KING STONE ENERGY GROUP LIMITED
金 山 能 源 集 團 有 限 公 司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 00663)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The Board of Directors (the "Board") of King Stone Energy Group Limited (the "Company" or "King Stone Energy") presents the consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2019 with comparative figures for the corresponding year in 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
REVENUE	*5*	**18,067**	23,553
Cost of sales		**(8,859)**	(10,928)
Gross profit		**9,208**	12,625
Other income and gains, net	*6*	**6,960**	17,383
Selling and distribution expenses		**(478)**	(100)
Administrative expenses		**(50,162)**	(59,155)
Other expenses, net		**(47,079)**	(143,784)
Finance costs	*7*	**(50,968)**	(54,002)
Share of losses of associates		**(13,759)**	(386)
LOSS BEFORE TAX	*8*	**(146,278)**	(227,419)

	Notes	**2019** *HK$'000*	2018 *HK$'000*
LOSS BEFORE TAX	*8*	**(146,278)**	(227,419)
Income tax	*9*	**1,388**	18,259
LOSS FOR THE YEAR		**(144,890)**	(209,160)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
On translation of foreign operations		**1,583**	(10,904)
Reclassification adjustment for a loss included in profit or loss on disposal of subsidiaries		**116**	25
Share of movements in exchange fluctuation reserves of associates		**(613)**	94
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**1,086**	(10,785)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods – Fair value loss of equity investments at fair value through other comprehensive income, net of income tax of nil		**(845)**	(560)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX		**241**	(11,345)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(144,649)**	(220,505)
Loss for the year attributable to:			
Shareholders of the Company		**(88,404)**	(143,308)
Non-controlling interests		**(56,486)**	(65,852)
		(144,890)	(209,160)
Total comprehensive loss for the year attributable to:			
Shareholders of the Company		**(90,503)**	(155,106)
Non-controlling interests		**(54,146)**	(65,399)
		(144,649)	(220,505)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	*10*		
Basic and diluted		**(HK$0.013)**	(HK$0.020)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**18,077**	30,706
Prepaid land premiums		**–**	779
Right-of-use assets		**3,935**	–
Goodwill		**–**	–
Intangible assets		**95,919**	142,223
Investments in associates		**32,528**	51,954
Equity investments at fair value through other comprehensive income		**1,107**	1,952
Lease, factoring and trade receivables	*11*	**89,893**	16,068
Prepayments, deposits and other receivables		**93,929**	97,863
Total non-current assets		**335,388**	341,545
CURRENT ASSETS			
Inventories		**451**	154
Lease, factoring and trade receivables	*11*	**155,895**	177,320
Loan receivables		**–**	–
Prepayments, deposits and other receivables		**8,145**	46,836
Restricted cash		**2,130**	360
Cash and cash equivalents		**139,478**	188,435
Total current assets		**306,099**	413,105
CURRENT LIABILITIES			
Trade payables	*12*	**817**	525
Other payables and accruals		**17,577**	22,479
Lease liabilities		**1,998**	–
Other loans		**255,688**	219,864
Income tax payables		**15,857**	16,824
Total current liabilities		**291,937**	259,692

	2019	2018
	HK$'000	*HK$'000*
NET CURRENT ASSETS	**14,162**	153,413
TOTAL ASSETS LESS CURRENT LIABILITIES	**349,550**	494,958
NON-CURRENT LIABILITIES		
Other payables	**747**	666
Lease liabilities	**1,458**	–
Deferred tax liabilities	**–**	2,306
Total non-current liabilities	**2,205**	2,972
Net assets	**347,345**	491,986
EQUITY		
Equity attributable to shareholders of the Company		
Share capital	**2,703,301**	2,703,301
Reserves	**(2,262,208)**	(2,171,705)
	441,093	531,596
Non-controlling interests	**(93,748)**	(39,610)
Total equity	**347,345**	491,986

NOTES:

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Hong Kong and shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at 17th Floor, V Heun Building, No. 138 Queen's Road Central, Central, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally involved in (i) the mining and sale of silver in the mainland ("Mainland China") of the People's Republic of China (the "PRC"); (ii) the extraction, production and sale of oil and gas in the United States of America (the "USA"); (iii) the provision of asset financing services in the PRC; (iv) the trading of liquefied natural gas ("LNG") in the PRC; and (v) the provision of tourism agency services in the PRC.

The immediate holding company of the Company is Belton Light Limited, which is incorporated in the British Virgin Islands, and, in the opinion of the directors, the ultimate holding company of the Company is Jade Bird Energy Fund II, L.P., which is an exempted limited partnership registered in the Cayman Islands.

2.1 BASIS OF PRESENTATION

Despite the operating losses of the Group in the past years, these financial statements were prepared under the going concern basis because the Group had net current assets of HK$14 million as at 31 December 2019 and the directors expect that any material cash outflow in settlement of other loans of HK$256 million as included in the Group's current liabilities can be deferred to 1 January 2021 or afterwards.

2.2 BASIS OF PREPARATION

This announcement has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for listed equity investments and derivative financial instruments which have been measured at fair value. The financial statements are presented in Hong Kong dollar ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The financial information relating to the year ended 31 December 2019 and the financial information relating to the year ended 31 December 2018 included in this preliminary announcement of annual results for the year ended 31 December 2019 do not constitute the Company's statutory annual consolidated financial statements for those years, but in respect of the year ended 31 December 2018, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The financial statements for the year ended 31 December 2019 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies in due course. The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on the financial statements for the year ended 31 December 2018. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Profit or loss and each component of other comprehensive income are attributed to shareholders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption, if any, recognised as an adjustment to the opening balance of accumulated losses as at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

Nature of the effect of adoption of HKFRS 16

The Group has lease arrangements as a lessee for various items of land, office premises and a motor vehicle. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on the straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities as (finance costs).

Impact on transition

Lease liabilities as at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate as at 1 January 2019 and were separately presented on the face of the consolidated statement of financial position.

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the leases recognised in the consolidated statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 *Impairment of Assets* on that date. The Group elected to present the right-of-use assets separately on the face of the consolidated statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 on 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities as at 1 January 2019

<u>Financial impact on 1 January 2019</u>

The impact arising from the adoption of HKFRS 16 on 1 January 2019 was as follows:

	HK$'000
Assets	
Decrease in prepaid land lease payments	(779)
Increase in right-of-use assets	1,879
Decrease in prepayments, deposits and other receivables	(1,100)
Increase in total assets	–

The Group's operating lease commitments as at 31 December 2018, which amounted to HK$2,023,000 as disclosed in the Company's consolidated financial statements for the year ended 31 December 2018, related to either short term leases or those leases with a remaining lease term ended on or before 31 December 2019. Accordingly, no additional right-of-use assets and lease liabilities were recognised as at 1 January 2019 in respect of these operating lease arrangements.

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 *Financial Instruments* only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28 *Investments in Associates and Joint Ventures*, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 *Income Taxes* (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any impact on the financial position or performance of the Group.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the "Silver mining" segment engages in the mining and sale of silver in the PRC;

(b) the "Oil and gas" segment engages in the exploration, production and sale of oil and gas in the USA;

(c) the "Asset financing" segment engages in the provision of finance leasing and factoring services in the PRC;

(d) the "LNG" segment engages in the trading of LNG in the PRC; and

(e) the "Tourism" segment engages in the provision of tourism agency services in the PRC.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that share of losses of associates, foreign exchange differences and corporate and other unallocated income/expenses are excluded from such measurement.

	Silver mining		Oil and gas		Asset financing		LNG		Tourism		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue – Sales to external customers	**–**	2,028	**2,885**	5,159	**9,683**	12,803	**5,428**	3,563	**71**	–	**18,067**	23,553
Segment results	**(105,293)**	(140,994)	**(8,173)**	(8,550)	**1,529**	5,981	**(1,268)**	(2,576)	**(604)**	–	**(113,809)**	(146,139)
Reconciliation:												
Share of losses of associates											**(13,759)**	(386)
Foreign exchange losses, net											**(11,853)**	(17,334)
Corporate and other unallocated expenses, net											**(6,857)**	(63,560)
Loss before tax											**(146,278)**	(227,419)
Income tax											**1,388**	18,259
Loss for the year											**(144,890)**	(209,160)

	Silver mining		Oil and gas		Asset financing		LNG		Tourism		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:												
Share of losses of associates:												
Unallocated assets											**13,759**	386
Depreciation of items of property, plant and equipment:												
Segment assets	**901**	964	**1,333**	1,967	**21**	6	**493**	150	**10**	–	**2,758**	3,087
Unallocated assets											**501**	213
											3,259	3,300
Depreciation of right–of–use assets:												
Segment assets	**199**	–	**–**	–	**–**	–	**–**	–	**–**	–	**199**	–
Unallocated assets											**1,062**	–
											1,261	–
Amortisation of prepaid land premiums	**–**	65	**–**	–	**–**	–	**–**	–	**–**	–	**–**	65
Amortisation of intangible assets	**–**	–	**65**	142	**–**	1	**–**	–	**–**	–	**65**	143
Impairment of items of property, plant and equipment	**5,316**	8,181	**5,062**	4,047	**–**	–	**–**	–	**–**	–	**10,378**	12,228
Impairment of right-of-use assets	**704**	–	**–**	–	**–**	–	**–**	–	**–**	–	**704**	–
Impairment of goodwill	**–**	–	**–**	–	**–**	–	**–**	2,136	**360**	–	**360**	2,136
Impairment of intangible assets	**43,591**	73,624	**422**	330	**–**	–	**–**	–	**–**	–	**44,013**	73,954
Impairment of investment in an associate:												
Unallocated assets											**10,853**	–

	Silver mining		Oil and gas		Asset financing		LNG		Tourism		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Impairment/(reversal of impairment) of financial assets:												
Segment assets	**–**	–	**–**	–	**910**	263	**–**	–	**–**	–	**910**	263
Unallocated assets											**(34,343)**	37,400
											(33,433)	37,663
Loss/(gain) on disposal of subsidiaries:												
Unallocated assets											**(2,988)**	452
Capital expenditure*:												
Segment assets	**2,484**	2,534	**123**	291	**13**	36	**50**	1,689	**82**	–	**2,752**	4,550
Unallocated assets											**4,004**	1,133
											6,756	5,683

* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets and intangible assets including assets from the acquisition of a subsidiary.

Geographical information

Revenue from external customers

	2019	2018
	HK$'000	*HK$'000*
Mainland China	**15,182**	18,394
USA	**2,885**	5,159
	18,067	23,553

The revenue information above is based on the locations of the customers.

Information about major customers

The revenue generated from sales to each of the customers which individually contributed more than 10% of the Group's total revenue during the year is set out below:

	2019	2018
	HK$'000	*HK$'000*
Customer A from the oil and gas segment	**2,240**	4,193
Customer B from the asset financing segment	**4,344**	7,080
Customer C from the asset financing segment	**2,270**	3,256
Customer D from the LNG segment	**5,417**	3,563

5. REVENUE

An analysis of the Group's revenue is as follows:

	2019	2018
	HK$'000	*HK$'000*
Sales of goods	**8,292**	10,750
Interest income of asset financing service	**8,654**	10,904
Management fee income of asset financing service	**1,029**	1,899
Commission income	**92**	–
	18,067	23,553

6. OTHER INCOME AND GAINS, NET

An analysis of the Group's other income and gains, net is as follows:

	2019	2018
	HK$'000	*HK$'000*
Other income, net		
Bank interest income	**223**	163
Interest income of a loan receivable	**2,567**	700
Trading income, net	**–**	784
Income from waiver of management fee#	**–**	14,468
Subsidy income	**737**	919
Others	**445**	116
	3,972	17,150
Gains		
Gain on disposal of items of property, plant and equipment	**–**	233
Gain on disposal of a subsidiary	**2,988**	–
	2,988	233
Other income and gains, net	**6,960**	17,383

During 2018, the directors of Craton Aplpha LLC, a subsidiary of the Company, agreed to waive the management fee of HK$14,468,000 accrued to them since 2016.

7. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2019	2018
	HK$'000	*HK$'000*
Interest and other borrowing costs on overdue other loans	**6,991**	8,012
Penalties on overdue other loans	**43,931**	45,990
Interest on lease liabilities	**46**	–
	50,968	54,002

8. LOSS BEFORE TAX

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

	2019	2018
	HK$'000	*HK$'000*
Cost of inventories sold	**7,314**	7,940
Depreciation of items property, plant and equipment[@]	**3,259**	3,300
Amortisation of prepaid land premiums	**–**	65
Depreciation of right-of-use assets	**1,261**	–
Amortisation of intangible assets*	**65**	143
Foreign exchange losses, net[#]	**11,853**	17,334
Impairment of items of property, plant and equipment[#]	**10,378**	12,228
Impairment of right-of-use assets	**704**	–
Impairment of goodwill[#]	**360**	2,136
Impairment of intangible assets[#]	**44,013**	73,954
Impairment of investment in an associate[#]	**10,853**	–
Impairment of lease and factoring receivables[#]	**910**	263
Impairment of a deposit[#]	**1,388**	861
Impairment/(reversal of impairment) of a loan receivable[#]	**(35,731)**	35,731
Impairment of amount due from an associate[#]	**–**	808
Loss/(gain) on disposal of subsidiaries[#]	**(2,988)**	452

@ Depreciation of HK$1,480,000 (2018: HK$2,846,000) is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

* Amortisation of intangible assets of HK$65,000 (2018: HK$142,000) is included in "Cost of sales" and nil (2018: HK$1,000) is included "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income, respectively.

These items are included in "Other expenses, net" in the consolidated statement of profit or loss and other comprehensive income.

9. INCOME TAX

No provision for Hong Kong profits tax has been made for the year ended 31 December 2019 as the Group did not generate any assessable profits arising in Hong Kong during the year (2018: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2019	2018
	HK$'000	*HK$'000*
Current – Mainland China		
Charge for the year	**693**	2,091
Current – Overseas	**186**	–
Deferred – Mainland China	**(2,267)**	(20,350)
	(1,388)	(18,259)

10. LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to shareholders of the Company of HK$88,404,000 (2018: 143,308,000), and the weighted average number of ordinary shares of 7,010,055,568 (2018: 7,010,055,568) in issue during the year.

No adjustment has been made to the basic loss per share amount presented for each of the years ended 31 December 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these years.

11. LEASE, FACTORING AND TRADE RECEIVABLES

		2019	2018
	Notes	*HK$'000*	*HK$'000*
Gross lease receivables	*(a)*	**16,436**	41,307
Less: Unearned interest income		**(643)**	(1,871)
Net lease receivables	*(a)*	**15,793**	39,436
Factoring receivables	*(b)*	**230,471**	152,454
Management fee receivables of asset financing services	*(c)*	**–**	1,031
Trade receivables	*(d)*	**673**	730
Impairment		**(1,149)**	(263)
Total lease, factoring and trade receivables		**245,788**	193,388
Portion classified as current assets		**(155,895)**	(177,320)
Non-current portion		**89,893**	16,068

Notes:

(a) The lease receivables as at 31 December 2019 and 2018 related to finance lease arrangements of certain plant and equipment provided by the Group in its ordinary course of business to the lessees. These lease receivables bear interest at a floating rate of the three-year lending rate promulgated by the People's Bank of China plus 20% margin and are repayable in 2 to 3 years. During the year, interest income of HK$1,137,000 (2018: HK$1,803,000) was recognised in profit or loss in respect of the lease receivables.

The lease receivables as at 31 December 2019 and 2018 are not past due based on the due date.

(b) The Group's factoring receivables arose from factoring services provided by the Group in its ordinary course of business. These factoring receivables bear interest at floating rates of the three-year lending rate promulgated by the People's Bank of China plus margin of up to 20%, and are due for repayment between 2020 and 2022. At 31 December 2019, a factoring receivable of HK$18,931,000, which is due from a company which has a director who was a former director of the Company, bears interest at a floating rate of the three-year lending rate promulgated by the People's Bank of China plus 20% margin, and is due for repayment in 2021. Each of these factoring receivables is secured by at least one receivable owed by a debtor to the customer. During the year, interest income of HK$7,517,000 (2018: HK$9,101,000) in total was recognised in profit or loss in respect of these factoring receivables.

The factoring receivables as at 31 December 2019 and 2018 are neither past due nor impaired based on the due date.

(c) Management fee receivables arose from the provision of finance leasing and factoring services mentioned in notes (a) and (b) above. The management fee is charged at 1% per annum of the loan principal and management fee income of HK$1,029,000 (2018: HK$1,899,000) in total was recognised in profit or loss during the year.

The management fee receivables as at 31 December 2018, based on the invoice date and net of provision, is aged within one month.

The management fee receivables were neither past due nor impaired based on due date.

(d) The Group's trading terms with its customers from the silver, oil and gas, and LNG segments are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to six months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by the management.

The trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, were all aged within one month as at 31 December 2019 and 2018. These receivables were neither past due nor impaired and related to customers with no recent history of default.

12. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Less than six months	**488**	220
Six months to one year	**–**	–
Over one year	**329**	305
	817	525

The trade payables are non-interest-bearing and are normally settled on a term of 60 days.

13. EVENTS AFTER REPORTING PERIOD

(a) On 20 December 2019, the Group entered into a sale and purchase agreement with an independent third party, pursuant to which the Group agreed to acquire 89% equity interest in 北京杰眾科技有限責任公司 (Beijing Jiezhong Technology Co., Ltd.), which is engaged in a photovoltaic power business located in the PRC, at a consideration of HK$19,600,000, satisfied by the allotment and issue of 280,000,000 new shares of the Company. The transaction was completed in January 2020. Further details of this acquisition are set out in the announcement of the Company dated 20 December 2019.

(b) On 24 March 2020, the Group entered into a disposal agreement with an independent third party to dispose of the entire interest in Hainan Shengeng Ocean Development Co., Ltd at a cash consideration of RMB39,000,000 (equivalent to approximately HK$43,300,000). The transaction has not been completed as at the date of approval of these financial statements and hence the Group is not yet in a position to disclose any financial impact of this transaction on the Group. Further details of the disposal are set out in the announcement of the Group dated 24 March 2020.

(c) Subsequent to the reporting period, international crude oil price has dropped significantly and the outbreak of novel coronavirus (COVID-19) epidemic in early 2020 has led to a series of precautionary and control measures implemented by countries across the globe, including closures of cities and travel restrictions. These events have had and may continue to have adverse impacts on certain operations of the Group, including mining activities at the West Mine, trading of LNG, tourism and photovoltaic power business in the PRC. Owing to the inherent nature and unpredictability of (i) the future movement in the international crude oil price; and (ii) future development of the COVID-19 virus epidemic, including epidemic preventive measures imposed by countries in which the Group has operations and the duration of the epidemic, the degree of the adverse impacts of these events and their resulting financial impacts on the Group cannot be reasonably estimated at this stage.

BUSINESS REVIEW

The Group is principally engaged in exploring and drilling natural gas and oil in the United States of America (the "USA"), mining of silver minerals, provision of asset financing and factoring services, trading of liquefied natural gas ("LNG") and provision of tourism agency services in the People's Republic of China (the "PRC") during the year.

(1) Oil and gas exploration and production

The Group currently operates an upstream oil and gas exploration and production ("Oil and gas E&P") project in East Texas, the USA. The Group completed drilling of the first well and the second well (the "Operating Wells") which have started production since July 2014 and March 2015 respectively. The oil and gas produced from the Operating Wells are sold to oil and gas storage and transportation companies in East Texas, the USA. Each well normally has a production life of over 10 years.

The Group had entered into over 400 lease agreements (the "Lease Agreements") with mineral owners. Pursuant to the Lease Agreements, the Group is entitled to explore and produce oil and gas in a total area of about 1,845 acres at East Texas, the USA (the "Mining Area"). Royalty fees are payable by the Group to the owners of the Mining Area based on total production from the Mining Area. The Lease Agreements contain provisions that the lease shall remain in force for a primary term of typically three years from the date of the Lease Agreement, and as long thereafter as oil and/or gas is being produced in economic quantities (i.e. value of sales exceed costs) or operations are being conducted at the relevant Mining Area. Such Lease Agreements are classified as "held by production".

The Operating Wells have been drilled within the Mining Area under the Lease Agreements which covers an area of approximately 1,628.1 acres with lease expiration dates between 2015 and 2019. The remaining Mining Area of approximately 151 acres are under Lease Agreements with lease expiration dates after 2019. As the remaining Mining Area is of non-contiguous nature, it would be uneconomical for the Group to drill wells on them without first leasing additional acreage. Accordingly, the Group currently does not expect any production from these Mining Area. It is also the Group's commercial decision not to renew them. With the relatively low price level of oil and gas, it is more economical and in the interests of the Group to let the Lease Agreements expire upon the end of the lease term if there is no immediate concrete production plan in those acreages.

Due to the fluctuations in oil and gas prices in the past years, the Group did not consider it commercially viable to increase the production from the Mining Area by drilling additional wells. Notwithstanding this, the Group is entitled to drill additional wells at the Mining Area subject to the necessary drilling permit for any such new well being obtained. The Group expects that six additional new wells can be drilled for production in the acreage where the Operating Wells are located. The cost to drill an additional well and build related infrastructures is estimated to be around US$4.5 million to US$5.0 million (equivalent to approximately HK$35.1 million to HK$39.0 million) and it takes about three months from the application of drilling permit to the commencement of drilling and production. There was no new well drilled during the year and the Group has been exploring other energy related projects in the USA.

(2) Silver Mining

Currently, the Group conducts its silver mining business through two silver mines in Ningde City, Fujian Province, the PRC, namely the "Western Section" located in Fu'an County of Ningde City (the "West Mine") and the "Eastern Section" located in Zherong County of Ningde City (the "East Mine"). Based on an updated technical report issued by SRK Consulting China Limited ("SRK"), an independent technical consultant, dated 31 May 2018 (the "Technical Report"), the probable ore reserve as at 31 May 2018 of the West Mine was estimated to be approximately 0.69 million tonnes, while the probable ore reserve of the East Mine was estimated to be approximately 6.07 million tonnes, adopting the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves released by the Joint Ore Reserves Committee.

The West Mine

The overall production capacity of mining and processing at the West Mine is 100,000 tonnes per annum, or 300 tonnes per day. The safety production permit of the West Mine which expired in June 2019 has been renewed during the year. The ore mining at the West Mine has been resumed in fourth quarter this year. Meanwhile, the Group is also in progress of upgrading the ore processing plant in order to comply with more stringent rules in respect of environmental production imposed on the West Mine. The Group is also exploring other revenue stream generated from this segment.

The East Mine

The East Mine is designed to have a production capacity of 330,000 tonnes per annum (i.e. approximately 1,000 tonnes per day) with an expected life of 19 years. The exploration license for the East Mine held by the Group covers an area of 4.97 square kilometers and has expired. The Group has submitted an application to the relevant authorities for renewal of the exploration license in June 2019. As at the date of this announcement, such renewal application is still being processed. The Group is still coordinating and working with the certain relevant government bodies about such renewal given more stringent rules and regulations in respect of environmental protection. Barring any unforeseen circumstances, there is no legal impediment for such renewal process pursuant to the legal opinion advised by the PRC legal adviser.

Meanwhile, the first-stage general exploration work on the mining area at the East Mine has been completed. The Company is in the process of preparing the application for the mining license, such as commissioning a geologist report and preparation of other relevant documents. Under normal circumstances, the time for applying for and obtaining a mining license is approximately 12 to 18 months. The Group intends to carry out infrastructure construction at the East Mine once the mining license is obtained. It is expected that infrastructure construction of the East Mine will begin by end of 2020. It will take about two years to complete the construction and trial production, and the mining production will begin in 2023. The above schedules may be delayed in view of the risks and uncertainties faced caused by the recent outbreak of the novel coronavirus (COVID-19) epidemic.

Update on the possible construction of a reservoir close to the West Mine and the East Mine

The government of Ningde City, Fujian Province, the PRC (the "Ningde Government") is implementing a project to construct a reservoir (the "Project") close to the West Mine and the East Mine. If the Project proceeds, it might affect the production activities in the West Mine and the East Mine and/or increase the cost of production, such as the cost of meeting the environmental requirement from the government or altering the mining roads. The Group is however not in the position to estimate the additional cost of production, if any, and the impact of the Project on the production/exploration at the West Mine and the East Mine, as no concrete plan of the Project has been published by the Ningde Government or provided to the Group.

Based on the preliminary information provided by the Ningde Government, the highest elevation of the planned reservoir is 185 metres above sea level. Based on the review performed by SRK in May 2018, it is of the view that there will be certain impact on the mining of orebodies occurred below that elevation. However, given that the Project has not yet been concretely implemented, and the design, approval, and construction time of the reservoir are not finalised, the impact of the Project on the Group is considered to be limited due to the following reasons: (i) the amount of resources at the East Mine and the West Mine below 185 metres above sea level is limited; and (ii) there are no ore below 185 metres above sea level based on the latest feasibility study.

The Group has been in discussions with the relevant bodies at Ningde Government in relation to the impact of the Project on the Group. The Group and the relevant governmental bodies have also discussed the possible compensation to the Group and agreed to engage an independent expert to perform an overall assessment of the impact of the Project on the Group. The Group has also enquired with the governmental bodies about the proposed timetable of the Project, compensation benchmark and relevant laws, regulations and policies. As at the date of this announcement, there are no material and official updates from the relevant governmental bodies. The Group will continue to follow up with the relevant governmental bodies for the implementation of the Project including determination of the compensation proposal, and announcement(s) will be made by the Company if there is any material update on the Project as and when appropriate.

(3) Asset Financing

The asset financing business of the Group is operated by three wholly-owned subsidiaries in the PRC (the "Asset Financing Subsidiaries"). The business scope of the Asset Financing Subsidiaries as set out in their business licenses includes finance leasing and factoring business in the PRC and the business models of the Group's asset financing business are as follows:

(i) the relevant Asset Financing Subsidiary purchases assets specified by its client (being the lessee) and leases the assets to the client in return for leasing income which is determined based on the purchase price of the relevant assets plus interest. At the expiry of the lease term, the client shall have the right to acquire the assets at a nominal consideration;

(ii) the client sells its own assets to the relevant Asset Financing Subsidiary and leases back such assets from the relevant Asset Financing Subsidiary. Leasing income is earned for this sale and leaseback arrangement based on the purchase price of the relevant assets plus interest; and

(iii) the relevant Asset Financing Subsidiary provides factoring services to client which sells its receivable balances to the relevant Asset Financing Subsidiary. The relevant Asset Financing Subsidiary charges an arrangement fee for the factoring services and interest on the receivable balances during the period from the factoring to the final settlement of the receivable balances by the debtors. In certain cases, the receivables are secured by assets of the debtors.

On 6 June 2016, Qingrui Commercial Factoring Company Limited ("Qingrui Factoring"), one of the Asset Financing Subsidiaries, entered into a factoring agreement in the principal sum of RMB90 million (equivalent to approximately HK$105 million) for a term of 3 years as disclosed in the announcement of the Company dated 12 September 2016. On 4 June 2019, Qingrui Factoring entered into a supplemental agreement to extend the expiry date of the factoring agreement from 5 June 2019 to 5 June 2020. The rate of interest applicable to the facilities shall be at a floating rate in accordance with the lending rate promulgated by the People's Bank of China.

On 8 October 2016, Qingrui Factoring entered into factoring agreements for revolving facilities in the aggregate principal sum of RMB41 million (equivalent to approximately HK$46 million) for a term of 3 years as disclosed in the announcement of the Company dated 8 October 2016. On 8 October 2019, Qingrui Factoring entered into supplemental agreements to extend the expiry date of the factoring agreement from 8 October 2019 to 8 October 2020.

During the year, Qingrui Factoring entered into factoring arrangements with revolving facilities in an aggregate of the principal sum of RMB60 million (equivalent to approximately HK$67.2 million) for a term of 3 years. In January 2020, Qingrui Factoring also entered into factoring arrangements with revolving facilities in an aggregate of the principal sum of RMB15 million (equivalent to approximately HK$16.8 million) for a term of 3 years.

(4) Trading of LNG

The Group acquired 51% equity interest of Shaanxi Wanxi Logistics Co., Ltd ("Shaanxi Wanxi") in November 2018 and commenced business of trading of LNG in the PRC through Shaanxi Wanxi. Shaanxi Wanxi currently holds a Hazardous Chemical Products Operating Permit which is valid for a period of 3 years up to 8 July 2022. LNG were sold to certain LNG distributors during the year.

(5) Tourism

The Group acquired 60% equity interest of Beijing Jade Bird Tianjian Tourism Investment Development Co., Ltd. ("Tianjian Tourism"), which is principally engaged in local tourism business, in October 2019 (as detailed in section headed "Significant investments, material acquisitions and disposals" below) and commenced tourism business in the PRC through Tianjian Tourism. Tianjian Tourism has provided tourism agency services to a travel company in the PRC during the year.

(6) New projects in development phrase

During the year, a wholly owned subsidiary has been established by the Group in Guangdong Province, the PRC to develop and improve technology of car tire low-temperature pyrolysis and Buton Rock Asphalt modifier. The Group is negotiating to implement the projects in several regions in the PRC. During the year, the Group has also applied for five patents in respect of the above two projects in the PRC.

FINANCIAL REVIEW

Revenue and cost of sales

The Group recorded total revenue of approximately HK$18.1 million (2018: HK$23.6 million) during the year, representing a decrease of 23% compared with last year. The decrease in revenue was mainly due to decrease in revenue in Oil and gas E&P business and asset financing during the year.

For the Oil and gas E&P business, the Group, net of ownership interests, produced approximately 1,568 Bbl (2018: 2,000 Bbl) of oil, and approximately 115 million cubic feet (2018: 186 million cubic feet) of natural gas (which includes approximately 4,713 Bbl (2018: 7,931 Bbl) of natural gas liquids). The net average selling prices of oil, natural gas and natural gas liquids during the year were approximately US$52.62 per Bbl (2018: US$61.62 per Bbl), approximately US$2.39 per thousand cubic feet (2018: US$2.06 per thousand cubic feet) and approximately US$2.50 per Bbl (2018: US$19.16 per Bbl) respectively. All of them in aggregate generated revenue of approximately HK$2.9 million (2018: HK$5.2 million) during the year.

For the silver mining business, there was no revenue during the year. In 2018, the Group sold silver, gold and zinc concentrates from ore processing at the West Mine and generated revenue of approximately HK$2 million.

The Group also recorded revenue of approximately HK$9.7 million (2018: HK$12.8 million) from provision of asset financing business (representing interest income and management fee income) and trading of LNG of approximately HK$5.4 million (2018: HK$3.6 million) during the year. For tourism business, the Group recorded revenue of approximately HK$0.1 million (2018: nil) from provision of tourism agency services during the year.

Cost of sales primarily consists of depreciation and amortisation of property, plant and equipment and mining rights, related labour cost and subcontracting fee for the production, taxes, supplies, utilities and other incidental expenses in relation to production. Cost of sales for oil and gas extraction and production was approximately HK$3.1 million (2018: HK$4 million) during the year. Cost of sales for trading of LNG was approximately HK$5.7 million (2018: HK$3.9 million). There were no costs of sales for silver mining (2018: HK$3.1 million) and provision of asset financing and tourism agency services recognised during the year (2018: nil).

For the year ended 31 December 2019, the Oil and gas E&P business recorded gross loss margin of 8% (2018: gross profit margin of 23%) while the trading of LNG recorded gross loss margin of 6% (2018: 8%).

Other income and gains, net

Other income and gains, net was approximately HK$7.0 million during the year (2018: HK$17.4 million). It mainly represented gain on disposal of subsidiaries of approximately HK$3.0 million during the year (2018: nil). In 2018, it mainly represented income from waiver of management fee of a subsidiary of the Company of approximately HK$14.5 million.

Selling and distribution expenses and administrative expenses

Selling and distribution expenses of HK$0.5 million was recognised during the year (2018: HK$0.1 million). Administrative expenses were approximately HK$50.2 million (2018: HK$59.2 million) during the year, mainly comprising staff cost for administrative functions, legal and professional fees incurred for operation, depreciation and other administrative expenses. The decrease was mainly due to cost saving measures taken during the year.

Other expenses, net

For the year ended 31 December 2019, other expenses, net of approximately HK$47.1 million (2018: HK$143.8 million) mainly comprised:

(i) impairments of property, plant and equipment and intangible assets in aggregate of approximately HK$54.4 million (2018: HK$86.2 million) as elaborated below;

(ii) impairment of right-of-use assets of approximately HK$0.7 million (2018: nil);

(iii) impairment of financial assets comprised of a deposit and lease and factoring receivables of approximately HK$2.3 million (2018: HK$1.1 million);

(iv) impairment of investments in associates and amount due from associates of approximately HK$10.9 million (2018: HK$0.8 million);

(v) impairment of goodwill of approximately HK$0.4 million (2018: HK$2.1 million) in respect of acquisition of Tianjian Tourism (2018: Shaanxi Wanxi); and

(vi) the above impairments were netting off against reversal of impairment of a loan receivable of approximately HK$35.7 million (2018: nil) which was made in 2018.

In view of indications of impairment including decrease in gas price and updated forecast of silver and oil and gas production according to the actual output during the year, the directors of the Company had estimated the recoverable amounts of the mining assets of the silver mining business (the "Silver Mining Assets") of the Group using fair value less cost of disposal ("FV") approach, and the extracting assets (the "Extracting Assets") of the Oil and gas E&P business (the "Oil & Gas Assets") of the Group using value in use ("VIU") approach for impairment testing.

In this connection, the Company had assessed the recoverable amounts of the cash-generating units ("CGUs") and the management had derived the recoverable amounts of the Mining/Extracting Assets from the FV or VIU of the relevant CGUs. In assessing the recoverable amounts of each of the CGUs, the future cash flows of each of the silver mining and Oil and gas E&P businesses which cover the periods to utilise the remaining reserves of the mines and oil and gas fields, are discounted to the related present values using a post-tax discount rate that reflects current assessments of the time value of money and the risks specific to such businesses. Parameters used in the projected cash flows included but were not limited to selling prices and sales volumes of silver, oil and gas, production cost and other expenses, capital expenditure, production plan and discount rate, respectively, which reflected the current conditions of the market and the Group and estimated trend in the future.

When evaluating the appropriate discount rate for each of the CGUs, the Capital Assets Pricing Model (the "CAPM") had been used. Under CAPM, the appropriate expected rate of return was the sum of the risk-free return and the equity risk premium required by investors to compensate for the market risk assumed. In addition, the expected rate of return of the CGUs was expected to be affected by other firm specific risk factors that are independent of the general market. The cost of equity was determined by the risk-free rate, market return, and estimated beta of the CGUs and firm specific risk factors. The pre-tax discount rates ranging from 9% to 14% (2018: 10% to 14%) were used in assessing the FV of the CGUs of the Silver Mining Assets and from 11% to 12% (2018: 12%) were used in assessing the VIU of Oil & Gas Assets, was arrived at by weighted average of cost of equity and cost of debt after tax of the respective CGUs.

There was no material change in the valuation methodology adopted by the Group during the year.

Based on the FV assessment of the CGUs of the Silver Mining Assets, the directors of the Company are of the opinion that an impairment loss of the Silver Mining Assets totaling HK$49.6 million (2018: HK$81.8 million) was resulted during the year, in which HK$5.3 million (2018: HK$8.2 million) was allocated to property, plant and equipment, HK$0.7 million (2018: nil) was allocated to right-of-use assets and HK$43.6 million (2018: HK$73.6 million) was allocated to intangible assets of the Group's silver mining segment, based on their relative carrying amounts amongst the Silver Mining Assets.

In addition, based on the VIU assessment of the CGUs of the Oil & Gas Assets, the directors of the Company are of the opinion that an impairment loss of the Oil & Gas Assets totalling HK$5.5 million (2018: HK$4.4 million) was resulted during the year, in which HK$5.1 million (2018: HK$4 million) was allocated to property, plant and equipment and HK$0.4 million (2018: HK$0.4 million) was allocated to intangible assets of the Group's oil and gas segment, based on their relative carrying amounts amongst the Oil & Gas Assets.

Finance costs

Finance costs were approximately HK$51 million (2018: HK$54 million) during the year, which mainly represented interest and other borrowing costs and penalties on overdue loans.

Share of losses of associates

During the year, the Group shared the losses of (i) Hainan Shengeng Ocean Development Co., Ltd. ("Hainan Shengeng"), an associate which is principally engaged in fund investment in deep sea fish farming industry in Hainan Province, the PRC, of approximately HK$11.2 million (2018: HK$0.01 million); and (ii) One Asia Securities Limited ("One Asia"), an associate which is principally engaged in securities trading in Japan, of approximately HK$2.5 million (2018: HK$0.11 million).

Income tax

Income tax credit was approximately HK$1.4 million (2018: HK$18.3 million) during the year. It mainly represented write back of deferred tax liabilities arising from impairment of Silver Mining Assets of approximately HK$2.3 million (2018: HK$20.4 million), offset by income tax of approximately HK$0.9 million (2018: HK$2.1 million) mainly arising from profits from asset financing business in the PRC during the year. No provision for profit tax in Hong Kong and the USA has been made during the current and prior years.

Loss for the year attributable to shareholders of the Company

Loss for the year attributable to shareholders of the Company was approximately HK$88.4 million (2018: HK$143.3 million). The decrease in loss for the year was mainly due to the decrease in impairments of property, plant and equipment and intangible assets of the Silver Mining Assets and Oil & Gas Assets and reversal of impairment loss of a loan receivable recognised during the year.

FUND RAISING EXERCISES

The Company did not have any equity fund raising activity during the year.

UPDATE ON USE OF PROCEEDS

As stated in the previous announcements of the Company and annual report of the Company for the year ended 31 December 2018, the Board resolved to re-allocate the net proceeds of approximately HK$299 million from the two placing exercises completed by the Company in 2015 and 2016 from stone paper business to potential mergers and acquisition of mineral resources company and assets. The net proceeds were utilized as follows: (i) approximately HK$102.4 million was paid as earnest money for the potential acquisition of lead and zinc mines in the PRC; (ii) approximately HK$36.2 million was paid as loan to a third party (which has been fully collected during the year) under a loan agreement; (iii) approximately HK$61.4 million was paid for acquisitions of Shaanxi Wanxi, Tianjian Tourism, Hainan Shengeng and One Asia; and (iv) remaining net proceeds of approximately HK$99 million was paid under certain business factoring agreements. Details of the above were disclosed in the announcements of the Company dated 6 November 2015, 25 January 2016, 29 July 2016, 8 October 2016 and 4 December 2017 and the circulars of the Company dated 7 December 2015 and 3 March 2016.

LIQUIDITY AND FINANCIAL REVIEW

The Group mainly financed its day to day operations by internally generated cash flow during the year. As at 31 December 2019, the current ratio of the Group, measured as total current assets to total current liabilities, was 1.05:1 (2018: 1.59:1). As at 31 December 2019, the cash and cash equivalents of the Group were approximately HK$139.5 million (2018: HK$188.4 million).

As at 31 December 2019, there were other loans of approximately HK$255.7 million (2018: HK$219.9 million) comprising loan principal and commission payable of approximately HK$34.1 million (2018: HK$45.5 million) and overdue interest and penalty of approximately HK$221.6 million (2018: HK$174.4 million). All other loans were denominated in Renminbi. Other loans with principal of approximately HK$22.4 million (2018: HK$33.6 million) and HK$11.7 million (2018: HK$11.9 million) were interest-free and with fixed interest rate of 15% per annum, respectively. Other loans with principal of approximately HK$22.4 million (2018: HK$33.6 million) and HK$11.7 million (2018: HK$11.9 million) were subject to an overdue penalty of 0.5% per day on loan principal and 1% on the overdue balance, respectively. As at 31 December 2019 and 2018, all other loans were overdue.

There were certain legal proceedings which have been instituted against the Group in respect of other loans (which were included in "Other loans" in the consolidated statement of financial position of the Group as at 31 December 2019) as detailed below:

(i) Pursuant to the judgment of the second instance in respect of a claim for outstanding loan with principal amount of RMB9.5 million (equivalent to approximately HK$10.8 million) issued in August 2017, the Group was held liable to pay a sum of approximately RMB10.4 million (equivalent to approximately HK$11.9 million) to the creditor with costs incurred for this litigation. In January 2018, the court issued the execution order to freeze the assets of the Group of approximately RMB10.5 million (equivalent to approximately HK$12 million). The Group has applied to stay the execution order and is considering for an appeal or retrial. The execution order is not yet implemented and there has been no material update as at the date of this announcement.

(ii) Pursuant to the judgment of the second instance in respect of a claim for outstanding loan with principal amount of RMB5 million (equivalent to approximately HK$5.7 million) and respective accrued interest issued in November 2017, the Group was held not to be liable to pay the claims made by the creditor. There has been no material update up to the date of this announcement.

(iii) Pursuant to the judgment of the second instance in respect of a claim for outstanding loan with principal amount of RMB5.5 million (equivalent to approximately HK$6.3 million) and respective accrued interest issued in March 2018, the Group was held liable to pay the claims made by the creditor. There has been no material update as at the date of this announcement.

Adequate accrued interest and penalties have been provided by the Group as at 31 December 2019. The Directors are of the opinion that the above litigations do not have any material adverse impact on the operation and financial position of the Group.

The Group conducted its business transactions mainly in Renminbi, Hong Kong dollars and US dollars. The Group did not arrange any forward currency contracts for hedging purposes.

GEARING RATIO

The gearing ratio of the Group, measured as total debt (which represented trade payables, other payables and accruals, lease liabilities and other loans) in a ratio to the total equity attributable to shareholders of the Company, was 0.63 as at 31 December 2019 (2018: 0.46).

MATERIAL ACQUISITIONS AND DISPOSALS

(i) Proposed acquisition of lead and zinc mines in the PRC

On 4 December 2017, the Company entered into a non-legally binding memorandum of understanding (as supplemented on 29 June 2018, 27 December 2018, 28 June 2019 and 27 December 2019) in respect of the proposed acquisition of 51% of issued share capital of South Ray Investment Limited which indirectly owns one mining permit and three exploration permits in Inner Mongolia, the PRC. The Group shall pay the earnest money in the sum of RMB70 million to the vendor and up to RMB30 million for meeting the operating expenses and/or capital expenditure of the target group subject to prior approval by the Company, which shall both be fully refundable together with interest calculated at 3% per annum if the said proposed acquisition does not proceed on or before 30 June 2020. Earnest money of RMB85.5 million was paid and no formal agreement in respect of proposed acquisition was made up to date of this announcement. Details of the above were set out in the announcements of the Company dated 4 December 2017, 29 June 2018, 27 December 2018, 28 June 2019 and 27 December 2019.

(ii) Acquisition of Tianjian Tourism

On 30 August 2019, Zhuhai Jinwei Environmental Protection Technology Co., Ltd ("Zhuhai Jinwei"), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Beijing Jade Bird Tianjian International Travel Service Co., Ltd., an independent third party, in relation to the acquisition of 60% equity interests in Tianjian Tourism for a cash consideration of RMB0.2 million (equivalent to approximately HK$0.22 million). The acquisition was completed on 16 October 2019. Details of the above were set out in the announcement of the Company dated 30 August 2019.

(iii) Acquisition of Beijing Jiezhong Technology Co., Ltd ("Beijing Jiezhong")

On 20 December 2019, Gold Wish Investments Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with HongKong YLM International Shares Limited, an independent third party, in relation to the acquisition of 89% equity interests in Beijing Jiezhong for consideration of HK$19.6 million which shall be satisfied by the issue of 280 million new shares of the Company at the issue price of HK$0.07 per share. Beijing Jiezhong through its 85%-owned indirect subsidiary, Chengde Shuntian Photovoltaic Power Generation Co., Ltd ("Chengde Shuntian"), is principally operating a photovoltaic power generation project located in Hebei Province, the PRC. The acquisition was completed and 280,000,000 consideration shares were issued on 30 January 2020. Details of the above were set out in the announcements of the Company dated 20 December 2020 and 3 January 2020.

Save for the above and certain business factoring agreements as mentioned in the section headed "Asset Financing" above, the Group had no other material acquisition and disposal of subsidiaries, associates and joint ventures during the year.

SIGNIFCANT INVESTMENT

The Group had the following significant investment of carrying value of 5% or more of the total assets as at 31 December 2019:

The Group held 19.5% equity interest in Hainan Shengeng which is a company established in the PRC in August 2018 and is principally engaged in the business of marine engineering and the research and development of marine engineering equipment and technology in the PRC. The Group acquired Hainan Shengeng through its capital contribution of RMB39 million (equivalent to approximately HK$44.4 million) in December 2018. Share of loss of Hainan Shengeng was approximately HK$11.2 million during the year. As at 31 December 2019, the carrying value of Hainan Shengeng as an associate of the Group was approximately HK$32.5 million.

Since its establishment, Hainan Shengeng has yet to invest in the fund in deep sea fish farming industry in Hainan Province, the PRC which is the purpose of establishment of Hainan Shengeng. Subsequent to year end, on 24 March 2020, Zhuhai Jinwei, Yuntai Shidai (Beijing) Technology & Trade Co., Ltd., an independent third party, and Hainan Shengeng entered into the disposal agreement in respect of disposal of 19.5% equity interests in Hainan Shengeng at cash consideration of RMB39 million (equivalent to approximately HK$43.3 million). The disposal was not yet completed as at date of this announcement. Details of the above were set out in the announcement of the Company dated 24 March 2020.

CAPITAL COMMITMENTS, CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2019, the Group had contracted capital commitments not provided for in the consolidated financial statements of RMB1.5 million (equivalent to approximately HK$1.7 million) (2018: HK$1.7 million) in respect of acquisition of 30% equity interest in a former subsidiary of the Company.

As at 31 December 2019, time deposits of approximately HK$2.1 million (2018: HK$0.4 million) were pledged for conducting silver mining businesses as required by relevant government authorities. Save as disclosed above, the Group had no other pledge of assets as at 31 December 2019.

As at 31 December 2019, the Group did not have any material contingent liabilities (2018: nil).

HUMAN RESOURCES AND SHARE OPTION SCHEME

As at 31 December 2019, the Group had 76 (2018: 55) employees. The total staff costs (including directors' remuneration) for the year were approximately HK$24.7 million (2018: HK$27.9 million). The Group's remuneration policy is primarily based on the individual performance and experience of employees including directors, prevailing industry practice and market rates. In addition to the basic salaries, the Group provides staff benefits including medical insurance and contributions to the provident fund. Discretionary bonuses are also available to the Group's employees depending upon the overall performance of the Group. The Group also provides appropriate training programmes for employees' better personal development and growth. Pursuant to the Company's share option scheme, the Company may offer to any eligible participants including employees of the Group options to subscribe for shares in the Company. No share option was granted nor exercised during the year. There were no outstanding share options as at 31 December 2019.

FUTURE OUTLOOK

In 2020, the outbreak of novel coronavirus (COVID-19) has impacted the operations of the Group, which are mostly based in the PRC, to a certain extent. Due to the closures of cities and the measures taken by the local government in the PRC, the Group has been in limited operations in the PRC. The mining activities at the West Mine and certain businesses of the Group especially trading of LNG, tourism and photovoltaic power business in the PRC have been affected and/or suspended since the outbreak of COVID-19. Nevertheless, the Group has adopted "work from home" policy to maintain the basic operations of the Group and used the best endeavour to minimise the impact. The Group is resuming operations gradually and the Group is in progress to assess the impact on the Group's operations.

Looking forward, the Group remains very cautious with the outlook of commodity and oil and gas markets especially in view of the recent vigorous fluctuations in such markets. The Group is also monitoring the commodity market environment closely and formulating an appropriate strategy and timetable to expand the production by drilling additional wells when necessary.

The Group will use its best endeavours to comply with more stringent rules and regulations on safety production and environmental protection in the PRC and resume ore mining and processing at the West Mine as soon as possible as well as explore other revenue stream generated from silver mining segment. For assets financing, trading of LNG and tourism businesses, the Group will continue to expand its customers base for broadening its revenue base.

The Group has commenced the business of photovoltaic power through acquisition of 89% equity interests in Beijing Jiezhong in January 2020. Chengde Shuntian, the subsidiary of Beijing Jiezhong, is principally engaged in a 5 Mega Watts rooftop distributed photovoltaic power generation project located in Liugou Industrial Park, Liugou Town, Chengde County, Chengde City, Hebei Province, the PRC. Photovoltaic modules were installed on 32 rooftops within the industrial park with a power generation capacity of 4.038 Mega Watts. Such project has been under the photovoltaic power generation financial subsidy policies in the PRC which can ensure a steady income stream to the Group.

The Group continues to develop and implement the projects for tire low-temperature pyrolysis and Buton Rock Asphalt modifier in various regions in the PRC. Meanwhile, the Group is also actively exploring other investment projects to diversify the Group's businesses. Further announcement(s) will be made when any of the above investment opportunities materializes.

DIVIDEND

The Board has resolved not to declare any dividend for the year ended 31 December 2019 (2018: Nil).

PURCHASE, REDEMPTION OR SALE OF SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and has taken appropriate steps to adopt and comply with the provisions of its Code on Corporate Governance Practices (the "Code") which adopted practices that meet the requirements set out in Appendix 14 to the Listing Rules during the year, with the following exception:

Under provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. All of the independent non-executive directors of the Company are not appointed on specific terms, though all of them are subject to retirement by rotation at the annual general meeting of the Company. According to the articles of association of the Company, one-third of the directors shall retire from office by rotation. The Board considers that sufficient measures will be taken to ensure the corporate governance practices of the Company are not less than those in the Code.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules for directors' securities transactions. Having made specific enquiry of all directors, all directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Monday, 8 June 2020 (the "AGM"). A notice convening the AGM will be published and despatched to the shareholders of the Company in due course.

In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 3 June 2020 to Monday, 8 June 2020, both days inclusive, during which period no transfer of the shares of the Company can be registered. Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 2 June 2020.

REVIEW BY AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Listing Rules, for the purposes of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls. The audit committee comprises three independent non-executive directors, namely Mr. Chiu Sui Keung, Mr. Lee Ping and Mr. Lee Kwok Wan. The audit committee has reviewed the annual results for the year ended 31 December 2019.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

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 2019 as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor 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 Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

On behalf of the Board
King Stone Energy Group Limited
Zong Hao
Executive Director

Hong Kong, 31 March 2020

As at the date of this announcement, the executive Directors are Mr. Xu Zhuliang, Mr. Zong Hao, Mr. Benjamin Clark Danielson and Ms. He Qing, and the independent non-executive Directors are Mr. Chiu Sui Keung, Mr. Lee Ping and Mr. Lee Kwok Wan.