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 2021

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Change	
	2021	2020		
Revenue *(RMB'000)*	**74,247**	72,765	**+1,482**	+2%
Loss for the year attributable to owners of the Company *(RMB'000)*	**(50,342)**	(30,449)	**–19,893**	N/A
Basic loss per share *(RMB cents)*	**(1.8)**	(1.1)	**–0.7**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Notes	**2021** **RMB'000**	2020 *RMB'000*
REVENUE	*3*	**74,247**	72,765
Cost of sales		**(59,012)**	(65,864)
Gross profit		**15,235**	6,901
Other income and gains, net	*4*	**1,092**	142
Selling and distribution expenses		**(3,733)**	(1,941)
Impairment losses under expected credit loss model, net of reversal		**(7,400)**	(14,446)
Impairment losses recognised in respect of non-financial assets		**(33,541)**	–
Administrative expenses		**(20,587)**	(20,469)
Finance costs	*5*	**(798)**	(636)
LOSS BEFORE TAX	*6*	**(49,732)**	(30,449)
Income tax expenses	*7*	**(610)**	–
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(50,342)**	(30,449)
Other comprehensive loss			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(1,193)**	(3,990)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(51,535)**	(34,439)
LOSS PER SHARE (RMB cents)			
– Basic and diluted		**(1.8)**	(1.1)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**144,670**	173,904
Intangible assets		**33,414**	39,756
Right-of-use assets		**1,275**	2,185
Prepayment		**51,330**	51,330
		230,689	267,175
CURRENT ASSETS			
Inventories		**82**	363
Trade receivables	*10*	**71,267**	78,852
Prepayment, deposits and other receivables		**4,383**	4,208
Cash and cash equivalents		**7,145**	4,254
		82,877	87,677
CURRENT LIABILITIES			
Trade payables	*11*	**15,942**	8,998
Lease liabilities		**87**	624
Other payables and accruals		**19,969**	18,500
Amount due to a director		**6,105**	6,294
Other loans		**7,133**	3,867
		49,236	38,283
NET CURRENT ASSETS		**33,641**	49,394
TOTAL ASSETS LESS CURRENT LIABILITIES		**264,330**	316,569
NON-CURRENT LIABILITIES			
Lease liabilities		**83**	179
Provision for rehabilitation		**2,697**	2,697
Deferred tax liabilities		**–**	608
		2,780	3,484
NET ASSETS		**261,550**	313,085
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital		**24,435**	24,435
Reserves		**237,115**	288,650
TOTAL EQUITY		**261,550**	313,085

NOTES

For the year ended 31 December 2021

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 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 or after 1 January 2021 for the preparation of the consolidated financial statements:

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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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	Insurance Contracts and the related Amendments[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
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 April 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 Effective for annual periods beginning on or after a date to be determined.

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 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 were derived in the PRC 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:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers recognised at a point in time:		
Marble slabs	**15,491**	41,413
Marble slags	**58,647**	31,352
Sales of food	**109**	–
	74,247	72,765

Information about major customers

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

	2021 *RMB'000*	2020 *RMB'000*
Customer A	**11,956**	18,963
Customer B *(Note)*	**N/A**	22,450
Customer C	**58,647**	31,352

Note: Revenue derived from Customer B did not contribute 10% of revenue of the Group during the year ended 31 December 2021.

Except for disclosed above, no other customers contributed 10% or more to the Group 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

	2021 *RMB'000*	2020 *RMB'000*
Interest income	**2**	1
Exchange gain/(loss)	**2**	(11)
Loss on disposal of property, plant and equipment	**–**	(150)
Reversal of provision of other payables *(Note i)*	**996**	–
Gain on early termination of lease	**–**	69
Government grants *(Note ii)*	**–**	144
Others	**92**	89
	1,092	142

Notes:

(i) During the year ended 31 December 2021, the Group terminated a consultancy services 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 2020, the amount represents government subsidies granted due to the COVID-19 pandemic under the Employment Support Scheme of the Hong Kong Government.

5. FINANCE COSTS

	2021 *RMB'000*	2020 *RMB'000*
Interest on lease liabilities	**17**	77
Interest on loan from a director	**442**	403
Interest on other loans	**339**	156
	798	636

6. LOSS BEFORE TAX

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

	2021 *RMB'000*	2020 *RMB'000*
Cost of inventories sold	**14,614**	39,105
Production stripping costs (included in cost of sales)	**38,759**	25,861
Staff costs (including directors' remuneration):		
– Wages and salaries	**5,474**	4,468
– Retirement benefits scheme contributions	**173**	121
– Benefits in kind	**30**	10
	5,677	4,599
Auditor's remuneration:		
– Audit services	**458**	444
– Non-audit services	**134**	142
Amortisation of intangible assets	**–**	1,988
Depreciation of property, plant and equipment	**7,396**	11,004
Depreciation of right-of-use assets	**696**	1,506
Expenses related to short-term lease	**2,720**	447
Impairment losses recognised in respect of:		
– property, plant and equipment	**27,005**	–
– intangible assets	**6,342**	–
– right-of-use assets	**194**	–
Reversal of provision for litigation	**–**	(3,401)
Write-down of inventories (included in cost of sales)	**363**	–

7. INCOME TAX EXPENSES

	2021	2020
	RMB'000	*RMB'000*
PRC Enterprise Income Tax		
– Current tax	**1,218**	–
Deferred tax credit	**(608)**	–
Total income tax expenses	**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 Profit 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 the year ended 31 December 2021.

No provision for Hong Kong Profits Tax and UK Corporation Tax has been made for the year ended 31 December 2021 as the Group has no assessable profits arising in Hong Kong or in UK.

No provision for PRC Enterprise Income Tax and Hong Kong Profits Tax has been made for the year ended 31 December 2020 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 RMB50,342,000 (2020: RMB30,449,000) and the weighted average number of approximately 2,832,083,000 (2020: 2,832,083,000) ordinary shares in issue during the year.

(b) Loss per share－Diluted

For the year ended 31 December 2020 and 2021, 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 both years.

9. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2021, nor has any dividend been proposed subsequent to the end of the reporting period (2020: 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:

	2021	2020
	RMB'000	*RMB'000*
0 to 90 days	**17,505**	27,030
91 to 180 days	**5,499**	17,616
181 to 360 days	**6,702**	22,989
361 to 720 days	**41,561**	11,217
	71,267	78,852

11. TRADE PAYABLES

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

	2021	2020
	RMB'000	*RMB'000*
0 to 60 days	**7,453**	7,573
61 to 120 days	**1,893**	1,370
121 to 180 days	**–**	–
Over 180 days	**6,596**	55
	15,942	8,998

The average credit terms granted by the suppliers of the Group is 90 days.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Marble Slab Business

Marble stones are widely used in the construction and interior design and decor 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 various 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 is still grappling with the economic effects of the Covid-19 pandemic and trade tension with the United States. China also faced the challenge of potential market disruption on the front of the debt crisis of a few large property developers, which started to ripple through the whole property sector in China last year. Some construction companies, particularly small and medium sized ones, are facing financial strain and have as a result inclined to be cost-conscious with their selection of construction materials. For FY2021, sales of marble slabs was RMB15.5 million, representing a decrease of RMB25.9 million or 62.6%, as compared to RMB41.4 million for FY2020. The Group believes that the weak demand of marble slabs will continue for a stretch. There is no doubt that 2021 was a difficult year for Chinese property developers and might worsen in the coming year, with some property developers under great pressure to survive. Against this backdrop, the Group has been more prudent with the anticipated lowered credit quality of its customers. The implementation of tighter credit control procedures by the Group could result in a further decrease of marble slab sales transactions with those customers, which have overdue outstanding invoices.

Marble Slag and Calcium Carbonate Business

Marble slags are produced in the course of stripping the overburden at the Zhangjiaba Mine and by crushing the cracked marble stones. Marble slag is a core raw material used in the production of GCC. The Group sells the marble slags to GCC manufacturers located close by the Zhangjiaba mine.

China is one of the few economies in the world to achieve an overall positive rate of growth during the global pandemic-related recession. However, the uneven recovery across the countries around the world and strained United Stated-China relations have posed concerns for the outlook of the China economy. Notwithstanding the uncertainties, the demand for marble slags remained stable and positive during the year 2021. For FY2021, sales of marble slags was RMB58.6 million, representing an increase of RMB27.2 million or 87.1%, as compared to RMB31.4 million for FY2020. The increase was primarily due to an increase in the production and demand of marble slags and increase in the average selling price of marble slags resulting from the recovery of most industrial sectors in China. However, the recovery could be at risk or weakened by the economic effects from sluggish domestic consumption and the slow recovery of the export markets due to the trade tension between the United States and China.

Virtual Restaurant Business

In December 2021, the Company commenced a virtual restaurant brand for a delivery-only operation, which does not involve operating any restaurant. The business involves the Company engaging an online webpage that is hosted by a third-party food delivery platform with the food being prepared either out of a third-party central kitchen or setting up a separate brand with food being prepared out of an existing franchised restaurant. The Company has completed the startup process and built a team for the new business headed by the founder and former CEO of bigfoodie.co.uk, one of the largest takeaway online platforms in the United Kingdom. The Company's first brand, "Burgogi Korean BBQ Burger", has already rolled out in London as a part of its debut brand launch in December 2021.

Exploration, Development and Production Activities

The Group focused on development and mining at the Zhangjiaba Mine during FY2021. Based on an independent competent person's report dated 7 March 2011 (as shown in the Company's Prospectus), the Zhangjiaba Mine had approximately 44.2 million cubic meters of measured and indicated marble resources as at the time of the competent person's report in 2011, which represented approximately 16.8 million cubic meters of proved and probable marble reserves based on a block rate of 38%. There was no geological exploration activity for new marble mines during FY2021.

The Zhangjiaba Mine is mainly divided into the eastern mining zone and the western mining zone. During FY2021, the Group continued to carry out the stripping of the overburden materials at the surface of the deposits for both the eastern and western mining zones. 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, which will commence no earlier than 2025.

During FY2021, the aggregate expenditure of the mining operation of the Group was approximately RMB40.4 million (FY2020: RMB26.8 million), which mainly included depreciation on property, plant and equipment of approximately RMB0.4 million (FY2020: RMB0.5 million), comsumable stores of approximately RMB1.1 million (FY2020: Nil) and subcontracting cost of stripping of approximately RMB38.7 million (FY2020: RMB25.9 million). The Group expanded the mine areas explored by the outsourced engineering team in order to reduce the fixed costs of production and increase the financial flexibility of the Group.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately RMB1.4 million or 2.0% from approximately RMB72.8 million for FY2020 to approximately RMB74.2 million for FY2021. The increase was primarily due to a combined effect of (i) an increase of RMB27.2 million in sales of marble slags from RMB31.4 million for FY2020 to RMB58.6 million for FY2021, resulting from an increase in production and demand of marble slags and increase in average selling price of marble slags. and (ii) a decrease of RMB25.9 million in sales of marble slabs from RMB41.4 million for FY2020 to RMB15.5 million for FY2021, as a result of the weak demand for construction materials and the Group's tightening credit control towards its customers.

Revenue by products

	Year ended 31 December		
	2021	2020	Change
	RMB'000	*RMB'000*	
Marble slags	**58,647**	31,352	+87.1%
Marble slabs	**15,491**	41,413	-62.6%
Sales of food	**109**	–	N/A
	74,247	72,765	+2.0%

Analysis by sales volume and selling price of marble related business

	Year ended 31 December		
	2021	2020	Change
Sales volume:			
Marble slags (thousand tons)	**2,586**	1,719	+50.4%
Marble slabs (square meter)	**56,925**	147,500	–61.4%
Average selling prices:			
Marble slags (RMB per ton)	**22.7**	18.2	+24.7%
Marble slabs (RMB per square meter)	**272.1**	280.8	–3.1%

Gross profit and Gross profit margin

Gross profit increased by approximately RMB8.3 million or 120.3% from approximately RMB6.9 million for FY2020 to approximately RMB15.2 million for FY2021. The increase was primarily due to an increase in the gross profit of marble slags.

Gross profit margin increased by 11.0 percentage points from 9.5% for FY2020 to 20.5% for FY2021. The increase was primarily due to the cost advantage gained from the increase in the production output for marble slags and an increase in average selling price of marble slags.

Selling and distribution expenses

Selling and distribution expenses increased from RMB1.9 million for FY2020 to RMB3.7 million for FY2021. The increase was primarily due to an increase in value added tax and natural resource tax on sales, resulting from an increase in the sales of marble slags.

Administrative expenses

Administrative expenses increased from RMB20.5 million for FY2020 to RMB20.6 million for FY2021. The increase was primarily due to an increase in expenses for the renewal of the mining permit and additional government levies in relation to the Zhangjiaba Mine but partially offset by a decrease in other general administration expenses, such as depreciation and amortisation, legal and professional fees and consultancy fees.

Impairment loss under expected credit loss model

The Group made an impairment loss, net of reversal, of RMB7.4 million on trade receivable for FY2021, representing a decrease of RMB7.0 million, as compared to RMB14.4 million for FY2020. The impairment loss for FY2021 was primarily due to an increase in gross trade receivables resulting from payment delays of the outstanding invoices owed from marble slab customers, given the tightening financial market conditions. The Group manages its credit risk by offering standardized credit terms to its marble products customers 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 are also influenced by the individual characteristics of each customer and the default risk of the industry in which the customers operate.

Impairment loss recognised in respect of non-financial assets

An impairment loss of HK$33.5 million on non-financial assets was provided for during FY2021. The provision for impairment was made primarily due to a decrease in recoverable amounts from cash-generating units derived from the Zhangjiaba Mine due to delayed marble block mining and production activities. The Company engaged an independent appraisal firm to assist with the assessment of the recoverable amount of cash generating units in respect of the Zhangjiba Mine based on its future cash flow projections.

Loss for the year attributable to owners of the Company

As a result of the foregoing, the Group recorded a loss of RMB50.3 million for FY2021, representing an increase of loss of RMB19.9 million as compared to a loss of RMB30.4 million for FY2020.

Liquidity and Capital Resources

As at 31 December 2021, the Group's total equity interests were approximately RMB261.6 million, representing a decrease of 16.5% as compared with RMB313.1 million as at 31 December 2020. The decrease was mainly attributable to a loss of RMB50.3 million recorded for FY2021.

As at 31 December 2021, the Group had cash and bank balances of approximately RMB7.1 million (31 December 2020: approximately RMB4.3 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 2021, total borrowings of the Group, comprising other loans of approximately RMB7.1 million (31 December 2020: RMB3.9 million) and a director's loan (included in amount due to directors) of approximately RMB4.7 million (31 December 2020: RMB4.4 million) was unsecured and matured within one year. The annual interest rate of the borrowings for FY2021 ranged from 5% to 10% per annum (FY2020: 5% to 12% per annum). All of the borrowings are dominated in Hong Kong dollars and RMB 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 0.05 (31 December 2020: 0.03)

Capital Expenditure

During FY2021, the Group's capital expenditure amounted to RMB5.2 million (FY2020: RMB6.3 million), which was primarily related to construction in progress on mining infrastructure.

Charge of the Group's assets

As at 31 December 2021 and 2020, the Group did not have any charges on its assets.

Significant investment held

As at 31 December 2021 and 2020, 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, except certain administrative expenses of the Hong Kong office which were denominated in Hong Kong dollars. The Group has not entered into any foreign exchange contracts as hedging measures.

Contingent Liabilities

As at 31 December 2021 and 2020, the Group did not have any significant contingent liabilities.

Capital Commitments

As at 31 December 2021 and 2020, 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 and approximately RMB6.8 million, respectively.

Human Resources

As at 31 December 2021, the Group employed a total of 36 employees (31 December 2020: 28 employees). The total staff costs, including directors' emoluments, share option benefits and pension scheme contributions, were approximately RMB5.7 million for FY2021 (FY2020: RMB4.6 million).

The Group's emolument policies are formulated on the performance of the individual employee and on the basis of 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 and issued 2,360,068,975 rights shares to qualifying shareholders by way of a rights issue at a subscription price of HK$0.12 per rights share on the basis of five rights shares for every share in issue on the record date.

The net proceeds from the rights issue were approximately HK$276.5 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 a joint venture company to operate a calcium carbonate business (the "GCC Business Plan"), in which approximately HK$149.2 million (RMB132.2 million) was apportioned to the set-up of a manufacturing building (including 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 the 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 proceeds 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 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 litigation to (i) purchasing machinery for the 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 FY2021 and FY2020, the net proceeds had been utilized as follows:

	Intended use of proceeds	**Actual use of proceeds during FY2020**	**Actual use of proceeds during FY2021**	**Unutilized Proceeds as at 31 December 2020**	**Unutilized Proceeds as at 31 December 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	–
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	4,430	–	–
	276,540	20,045	4,430	4,430	–

The proceeds from the rights issue have been fully utilized during FY2021. As the Group was unable to materialize the original GCC Business Plan, the Group resolved and ratified the reallocation of part of the net proceeds originally intended for the GCC business to meet the on-going needs and shortfalls required for the general working capital of the Group.

PROSPECTS

Business Reviews and Prospects

The Covid-19 pandemic is now entering the third year but its threat to the global economy has not lessened. Despite the mass vaccination roll-out in 2021, the global daily infection figures have still been soaring dramatically. China is the one of the few countries that managed to bring the spread of the Covid-19 under control in the earlier stage of the pandemic and has by and large resumed normal business activities in 2021. China's economy, though recovering, is still fragile. There are recent signs that the robust upturn in the economy is losing momentum. The growth of China's property investment slowed down as a result of the debt crisis of a few large property developers and the effects of tougher regulatory actions on corporate excess debts. Small and medium construction companies have suffered the brunt of the economic downturn brought on by the aftermath of the pandemic and the liquidity-tight conditions. They have inclined to be cost-conscious in their selection of construction materials. The sales of marble slabs dropped by 62.6% as a result of the weak demand of marble slabs and the tightened credit line to the customers of the Group during FY2021. The Group strove to manage a fine line between business growth and credit risk.

On the contrary, sales of marble slags recorded a strong growth of 87.1% for FY2021. Marble slags are widely used in the production of daily products, such as construction materials, paper, plastic, paints, etc. The demand of marble slags has suffered less of an impact from the economic downturn. The demand of marble slags was relatively strong and the selling price has already returned to pre-pandemic levels. However, as China's economy faced downward pressure and coupled with the complexity and uncertainty of the external business environment, the sluggish domestic consumption might jeopardize the rebound of the marble slag business of the Group. Nonetheless, the Group believes that the marble slag business will still be able to maintain positive growth in the forthcoming years.

The Group suffered a setback on the vertical diversification expansion plan for the ground calcium carbonate (the "GCC") business with a GCC manufacturer, which it has already ceased negotiations with for a cooperation plan in 2020. Calcium Carbonate is a chemical compound that can be extracted from our marble reserves. The Group was hoping to collaborate with a GCC manufacturer to produce crushed or ground calcium carbonate, which can then be used as an industrial mineral. Despite this set-back, the Group has not aborted its expansion plan of the GCC business and has continued to look for another cooperation partner to roll out the GCC business. The Group believes that the Company has a competitive advantage to develop the GCC business, given the rich marble resources that can be extracted from the Zhangjiaba Mine, a core material for the production of ground calcium carbonate.

With the Covid-19 pandemic inducing many countries to implement lockdowns and other restrictions on dining out, food delivery services have experienced a surge in demand. Customers are now become increasingly accustomed to using food delivery services, which has created a great opportunity for the virtual restaurant business. In December 2021, the Company commenced a virtual restaurant brand for a delivery-only operation. This virtual restaurant business is new to the Company. The Company believes that this virtual restaurant business is a good business diversification for the Group in these unpredictable economic times.

The global economy has been shackled by the Covid-19 pandemic with no end in sight. Despite the escalating rivalry between China and the United States, the decoupling of these two of the most influential countries is still possible. It is full of uncertainty whether the China economy will be able to maintain the positive momentum going forward. 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 its 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 2021.

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 2021.

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 FY2021 except for a deviation from code provisions A.2.1, A.1.8 and E.1.2 of CG Code.

Deviation from A.2.1 of 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 A.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. During FY2021, no officer carried the title of CEO and no chairman was appointed by the Board, save to chair Board meetings. 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 setting the Company's direction and implementing strategy. The Board is of the view that there is a sufficient balance of power but plans to strengthen the management within the Company by appointing a Chairman and CEO of the Company in the second quarter of 2022.

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.

Deviation from E.1.2 of the CG Code

Under code provision E.1.2 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 FY2021, only Ms. Zhang Cuiwei attended the annual general meeting as other members of the Board had other business commitments. The Board is aware of this non-compliance and will continue to bring the importance of attending annual general meetings to the attention of each committee 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 2021, 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 2021 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 2021 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 2021 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 2022

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. Pei Bing as independent non-executive Directors.