,886)**	(798)
LOSS BEFORE TAX	*6*	**(60,758)**	(49,732)
Income tax expenses	*7*	**(1,126)**	(610)
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(61,884)**	(50,342)
Other comprehensive income/(loss)			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**1,535**	(1,193)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(60,349)**	(51,535)
			(Restated)
LOSS PER SHARE (RMB cents)			
– Basic and diluted		**(43.7)**	(35.6)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**140,329**	144,670
Intangible assets		**33,414**	33,414
Right-of-use assets		**910**	1,275
Prepayment and other receivables		**27,640**	51,330
		202,293	230,689
CURRENT ASSETS			
Inventories		**137**	82
Trade receivables	*10*	**64,305**	71,267
Prepayment, deposits and other receivables		**22,296**	4,383
Prepaid tax		**24**	–
Cash and cash equivalents		**3,188**	7,145
		89,950	82,877
CURRENT LIABILITIES			
Trade payables	*11*	**37,249**	15,942
Lease liabilities		**91**	87
Other payables and accruals		**31,823**	19,969
Amount due to a director		**1,138**	6,105
Other loans		**16,704**	7,133
		87,005	49,236
NET CURRENT ASSETS		**2,945**	33,641
TOTAL ASSETS LESS CURRENT LIABILITIES		**205,238**	264,330
NON-CURRENT LIABILITIES			
Other loans		**1,340**	–
Lease liabilities		**–**	83
Provision for rehabilitation		**2,697**	2,697
		4,037	2,780
NET ASSETS		**201,201**	261,550
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital		**24,435**	24,435
Reserves		**176,766**	237,115
TOTAL EQUITY		**201,201**	261,550

NOTES

For the year ended 31 December 2022

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 (the "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 Hong Kong Companies Ordinance.

The consolidated 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 goods and services.

2. APPLICATION OF AMENDMENTS TO IFRSs

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

The application of 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 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 16	Lease Liabilities in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after a date to be determined.
[3] Effective for annual periods beginning on or after 1 January 2024.

The directors anticipate that the application of all 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 regularly reviewed and evaluated by the Group's executive directors, who is identified as chief operating decision maker, for purposes of resource allocation and performance assessment. Accordingly, no segment information is presented. In addition, over 90% of the Group's total revenue was derived in the People's Republic of China (the "PRC" or "China") and over 90% of the Group's non-current assets were located in the PRC, no geographical segment information in accordance with IFRS 8 is presented.

Information about products

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

	2022 ***RMB'000***	2021 *RMB'000*
Revenue from contracts with customers recognised at a point in time:		
Marble slabs	**–**	15,491
Marble slags	**71,557**	58,647
Sales of food	**732**	109
	72,289	74,247

Information about major customers

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

	2022	2021
	RMB'000	*RMB'000*
Customer A	**–**	11,956
Customer B	**71,557**	58,647

Except for disclosed above, no other customers contributed 10% or more to the Group's total revenue for both years.

Transaction allocated to the remaining performance obligation for contracts with customers

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales contract for marble and related products and sales of food such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contract for sales of marble and related products and sales of food that had an original expected duration of one year or less.

4. OTHER INCOME AND GAINS, NET

	2022	2021
	RMB'000	*RMB'000*
Interest income	**3**	2
Imputed interest income on other receivables	**868**	–
Recovery of trade receivables	**1,000**	–
Exchange gain	**49**	2
Reversal of provision of other payables *(Note i)*	**–**	996
Government grants *(Note ii)*	**83**	–
Others	**37**	92
	2,040	1,092

Notes:

(i) During the year ended 31 December 2021, the Group terminated consultancy service with a counterparty, no additional cost was required for such cancellation. Thus, reversal of provision was recognised during the year ended 31 December 2021.

(ii) During the year ended 31 December 2022, the amount represents government subsidies granted due to the COVID-19 pandemic under the Employment Support Scheme of the Hong Kong Government. There were no unfulfilled conditions or contingencies relating to these government grants.

5. FINANCE COSTS

	2022	2021
	RMB'000	*RMB'000*
Interest on lease liabilities	**6**	17
Interest on loan from a director	**349**	442
Interest on other loans	**1,531**	339
	1,886	798

6. LOSS BEFORE TAX

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

	2022	2021
	RMB'000	*RMB'000*
Cost of inventories sold	**797**	14,614
Production stripping costs (included in cost of sales)	**41,404**	38,759
Staff costs (including directors' remuneration):		
– Salaries and directors' fees	**5,846**	5,474
– Retirement benefits scheme contributions	**218**	173
– Allowance and benefits in kind	**36**	30
	6,100	5,677
Auditor's remuneration:		
– Audit services	**560**	458
– Non-audit services	**139**	134
Depreciation of property, plant and equipment	**2,358**	7,396
Depreciation of right-of-use assets	**173**	696
Expenses related to short-term lease	**1,545**	2,720
Impairment losses recognised in respect of:		
– property, plant and equipment	**–**	27,005
– intangible assets	**–**	6,342
– right-of-use assets	**–**	194
Loss on disposal of property, plant and equipment	**3,247**	–
Loss on disposal of right-of-use assets	**37**	–
Loss on unwinding of discount on other receivables	**9,112**	–
Write-down of inventories (included in cost of sales)	**–**	363

7. INCOME TAX EXPENSES

	2022	2021
	RMB'000	*RMB'000*
PRC Enterprise Income Tax		
– Current tax	**1,126**	1,218
Deferred tax credit	**–**	(608)
Total income tax expenses	**1,126**	610

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 in Hong Kong are subject to Hong Kong's Profits Tax at 16.5% for both years.

The tax rate of subsidiary in the United Kingdom of Great Britain and Northern Ireland (the "UK") is subject to corporation tax ("UK Corporation Tax") and is calculated at 19% for both years.

No provision for Hong Kong Profits Tax and UK Corporation Tax has been made for both years as the Group has no assessable profits arising in Hong Kong or in the UK.

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 RMB61,884,000 (2021: RMB50,342,000) and the weighted average number of 141,604,138 (2021: 141,604,138 (restated)) ordinary shares in issue during the year.

The weighted average number of ordinary shares for the year ended 31 December 2021 for the purposes of calculating basic loss per share have been adjusted for the share consolidation which took place on 21 December 2022.

(b) Loss per share — Diluted

The effects of all potential ordinary shares are anti-dilutive since their assumed exercise would result in a decrease in loss per share for both years.

The basic and diluted loss per share are the same for both years.

9. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2022, nor has any dividend been proposed subsequent to the end of the reporting period (2021: Nil).

10. TRADE RECEIVABLES

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

	2022	2021
	RMB'000	*RMB'000*
0 to 90 days	**31,584**	17,505
91 to 180 days	**12,739**	5,499
181 to 360 days	**3,787**	6,702
361 to 720 days	**13,175**	41,561
Over 720 days	**3,020**	–
	64,305	71,267

11. TRADE PAYABLES

An aged analysis of trade payables, based on the invoice date, is as follows:

	2022	2021
	RMB'000	*RMB'000*
0 to 60 days	**37,072**	7,453
61 to 120 days	**–**	1,893
121 to 180 days	**–**	–
Over 180 days	**177**	6,596
	37,249	15,942

The average credit term granted by the suppliers of the Group is up to 90 days.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Marble Slag and Calcium Carbonate Business

Marble slags are produced in the course of stripping overburden at Zhangjiaba mine in the PRC and by crushing the cracked marble stones. Marble slag is a core raw material for the production of ground calcium carbonate ("GCC"), which is widely used in production of many daily products, such as construction materials, paper, plastic, paints, etc. The Group sells the marble slags to the GCC manufacturers which are close to the Zhangjiaba mine.

China's economy has slowly recovered and momentum picked up during the year ended 31 December 2022 ("FY2022"). The Company believes the lifting of pandemic restrictions would drive the growth of China's economy. Demand of marble slags showed a weakening sign during the first half year of 2022 but it was in a strong rebound in the last quarter of 2022. During FY2022, the sales volume of marble slag increased by 6.4% from approximately 2.6 million tons to approximately 2.8 million tons and average selling price increase by 14.5% from RMB22.7 per ton to RMB26.0 per ton. The Group believes that the recovery of domestic demand in China was conducive to sustaining the continued growth of marble slag business.

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 interior and exterior decorations, laying pavements, stairs, flooring and furniture. The Group sells marble slabs through some distributors or purchasing agents which have strong track records and broad sales and marketing networks with the property developers and construction companies in China.

During FY2022, the Group had withheld all the orders and denied to accept any new orders from the marble slab customers who had long overdue outstanding invoices. The Company believes that many property developers in the PRC have postponed or slowed their pace of construction due to their liquidity problems. It seems that the recent supporting policy from the Chinese government was to rescue the cash-strapped property developers rather than to revive the construction market in the PRC. The Company is concerned with increasing the counterpart credit risk amid an industry downturn. As a result, the Group did not record any sales of marble slabs during FY2022 (FY2021: RMB15.5 million). The Group may consider returning to the marble slab business when the property market in the PRC shows any resilience.

Virtual Restaurant Business

In December 2021, the Group commenced a virtual restaurant brand for a delivery-only operation. Initially, the Company engaged an online page hosted by a third-party food delivery platform and prepare food either out of a central kitchen or a separate brand operating an existing franchise restaurant. During FY2022, the Group successfully rolled out two of its own brands of "Burgogi Korean BBQ Burger" and "Y ā 鴨之" and launched its own website of the Group's virtual restaurant (www.celeplate.co.uk) in August 2022. The Group has pivoted towards taking orders from the Group's own website instead of third-party delivery platform and preparing ready-to-cook meal kits in the Group's own central kitchen and selling them to the customers through the own website. In late 2022, the Group started to sell the ready-to-cook meal kits to retailing stores and supermarkets as new distribution channel and has been developing a click-and-mortar strategy. The Company believes that virtual kitchen will be a growth potential for the Group.

Exploration, Development and Production Activities

The Group focused on the development and mining at the Zhangjiaba mine during FY2022. 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 FY2022.

The Zhangjiaba mine is mainly divided into the eastern mining zone and the western mining zone. During FY2022, 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 2025.

During FY2022, the aggregate expenditure of the mining operation of the Group was approximately RMB44.8 million (FY2021: RMB40.4 million), which mainly included depreciation on property, plant and equipment and amortization of mining right and land use right of approximately RMB3.1 million (FY2021: RMB0.4 million), consumable stores and other expenses of approximately RMB0.3 million (FY2021: RMB1.1 million), and subcontracting cost of stripping of approximately RMB41.4 million (FY2021: RMB38.7 million). The Group expanded the mine areas explored 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 decreased by approximately RMB1.9 million or 2.6% from approximately RMB74.2 million for FY2021 to approximately RMB72.3 million for FY2022. The decrease was primarily due to a combined effect of (i) an increase of approximately RMB13.0 million in sales of marble slags from approximately RMB58.6 million for FY2021 to approximately RMB71.6 million for FY2022, resulting from an increase in production and demand of marble slags and increase in average selling price of marble slags. (ii) a decrease of approximately RMB15.5 million in sales of marble slabs for FY2022, as result of being withheld the new orders from the customers of the Group which has long outstanding invoices as the Group implemented a more tightened credit control over the customers; and (iii) an increase of approximately RMB0.6 million in sales of food services for FY2022.

Revenue by products

	Year ended 31 December		
	2022	2021	Change
	RMB'000	*RMB'000*	*%*
Marble slags	**71,557**	58,647	+22.0%
Marble slabs	**–**	15,491	–100.0%
Food services	**732**	109	+571.6%
	72,289	74,247	–2.6%

Analysis by sales volume and selling price of marble related business

	Year ended 31 December		
	2022	2021	Change
Sales volume:			
Marble slags (thousand tons)	**2,752**	2,586	+6.4%
Marble slabs (square meter)	**–**	56,925	–100.0%
Average selling prices:			
Marble slags *(RMB per ton)*	**26.0**	22.7	+14.5%
Marble slabs *(RMB per square meter)*	**–**	272.1	N/A

Gross profit and Gross profit margin

Gross profit increased by approximately RMB11.6 million or 76.2% from approximately RMB15.2 million for FY2021 to approximately RMB26.8 million for FY2022. The increase was primarily due to an increase by 14.5% in average selling price of marble slags.

Gross profit margin increased by 16.6 percentage points from 20.5% for FY2021 to 37.1% for FY2022. The increase was primarily due to gain cost advantage by increase in production output for the marble slags and an increase in average selling price of marble slags.

Selling and distribution expenses

Selling and distribution expenses increased from approximately RMB3.7 million for FY2021 to approximately RMB8.5 million for FY2022. The increase was primarily due to an increase of approximately RMB4.8 million in distribution cost, marketing and advertising cost, staff cost and other expenses for Virtual Restaurant Business.

Impairment loss under expected credit loss model

The Group made an impairment loss of approximately RMB41.0 million under expected credit loss model, in which approximately RMB37.9 million was provided for in relation to trade receivable and approximately RMB3.1 million was provided for in relation to other receivable.

(i) Impairment loss in relation to trade receivable

The impairment loss of approximately RMB37.9 million in relation to trade receivable was provided for FY2022, primarily due to payment delays of the outstanding invoices owed from marble slab customers, due to tightening financial market conditions. 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 receivables is also influenced by the individual characteristics of each customer and default risk of the industry in which the customers operate.

The customers had long overdue outstanding invoices, most of which were for the goods delivered in 2019, 2020 and 2021. The Company believes the Covid-19 pandemic and debt crisis events hit hard for these customers. The Company has already withheld all delivery of orders and denied to accept the new orders from marble slab customers until the amounts due from the customers were restored to acceptable level. The Company has made a full provision for impairment of the outstanding trade receivables overdue for more than two years according to the Company's accounting policies. The other trade receivables overdue less than two years would be impaired based on the ECL valuation assessment performed by an independent valuer. The Group has been making progress to recover the outstanding invoice from these customers during FY2022 and afterwards. The customers of the Group have already settled for their outstanding overdue invoices of approximately RMB7.8 million during FY2022 and further settled the overdue invoices of approximately RMB2.4 million after the reporting date of the Group and up to the date of this announcement. The Company has continued to assess the repayment ability of these customers and actively communicate with them to recover the outstanding receivables.

(ii) Impairment loss in relation to other receivable

The impairment loss of approximately RMB3.1 million in relation to other receivable was provide for FY2022, primarily due to the assessment of the expected credit loss for the refund in respect of the return of grinding mill machines and the deposit for the construction of production plant.

In 2018, the Group formed a joint venture company (the "JV Company") with a GCC manufacturer as joint venture partner (the "JV partner") in order to extend the business to ground calcium carbonate powder production. The Group had placed orders for construction of production plant and some grinding mill machines and made the deposit payment of approximately RMB51.6 million under the joint venture agreement. However, as the Group had been caught up by a litigation involving the Zhangjiaba mine, the Group and JV partner terminated the cooperation in form of joint venture. The Group withheld the construction of production plant and delivery of grinding mill machines from the suppliers. During the years, the Group has been reaching and explore the possibility of jointly embarking the GCC business with other GCC manufacturers. Unfortunately, the discussion and negotiation had been on hold due to the restriction of Covid-19 pandemic imposed in China.

During FY2022, the Group has reached the refund agreement with the contractors ("Contractors") for the construction of production plant, whereby the Contractors agreed to refund the full amount of the deposits of approximately RMB10.2 million by four instalments in four years. The first instalments of the refund agreements of approximately RMB2.0 million has been received by the Group during FY2022.

During FY2022, the Group accepted the delivery of grinding mill machines from the suppliers ("Suppliers") as the Suppliers did not allow the Group to keep the orders on hold. After the delivery, the Group and the Suppliers has been in negotiation in relation to the return of the machines and refund arrangement. In the end of 2022, the Group has agreed to return all the machines and the Suppliers has agreed to refund in full amount of approximately RMB39.4 million (after deducting the transportation and handling charges of approximately RMB1.8 million) by four instalments in two years. The first instalment of approximately RMB3.8 million has been received by the Group up to the date of this announcement.

In considering the repayment terms of the refund agreements with the Contractors and Suppliers are more than one year and the counterparty credit risk, the Group has assessed the present value of the refund amounts under the refund agreements and also assessed the impairment loss on the present value of the refund amounts under the expected credit loss model. The impairment assessment has been prepared by independent valuer. As a results, the Group made provision for loss on unwinding of discount on other receivable of approximately RMB9.1 million which was included in administrative expenses and an impairment loss on other receivable of approximately RMB3.1 million during FY2022.

Administrative expenses

Administrative expenses increased from approximately RMB20.6 million for FY2021 to approximately RMB38.3 million for FY2022. The increase was primarily due to (i) an increase of approximately RMB17.7 million in general operating expenses in Virtual Restaurant Business which has commenced since December 2021; (ii) an increase of approximately RMB1.8 million in legal and professional fee in relation to the recovery of trade receivables; (iii) an increase of approximately RMB7.0 million in expenses for greening work on the mine site and tax charge for farmland occupation and (iv) an increase of approximately RMB9.1 million in provision for loss on unwinding of discount on other receivable (details are set out in the section under "Impairment loss in relation to other receivable" above).

Loss for the year attributable to owners of the Company

As a result of the foregoing, the Group recorded a loss of approximately RMB61.9 million for FY2022, representing an increase of approximately RMB11.6 million as compared to a loss of approximately RMB50.3 million for FY2021.

Liquidity and Capital Resources

As at 31 December 2022, the Group's total equity interests were approximately RMB201.2 million, representing a decrease of approximately 23.1% as compared with approximately RMB261.6 million as at 31 December 2021. The decrease was mainly attributable to a net loss of approximately RMB61.9 million recorded for FY2022.

As at 31 December 2022, the Group had cash and bank balances of approximately RMB3.2 million (31 December 2021: approximately RMB7.1 million). Cash and bank balances were mainly denominated in Hong Kong dollar 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 2022, total borrowings of the Group of approximately RMB19.0 million comprise other loans of approximately RMB18.0 million (31 December 2021: RMB7.1 million) and a director's loan (included in amount due to directors) of approximately RMB1.0 million (31 December 2021: RMB4.7 million). The borrowings are unsecured and dominated in Hong Kong dollar and United States dollar. The annual interest rate of the borrowings for FY2022 ranged from 5.0% to 12.7% per annum (FY2021: 5.0% to 12.0% per annum). The borrowings of approximately RMB16.7 million were repayable within one year which was accounted for as current liabilities of the Group and the borrowings of approximately RMB1.3 million were repayable within two years from drawdown date which was accounted for as non-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 approximately 0.09 (31 December 2021: 0.05)

Capital Expenditure

During FY2022, the Group's capital expenditure amounted to approximately RMB1.3 million (FY2021: RMB5.2 million), which was primarily related to construction in progress on mining infrastructure.

Charge of the Group's assets

As at 31 December 2022 and 2021, the Group did not have any charges on its assets.

Significant investment held

As at 31 December 2022 and 2021, there were no material investments held by the Group.

Exposure to Fluctuations in Exchange Rates

The Group principally operates its businesses in the People's Republic of China ("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. The Company and certain subsidiaries are operating in Hong Kong and the United Kingdom. Most of their transactions, including revenue, expenses, and other financing activities, are dominated in their local currencies, such as Hong Kong dollar, United States dollar and Pound Sterling. The Group is not exposed to any significant foreign exchange transaction risk in relation to these currencies. The Group has not entered into any foreign exchange contracts as hedging measures.

Contingent liabilities

As at 31 December 2022 and 2021, the Group did not have any significant contingent liabilities.

Capital Commitments

As at 31 December 2022, the Group did not have any significant capital commitments.

As at 31 December 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.

Human Resources

As at 31 December 2022, the Group had employed a total of 38 employees (31 December 2021: 36 employees). The total staff cost, including directors' emoluments, share options benefit and pension scheme contribution, was approximately RMB6.1 million for FY2022 (FY2021: RMB5.7 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.

PROSPECTS

Business Reviews and Prospects

In the end of year 2022, there is the good news to the Company that China decided to abandon its strict zero-Covid policy which made a clear road map to normality. The lifting of its Covid-19 restrictions could provide the impetus for renewed growth in China. The Company believes that China's economy will see a robust improvement and resilience in the forthcoming years. However, China is still facing a daunting challenge to the worsening US-China relations and the risk of global recession, which may have put a strain on China's economic recovery and resulted in growth softening. The Group's marble slag business continued to achieve a positive sales growth amid China's economic uncertainty and disarray brought by Covid-19 pandemic. Sales of marble slags grew by 22.0% from approximately RMB58.6 million for FY2021 to approximately RMB71.6 million for FY2022 and gross profit margin of marble slag business improved from 24.3% to 37.6%, primarily due to the improvement of its sales price. Demand of marble slag was in a strong rebound during the last quarter of year 2022. Mable slags are widely used in production of various daily products. China's fully recovery of economic activities, increase consumption and the pickup of the manufacturing sector will be good factors for the continued growth in the Group's marble slag business. The Company believes the outlook of marble slag business could stay positive.

The Group owns rich and extractable marble resource in the Zhangjiaba Mine, which give it a competitive advantage to develop the ground calcium carbonate business. The Company was finding a way to embark a full developed GCC business in order to materialize the vertical diversification plan. The Company will continue to look for cooperation partners to roll out the GCC business. Given the negative investment sentiment for the business expansion in year 2022, the Company did not make any promising proposals with the potential business partners. However, the Company believes that, following China's reopening and lifting most of pandemic restriction, the investor and other GCC operators would gradually re-gain its confidence and fueled optimism over the further investment and expansion.

Property and construction industry may be one of some Covid-battered industries which has yet to benefit from China's reopening. China government has rolled out a series of support measure which are aimed at helping property developers expand their financing channel and improving their capability to repay debts. However, it was hard to see the signs of market recovery and reviving demand. Marble slabs are mainly used in interior and exterior decoration. The business growth in marble slabs would become very difficult in near future when many property developers were struggling through tough times amid industry downturn. During the past few years, it was a tough times for the Group to expand the customer base and the existing customers have faced pressure to repay their invoices. The Group would stay out of marble slab business for the time being amid China's property industry in turmoil until it obviously returns to be stable and recovered.

The Company tapped into the food service business in the United Kingdom since December 2021. Many industries have been hit hard by the Covid-19 pandemic, however, the online restaurant services have benefit from it. The pandemic and lockdowns have posed a change in consumer behaviors for dinning in the restaurants. It leads to explosive growth in the business chain of food delivery. Initially, the Group commence to operate a franchise food business which involves preparing and delivery food from virtual restaurant brands for distribution to customers by either a delivery-only operation of making food out of a central kitchen or a separate brand with food being prepared out of an existing third-party franchise restaurant. During FY2022, the Group successfully roll out the own website of the Group's virtual restaurant (www.celeplate.co.uk). Since then, the Group has pivoted towards to take orders from the Group's own website instead of third-party delivery platform. Currently, the Group prepares ready-to-cook meal kits in the Group's own central kitchen and directly sells them to the customers through the own website and also sells them to the retailing stores and supermarkets as new distributional channel. The Group was no longer to go through the cooking process by the third-party franchise restaurants. The Group was to provide various country's food and cuisine with different restaurant brands, in which two of them belong to the Group itself, such as Burgogi (Korean cuisine) and Ya 鴨之 (Chinese cuisine). The Group would continue to optimize the menu and improve efficiencies and profits. The Company believes that virtual kitchen will be the future of catering sector and its growth potential is huge.

The Company saw light at the end of the tunnel when the lifting of pandemic measures came in China. The Company believes that China's overall economy would undergo a meaningful recovery in forthcoming years. However, China still has to overcome headwinds from geopolitical tensions and slowing global economy. 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. The Group will continue to consolidate the production and operations of the mining business and extend the customer base to improve its business performance. 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 2022.

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 of the Company (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 FY2022, and the Company was not aware of any non-compliance with such required standard of dealings regarding securities transactions by Directors throughout FY2022.

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 is responsible for implementing good corporate governance of the Company and 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 all code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code (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 FY2022 except for deviation from code provisions C.2.1, C.1.8 and F.2.2 of the CG Code.

Deviation from C.2.1 of the CG Code

The roles of the Chairman and the chief executive officer (the "CEO") are clearly defined and segregated to ensure independence and proper checks and balances. The Chairman focuses on the business strategy and direction of the Company and has executive responsibility, provides leadership for the Board and ensures proper and effective functioning of the Board in discharging of its responsibilities. The CEO is accountable to the Board for the overall implementation of the Company's strategies and the co-ordination of overall business operations.

Under code provision C.2.1 of the CG Code, the roles of chairman and 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. No officer carried the title of CEO until Mr. Li Yunfei was appointed as CEO on 1 September 2022, and no chairman was appointed by the Board during FY2022. 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. Following the appointment of Mr. Li Yunfei as the CEO, the executive directors would collectively assume the responsibility to provide the overall leadership to the Board. The Board is of the view that there is a sufficient balance of power and the current arrangement has contributed to strong management within the Company.

Deviation from C.1.8 of the CG Code

Under code provision of C.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.

Deviation from F.2.2 of the CG Code

Under code provision F.2.2 of the CG Code, the chairman of the Board should attend the annual general meeting. The chairman of the board should also invite the chairman of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, the chairman should invite another member of the committee or failing this their duly appointed delegates to attend. During FY2022, Ms. Zhang Cuiwei attended the annual general meeting (the "AGM") and other members of the Board were unable to attend AGM due to other business commitments. The Board is aware of this non-compliance and will continue to bring the importance of attending AGMs to the attention of each committee's chairman and its members.

AUDIT COMMITTEE

The Audit Committee, which consists of three members, all of whom are independent non-executive Directors, has reviewed the Group's consolidated financial statements for the year ended 31 December 2022, including the accounting principles and practices adopted by the Group and discussed with auditors in relation to the internal control and financial reporting matters of the Group.

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 2022 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 2022 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 (www.hkex.com.hk) and the Company's website (www.kingstonemining.com), and the 2022 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, 28 March 2023

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 Ms. Zu Rui as independent non-executive Directors.