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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 2020

The Board of Directors (the "Board") of King Stone Energy Group Limited (the "Company") presents the consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2020 with comparative figures for the corresponding year in 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	Notes	**2020** *HK$'000*	2019 *HK$'000*
REVENUE	*5*	**51,268**	18,067
Cost of sales		**(36,711)**	(8,859)
Gross profit		**14,557**	9,208
Other income and gains, net	*6*	**20,722**	6,960
Selling and distribution expenses		**(25)**	(478)
Administrative expenses		**(38,288)**	(50,162)
Reversal of impairment/(impairment loss) of financial assets, net		**(207,562)**	33,433
Other expenses, net		**(27,616)**	(80,512)
Finance costs, net	*7*	**(45,935)**	(50,968)
Share of losses of an associate		**(15,053)**	(13,759)
LOSS BEFORE TAX	*8*	**(299,200)**	(146,278)

	Notes	**2020** *HK$'000*	2019 *HK$'000*
LOSS BEFORE TAX	*8*	**(299,200)**	(146,278)
Income tax	*9*	**(897)**	1,388
LOSS FOR THE YEAR		**(300,097)**	(144,890)
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		**(6,172)**	1,583
Reclassification adjustment for a loss included in profit or loss on disposal of a subsidiary		**–**	116
Share of movements in exchange fluctuation reserves of an associate		**1,158**	(613)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**(5,014)**	1,086
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods – Fair value gain/(loss) of equity investments at fair value through other comprehensive income, net of income tax of nil		**855**	(845)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX		**(4,159)**	241
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(304,256)**	(144,649)
Loss for the year attributable to:			
Shareholders of the Company		**(268,935)**	(88,404)
Non-controlling interests		**(31,162)**	(56,486)
		(300,097)	(144,890)
Total comprehensive loss for the year attributable to:			
Shareholders of the Company		**(265,655)**	(90,503)
Non-controlling interests		**(38,601)**	(54,146)
		(304,256)	(144,649)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	*10*		
Basic and diluted		**(HK3.7 cents)**	(HK1.3 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**32,986**	18,077
Right-of-use assets		**3,719**	3,935
Goodwill		**20,543**	–
Other intangible assets		**78,201**	95,919
Investments in associates		**18,633**	32,528
Equity investments at fair value through other comprehensive income		**1,962**	1,107
Lease, factoring and trade receivables	*11*	**18,762**	89,893
Prepayments, deposits and other receivables		**41,452**	93,929
Total non-current assets		**216,258**	335,388
CURRENT ASSETS			
Inventories		**10,732**	451
Lease, factoring and trade receivables	*11*	**105,825**	155,895
Loan receivables		**–**	–
Contract assets		**9,095**	–
Prepayments, deposits and other receivables		**64,203**	8,145
Restricted cash		**2,269**	2,130
Cash and cash equivalents		**57,382**	139,478
Total current assets		**249,506**	306,099
CURRENT LIABILITIES			
Trade payables	*12*	**1,149**	817
Other payables and accruals		**35,583**	17,577
Lease liabilities		**1,543**	1,998
Other loans		**286,627**	255,688
Liability component of convertible notes		**49,328**	–
Derivative components of convertible notes		**2,458**	–
Income tax payables		**16,134**	15,857
Total current liabilities		**392,822**	291,937

	2020	2019
	HK$'000	*HK$'000*
NET CURRENT ASSETS/(LIABILITIES)	**(143,316)**	14,162
TOTAL ASSETS LESS CURRENT LIABILITIES	**72,942**	349,550
NON-CURRENT LIABILITIES		
Other payables	**827**	747
Lease liabilities	**2,320**	1,458
Total non-current liabilities	**3,147**	2,205
Net assets	**69,795**	347,345
EQUITY		
Equity attributable to shareholders of the Company		
Share capital	**2,728,501**	2,703,301
Reserves	**(2,527,863)**	(2,262,208)
	200,638	441,093
Non-controlling interests	**(130,843)**	(93,748)
Total equity	**69,795**	347,345

NOTES:

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Hong Kong and the 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, 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; (v) the provision of tourism agency services in the PRC; (vi) the operation of photovoltaic power businesses in the PRC; and (vii) the trading of commodities including medical supplies, wood and metals in Hong Kong.

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

At 31 December 2020, the Group had net current liabilities of HK$143 million. In assessing the Group's ability to operate as a going concern, a cash flow projection has been prepared by management, which, inter alia, takes into account the historical operating performance of the Group and the following:

- any material cash outflow before 31 December 2021 in settlement of other loans of HK$30.3 million borrowed by a subsidiary of the Company (the "Subsidiary"), and related accrued interests and overdue penalties of HK$256.3 million is not expected to take place;

- the Group did not have any bank loans; and

- the Company and other subsidiaries of the Group did not provide any guarantee over the other loans indebted by the Subsidiary and have no legal obligation, commitment and/or intention to inject capital or provide financial assistance to the Subsidiary to settle the above liabilities.

The directors believe that, taking into account the above factors, the Group will have sufficient working capital to continue as a going concern.

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.

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 years ended 31 December 2020 and 2019 included in this preliminary announcement of annual results for the year ended 31 December 2020 does not constitute the Company's statutory annual consolidated financial statements for those years, but in respect of the year ended 31 December 2019, 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 2020 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 2019 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 2019. 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 2020. 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 *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") and the following revised HKFRSs for the first time for the current year's financial statements:

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the Conceptual Framework and the revised HKFRSs are described below:

(a) The Conceptual Framework sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The Group early adopted the amendment on 1 January 2020 and the amendment did not have any impact on the financial position and performance of the Group.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and 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 seven 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;

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

(f) the "Photovoltaic" segment engages in the operation of photovoltaic power businesses in the PRC; and

(g) the "trading" segment engages in the trading of commodities including medical supplies, wood and metals in Hong Kong.

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		Photovoltaic		Trading		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***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 *(note 5)*	**14,460**	–	**1,659**	2,885	**6,971**	9,683	**35**	5,428	**1,513**	71	**6,416**	–	**20,214**	–	**51,268**	18,067
Segment results	**(67,698)**	(105,293)	**(4,243)**	(8,173)	**(157,881)**	1,529	**(103)**	(1,268)	**319**	(604)	**4,734**	–	**97**	–	**(224,775)**	(113,809)
Reconciliation:																
Share of losses of an associate															**(15,053)**	(13,759)
Foreign exchange differences, net															**11,176**	(11,853)
Corporate and other unallocated expenses, net															**(70,548)**	(6,857)
Loss before tax															**(299,200)**	(146,278)
Income tax															**(897)**	1,388
Loss for the year															**(300,097)**	(144,890)

	Silver mining		Oil and gas		Asset financing		LNG		Tourism		Photovoltaic		Trading		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***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 an associate:																
Unallocated assets															**15,053**	13,759
Depreciation of items of property, plant and equipment:																
Segment assets	**8**	901	**1,080**	1,333	**25**	21	**2**	493	**41**	10	**893**	–	**–**	–	**2,049**	2,758
Unallocated assets															**152**	501
															2,201	3,259
Depreciation of right-of-use assets:																
Segment assets	**123**	170	**–**	–	**–**	–	**28**	29	**–**	–	**87**	–	**–**	–	**238**	199
Unallocated assets															**1,947**	1,062
															2,185	1,261
Amortisation of other intangible assets	**–**	–	**53**	65	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**53**	65
Impairment of items of property, plant and equipment	**1,347**	5,316	**1,585**	5,062	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**2,932**	10,378
Impairment of right-of-use assets	**–**	704	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	704
Impairment of goodwill	**–**	–	**–**	–	**–**	–	**–**	–	**–**	360	**–**	–	**–**	–	**–**	360
Impairment of other intangible assets	**23,310**	43,591	**175**	422	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**23,485**	44,013
Impairment of investment in an associate:																
Unallocated assets															–	**10,853**
Impairment/(reversal of impairment) of financial assets:																
Segment assets	**–**	–	**–**	–	**158,488**	910	**–**	–	**–**	–	**–**	–	**–**	–	**158,488**	910
Unallocated assets															**48,078**	(34,343)
															206,566	(33,433)
Gain on disposal of a subsidiary:																
Unallocated assets															**–**	(2,988)

	Silver mining		Oil and gas		Asset financing		LNG		Tourism		Photovoltaic		Trading		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***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: (continued)																
Gain on disposal of items of property, plant and equipment	**–**	–	**(4)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(4)**	–
Gain on disposal of right of use assets:																
Segment assets	**(2)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(2)**	–
Unallocated assets															**(200)**	–
															(206)	–

Geographical information

Revenue from external customers

	2020	2019
	HK$'000	*HK$'000*
Mainland China	**29,395**	15,182
Hong Kong	**20,214**	–
USA	**1,659**	2,885
	51,268	18,067

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:

	2020	2019
	HK$'000	*HK$'000*
Customer A from the oil and gas segment	**N/A***	2,240
Customer B from the asset financing segment	**N/A***	4,344
Customer C from the asset financing segment	**N/A***	2,270
Customer D from the LNG segment	**N/A***	5,417
Customer E from the photovoltaic segment	**6,416**	N/A*
Customer F from the silver mining segment	**7,806**	N/A*
Customer G from the trading segment	**20,214**	N/A*

* The corresponding revenue of these customers is not disclosed as they individualy did not contribute 10% or more of the Group's total revenue for the relevant year.

5. REVENUE

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

	2020	2019
	HK$'000	*HK$'000*
Sales of goods	**36,333**	8,292
Sales of electricity with tariff adjustment*	**6,416**	–
Interest income of asset financing service	**5,380**	8,654
Management fee income of asset financing service	**1,591**	1,029
Commission income	**1,548**	92
	51,268	18,067

* Tariff adjustment represents subsidies from government authorities in respect of the Group's photovoltaic power operations

6. OTHER INCOME AND GAINS, NET

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

	2020	2019
	HK$'000	*HK$'000*
Other income, net		
Bank interest income	**39**	223
Interest income of a loan receivable	**–**	2,567
Trading income, net	**2**	–
Subsidy income	**853**	737
Write-back of an other loan#	**5,621**	–
Write-back of an other payable	**636**	–
Management fee income	**512**	–
Others	**682**	445
	8,345	3,972
Gains, net		
Gain on disposal of a subsidiary	**–**	2,988
Gain on disposal of items of property, plant and equipment	**4**	–
Gain on disposal of right of use assets	**202**	–
Fair value gain of the derivative components of convertible notes	**995**	–
Foreign exchange gains, net	**11,176**	–
	12,377	2,988
Other income and gains, net	**20,722**	6,960

In prior years, several lenders have filed legal claims against the subsidiary of the Group for recovery of several overdue loans, together with the accrued interests and overdue penalties. Pursuant to the court judgement of the second instance in respect of a claim for one of the loans with a principal amount of RMB5,000,000 (approximately HK$5,621,000), together with the related accrued interests and overdue penalties in a total amount of HK$4,725,000 (note 7), the Group was held not liable to pay the claim made by the lender. Accordingly, the other loan and related accrued interests and overdue penalties were written back during the year in other income and finance costs, respectively.

7. FINANCE COSTS, NET

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

	2020	2019
	HK$'000	*HK$'000*
Interest and other borrowing costs on overdue other loans	**4,350**	6,991
Penalties on overdue other loans	**43,298**	43,931
Interest on lease liabilities	**231**	46
Interest on convertible notes	**2,781**	–
Reversal of accrued interest and penalty on an other loan pursuant to the outcome of a court judgement *(note 6)*	**(4,725)**	–
	45,935	50,968

8. LOSS BEFORE TAX

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

	2020	2019
	HK$'000	*HK$'000*
Cost of inventories sold	**34,688**	7,314
Depreciation of items of property, plant and equipment*	**2,201**	3,259
Depreciation of right-of-use assets	**2,185**	1,261
Amortisation of other intangible assets*	**53**	65
Foreign exchange differences, net	**(11,176)**[@]	11,853[#]
Impairment of items of property, plant and equipment[#]	**2,932**	10,378
Impairment of right-of-use assets[#]	**–**	704
Impairment of goodwill[#]	**–**	360
Impairment of other intangible assets[#]	**23,485**	44,013
Impairment of investment in an associate[#]	**–**	10,853
Impairment of lease and factoring receivables	**147,832**	910
Impairment of deposits and other receivables	**59,730**	1,388
Reversal of impairment of a loan receivable	**–**	(35,731)

* Depreciation of items of property, plant and equipment and amortisation of other intangible assets of HK$1,969,000 (2019: HK$1,480,000) and HK$53,000 (2019: HK$65,000) are included in "Cost of sales" on the face of 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.

[@] These items are included in "Other income and gains, 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 2020 as the Group did not generate any assessable profits arising in Hong Kong during the year (2019: nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2020	2019
	HK$'000	*HK$'000*
Current – Mainland China		
Charge for the year	**890**	693
Current – Overseas	**7**	186
Deferred – Mainland China	**–**	(2,267)
	897	(1,388)

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$268,935,000 (2019: 88,404,000), and the weighted average number of ordinary shares of 7,267,808,993 (2019: 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 2020 and 2019 in respect of a dilution as the impact of the convertible notes outstanding during the year ended 31 December 2020 had an anti-dilutive effect on the basic loss per share amount presented; and the Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2019.

11. LEASE, FACTORING AND TRADE RECEIVABLES

		2020	2019
	Notes	***HK$'000***	*HK$'000*
Gross lease receivables	*(a)*	**17,449**	16,436
Less: Unearned interest income		**(104)**	(643)
Net lease receivables	*(a)*	**17,345**	15,793
Factoring receivables	*(b)*	**253,514**	230,471
Management fee receivables of asset financing services	*(c)*	**1,591**	–
Trade receivables	*(d)*	**9,494**	673
Impairment		**(157,357)**	(1,149)
Total lease, factoring and trade receivables		**124,587**	245,788
Portion classified as current assets		**(105,825)**	(155,895)
Non-current portion		**18,762**	89,893

Notes:

(a) The lease receivable as at 31 December 2020 related to a finance lease arrangement of certain plant and equipment provided by the Group in its ordinary course of business to lessee. This lease receivable 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 repayable in 1 year. During the year, interest income of HK$517,000 (2019: HK$1,137,000) was recognised in profit or loss in respect of the lease receivable.

At 31 December 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its customers are as follows:

	2020	2019
	HK$'000	*HK$'000*
Amounts receivable:		
Within one year	**17,449**	8,218
After one year but within two years	**–**	8,218
Total minimum lease receivables	**17,449**	16,436
Future interest income	**(104)**	(643)
Total net lease receivables	**17,345**	15,793
Portion classified as current assets	**(17,345)**	(7,673)
Non-current portion	**–**	8,120

(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 2023. At 31 December 2020, a factoring receivable of HK$17,775,000, 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$4,873,000 (2019: HK$7,517,000) in total was recognised in profit or loss in respect of these factoring receivables.

An ageing analysis of the factoring receivables as at 31 December 2020 and 31 December 2019, based on the invoice date and net of provisions, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Not yet due	**100,634**	227,409
Within one month	**666**	2,167
Two to three months	**544**	–
Over three months	**1,801**	–
	103,645	229,576

(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 or RMB1,000 per transaction, and management fee income of HK$1,591,000 (2019: HK$1,029,000) in total was recognised in profit or loss during the year.

An ageing analysis of the management fee receivables as at 31 December 2020 and 31 December 2019, based on the invoice date and net of provisions, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within one month	**154**	–
Two to three months	**156**	–
Over three months	**415**	–
	725	–

(d) The Group's trading terms with its customers from the silver, oil and gas, LNG and trading 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.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Billed – Within one month	**8,658**	673
Unbilled	**836**	–
	9,494	673

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:

	2020	2019
	HK$'000	*HK$'000*
Less than six months	**780**	488
Six months to one year	**31**	–
Over one year	**338**	329
	1,149	817

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

13. EVENT AFTER REPORTING PERIOD

On 11 February 2021 and 26 February 2021, three noteholders exercised the conversion rights of the convertible notes issued by the Company with an aggregate principal amount of HK$43,000,000 at the conversion price of HK$0.08 per share, resulting in the allotment and issuance of 537,500,000 new ordinary shares of the Company.

Save as disclosed above, the Group has no other significant events after the reporting period.

BUSINESS REVIEW

The Group is principally engaged in (1) mining and sale of silver minerals in the PRC; (2) the provision of tourism agency services in the PRC; (3) the generation of electricity through photovoltaic power in the PRC; (4) exploring and drilling natural gas and oil in the USA; (5) provision of asset financing and factoring services in the PRC; (6) trading of LNG in the PRC; and (7) trading of commodities including medical supplies, wood and metals in Hong Kong during the year.

Effect of novel coronavirus (COVID-19) on the Group

In the first half of 2020, the outbreak of COVID-19 has materially impacted the operations of the Group which are mostly based in the PRC. Due to the effect of COVID-19, the PRC government has issued preventive measures and social distancing restrictions in order to control and prevent the spreading of the pandemic. These measures and restrictions affected not only the daily life of the citizens, but also the regular business operation of every industry. Therefore, the Group has been in limited operations in the PRC although the Group has adopted a "work from home" policy as far as possible to maintain the basic operations of the Group and used the best endeavours to minimise the impact of COVID-19 on the businesses of the Group.

In light of the COVID-19 pandemic, the Group had to make certain adjustments to its business plan for the year. In order to enhance the allocation of the Group's resources to maximize the return on the Group's investment, the Group focused on two of the Group's business segments: (i) silver mining business; and (ii) tourism business, and on the other hand, the other business segments of the Group remained at similar scale during the year.

In respect of the silver mining business, the operation of both the West Mine (as defined below) and East Mine (as defined below) had been suspended due to lock down policies imposed by the government. The workers could not travel to both the West Mine and East Mine for work. The lock down not only caused suspension of the silver mining operation in both the West Mine and East Mine, the silver market has also been adversely affected as operation of the customers was also restricted. However, the business and livelihood have been gradually restoring in the PRC, and therefore the silver mining operation also began to resume progressively at the same time. The licenses renewal of both the West Mine and East Mine was also affected by COVID-19 as stated below.

In respect of the tourism business, the outbreak of COVID-19 and lock down and travel restrictions in the first half of 2020 also had a significant negative impact on the tourism industry on both worldwide and domestic level, and the Group's tourism business was of no exception. MICE Travel is one of the businesses that Beijing Hai Yun De Te Tourism Investment Development Company Limited (formerly known as Beijing Jade Bird Tianjian Tourism Investment Development Company Limited, "Beijing Hai Yun"), a subsidiary of the Company, had intended to develop in 2020. However, since the lock down and travel restrictions as stated above were implemented, all flights were cancelled as a result, local business trips were all temporarily ceased, and corporate customers that originally made reservations for using the MICE Travel service were also forced to cancel. Furthermore, due to the outbreak of the second wave of COVID-19 in Beijing (where Beijing Hai Yun is located) in June 2020, further prevention measures were implemented and have further delayed the relaxation of the travel restriction and the fact that the corporate customers have been focusing on putting in extra time and effort to restore their businesses, and implementing cost cutting measure, which takes priority, less business related events were organized as a result. This has significantly affected the performance of the Group's tourism business segment. Therefore, Beijing Hai Yun has deferred the expansion plan this year and developed provision of tourism related platform as an alternative source of income under the difficult times for the tourism industry due to COVID-19. However, it is Beijing Hai Yun's intention to develop the MICE Travel service business by working with corporate clients after COVID-19 is brought under control, and it is anticipated that the tourism business would be able to generate steady revenue once the travel restriction is lifted.

(1) Silver Mining

The Group has been carrying on silver mining business in the PRC since 2013. 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") owned by Fu'an City Leixin Mining Company Limited ("Fu'an Leixin") and the "Eastern Section" located in Zherong County of Ningde City (the "East Mine") owned by Zherong County Leixin Mining Company Limited ("Zherong Leixin").

West Mine

The West Mine covers an area of 2.1442 square kilometers with an annual production capacity of 100,000 tonnes. Based on an independent competent person's report on the latest status of the West Mine and the East Mine issued by SRK Consulting China Limited ("SRK") in May 2018 (the "Technical Report"), the probable ore reserves of the West Mine as at 31 May 2018 was approximately 693,000 tonnes with an average silver grade of 210.4 gram per tonne. The overall production capacity of mining and processing at the West Mine is 100,000 tonnes per annum, or 300 tonnes per day. Silver ore (and/or lead/zinc ore if any) mined will be processed in a processing plant which extracts silver/lead/zinc into concentrate following a processing flowsheet of crushing, grinding, floatation, and dewatering. Sales contracts are entered into between Fu'an Leixin and its customers for sales of silver/lead/zinc concentrates produced from processing of ore inventory. Customers of Fu'an Leixin are mainly smelting factories and traders of precious metals. Fu'an Leixin carries on mining business by itself and/or may subcontract part of its mining activities to sub-contractors. Fu'an Leixin has entered into framework agreements in respect of sales of silver and/or other metals concentrates with certain customers during the year.

The ore mining at the West Mine was resumed in the fourth quarter of 2019 but mining had since been suspended due to lockdown as a result of COVID-19 pandemic from February 2020. From September 2020, the West Mine was under various preliminary testing steps for different operation procedures, including but not limited to mining, crushing, grinding, extracting, floatation, and dewatering, to ensure all the machineries and facilities were functioning properly. Fu'an Leixin has also purchased mining consumables, upgraded/repaired machineries and engaged mining team for the mining activities for preparation of resumption of the exploration at the West Mine. All the prerequisites for the full resumption of production has been in place since the fourth quarter of 2020.

The mining permit for the West Mine was issued by Department of Land and Resources in Fujian Province and has expired in December 2020. Based on the Group's communications with the relevant government body, it was noted that (i) due to the impact of the COVID-19 pandemic, all mining licenses in Fujian province can retain their status for a grace period of two years. In this regard, Fu'an Leixin was eligible to submit a two-year licensing extension application to the Department of Natural Resources of Fujian; and (ii) under this arrangement, Fu'an Leixin can continue its mining operations as usual pending its renewal of mining license. Fu'an Leixin has submitted the two-year licensing extension application to the relevant government body. Such application has been approved by the relevant government body and the mining permit for the West Mine has retained its status for two years up to 9 December 2022.

East Mine

Based on the Technical Report, the probable ore reserves of the East Mine as at 31 May 2018 was approximately 6,069,000 tonnes with an average silver grade of 122.1 gram per tonne.

The first-stage of 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. The construction schedule has been delayed as a result of the risks and uncertainties caused by the outbreak of the COVID-19 epidemic and pending renewal of the exploration license of the East Mine.

The exploration license for the East Mine held by the Group covers an area of 4.97 square kilometers and was valid from October 2012 to April 2018. There was no official reason given by the relevant regulatory body as to why the renewal of the exploration license has yet to be granted but the Group believes that the delay was mainly attributable to the Project (as defined below) close to the West Mine and East Mine which, to the best of the knowledge of the Group, has been suspended. Nevertheless, Zherong Leixin is still applying for such license renewal and communicating with the relevant government body. In September 2020, Zherong Leixin has received further request from the Department of Natural Resources of Fujian for provision of documents. Given the uncertainty of the development of the Project, the Group has applied for a five-year extension for the renewal of the exploration license in October 2020. The license renewal is still in progress as at date of this announcement. Based on the advice of the PRC legal counsel, the previous experience of similar applications and communications with the relevant government body, the Group is not aware of any material impediment in obtaining the relevant approval for the license renewal.

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, it is of the view that there will be certain impact on the mining of orebodies occurring 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 and the possible compensation to the Group. There is no material progress for the Project which has been suspended to the best knowledge of the Group.

The Group will continue to follow up with the relevant governmental bodies and further announcement(s) will be made by the Company if there is any material update on the Project as and when appropriate.

(2) Tourism business

To diversify the business portfolio of the Group, the Group strategically acquired 60% equity interest of Beijing Hai Yun, which is principally engaged in local tourism business in the PRC, in October 2019.

As mentioned above, the outbreak of COVID-19 and travel restrictions in the first half of 2020 had a significant negative impact on operations and expansion plans of the Group's tourism business in the short run. However, with the uplift of travel restrictions in the PRC, it is expected that the tourism business will rebound gradually. The Group's tourism business will be focusing on providing one-stop company travel support services including but not limited to business visit, company travel, incentive travel, conference customisation, conference hall booking, group tour room booking, group air ticket booking, and booking business vehicles to corporate customers for meetings, incentives, conferences and exhibitions, i.e. MICE Travel. On the other hand, it is also the Group's intention to expand the domestic tourism business by working with corporate clients after the easing of COVID-19.

To further benefit the Group with the anticipated recovery in the demand on tourism and MICE travel after the resumption of overseas travel, Beijing Hai Yun has acquired 100% equity interest in Beijing Huan Yu Zun Cheng International Travel Agency Company Limited (formerly known as Beijing Hope International Travel Agency Company Limited), which is a tourist agency company in the PRC holding an international tourist agency licence, at cash consideration of RMB140,000 (equivalent to approximately HK$170,000) in September 2020. With the international tourist agency license, the Group can provide a full-range of tourist agency services to its customers in the PRC and abroad.

The Group has also applied some of its resources to online sales with convergence media business concept during the year. Through its nation-wide travel agency network, Beijing Hai Yun has access to supply of well-known locally produced and featured tourism products from different provinces and tourist districts around the country and offers online promotion channel with key opinion leaders to local producers and sellers from different parts of the country. During the year, Beijing Hai Yun has entered into agreements with certain wholesalers to provide online sales services.

(3) Photovoltaic power business

The Group commenced its photovoltaic power business in the PRC after completion of the acquisition of the 89% equity interests in Beijing Jiezhong Technology Co., Ltd ("Beijing Jiezhong") in January 2020. Chengde Shuntian Photovoltaic Power Generation Co., Ltd ("Chengde Shuntian"), which is a 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. According to national and provincial photovoltaic power generation subsidy policy, Chengde Shuntian is entitled to receive (i) national financial subsidy from 1 January 2018 until the end of the project (which is expected to maintain for at least 20 years assuming there is no change in such subsidy policy) and (ii) provincial financial subsidy from 1 January 2018 until 31 December 2020. Such business has contributed steady revenue from power generation to the Group during the year. Chengde Shuntian has sold electricity to a power generation company, which is a subsidiary of a state-owned enterprise, during the year.

It is the Group's strategy to continuously explore market opportunities in the PRC, Hong Kong and Japan to expand its photovoltaic power business.

(4) 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 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"). Due to the drop in oil and gas prices in past few years, the Group did not consider it commercially viable to increase the production from the Mining Area by drilling new wells. Notwithstanding this, the Group is entitled to drill six additional wells at the Mining Area. The Group is closely monitoring oil and natural gas prices and will formulate an appropriate strategy and timetable to expand the production at the Mining Area as and when appropriate.

(5) 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.

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 4 June 2020, Qingrui Factoring entered into a second supplemental agreement to extend the expiry date of the factoring agreement from 5 June 2020 to 5 June 2021.

On 8 October 2016, Qingrui Factoring entered into two factoring agreements with a customer in respect of receivable factoring services with revolving facilities in the aggregate principal sum of RMB41 million (equivalent to approximately HK$47.8 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 agreements from 8 October 2019 to 8 October 2020. On 8 October 2020, Qingrui Factoring entered into second supplemental agreements to extend the expiry date of the factoring agreements from 8 October 2020 to 8 October 2021.

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

(6) 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. Customers of Shaanxi Wanxi comprise distributors of LNG/LNG operators which are subsidiaries of state-owned enterprises. Shaanxi Wanxi currently holds a Hazardous Chemical Products Operating Permit which is required under the relevant laws and regulations for Shaanxi Wanxi to operate its existing business and it is valid for a period of 3 years up to 8 July 2022.

(7) Commodities trading

During the year, the Group is also engaged in trading of various commodities including medical supplies, wood and metals through certain subsidiaries including King Stone Group Trading Company Limited which was set up by the Group in December 2019. The Group continues to explore more trading opportunities for different commodities to expand the commodities trading business.

Solid waste disposal in development phrase

King Stone New Materials (Hong Kong) Co., Ltd., a wholly-owned subsidiary of the Company, focuses on technology development, production and sales of integrated utilization of new energy, new materials and solid waste resources. It cooperates with several well-known universities and research institutes and has self-developed the process technology and integrated equipment for preparing new functional materials by low-temperature pyrolysis of waste tires, and has successively obtained four utility model patents for its equipment in 2020. Its subsidiary, Zhaoqing Xinshan Weili New Material Technology Co., Ltd. is planning to establish an integrated production line for low-temperature pyrolysis of waste tires with international leading technology in the Guangdong-Hong Kong-Macao Greater Bay Area. Its major products include new carbon black composite materials and modified rubber pyrolysis oil. Locally, the Company is negotiating for the cooperation with a large-scale environmental recycling company in Hong Kong as it deploys to invest in the recycling business of waste paper, waste plastic and scrap metal in Hong Kong.

FINANCIAL REVIEW

Revenue and cost of sales

The Group recorded total revenue of approximately HK$51.3 million (2019: HK$18.1 million) during the year, representing an increase of 183% compared with last year. The increase in revenue was mainly due to increase in revenue in silver mining business and trading of commodities during the year.

For the silver mining business, the Group sold silver, gold, lead and zinc concentrates from ore processing at the West Mine and generated revenue of approximately HK$14.5 million. The respective cost of sales was approximately HK$12.1 million mainly comprising of raw materials consumed, direct labour and other production cost. Gross margin was 16.5% during the year (2019: nil). There were no revenue and cost of sales from this business in 2019.

For the tourism business, the Group recorded revenue of approximately HK$1.5 million (2019: HK$0.1 million) from provision of tourism agency, tickets booking services and convergence media business during the year. The cost of sales was approximately HK$0.6 million (2019: nil) and gross margin was 61% (2019: 100%) during the year.

For the photovoltaic power generation business, the Group produced and sold approximately 5,325 Mega Watts of electricity and recorded revenue from photovoltaic power generation of approximately HK$6.4 million (2019: nil) during the year. The related cost of sales was approximately HK$1.4 million (2019: nil) and gross margin was 77.3% (2019: nil).

For the oil and gas E&P in the USA, the Group, net to its ownership interests, has produced approximately 1,622 Bbl of oil, approximately 88 million cubic feet of natural gas, and approximately 4,546 Bbl of natural gas liquids (2019: approximately 1,568 Bbl of oil, approximately 115 million cubic feet of natural gas, and approximately 4,713 Bbl of natural gas liquids). The revenue was approximately HK$1.7 million during the year (2019: HK$2.9 million). Cost of sales for oil and gas E&P was approximately HK$2.8 million during the year (2019: HK$3.1 million) which primarily consisted of depreciation and amortisation, related labour cost for the production, taxes, supplies, utilities and other incidental expenses. The USA oil and gas E&P recorded a gross loss margin of 71.1% (2019: 8%) during the year.

The Group also recorded revenue of approximately HK$7.0 million (2019: HK$9.7 million) from provision of asset financing business representing interest income and management fee income during the year. There was no respective cost of sales for such business during the year (2019: nil).

For trading of LNG business, the Group recorded provision of LNG sourcing services of approximately HK$0.04 million which represented netting off total sales of approximately HK$5.4 million against total purchase of approximately HK$5.3 million pursuant to the applicable accounting standards during the year. In 2019, the Group recorded revenue of approximately HK$5.4 million from trading of LNG and related cost of sales of HK$5.7 million, representing a gross loss margin of 6%.

The Group also recorded revenue from trading of various commodities of approximately HK$20.2 million (2019: nil) and respective cost of sales of approximately HK$19.7 million (2019: nil). The gross margin was 2.3% (2019: nil) during the year.

Other income and gains, net

Other income and gains, net was approximately HK$20.7 million during the year (2019: HK$7.0 million). It mainly represented foreign exchange gains, net of HK$11.2 million (2019: nil) and write back of an other loan of HK$5.6 million (2019: nil). In 2019, it mainly represented gain on disposal of subsidiaries of approximately HK$3.0 million and interest income of HK$2.8 million.

Selling and distribution expenses and administrative expenses

Selling and distribution expenses of approximately HK$0.03 million were recognised during the year (2019: HK$0.5 million). Administrative expenses were approximately HK$38.3 million (2019: HK$50.2 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 reduced operations of the Group as a result of the COVID-19 epidemic during the year.

Impairment of financial assets, net

The impairment of financial assets, net comprises of: (i) impairment of lease and factoring receivables of approximately HK$147.8 million (2019: HK$0.1 million); and (ii) impairment of deposits and other receivables of approximately HK$59.7 million (2019: HK$1.4 million). Such impairment losses were assessed in accordance with expected credit loss provisioning methodology after consideration of worsening credit environment and credit risks for customers in the period of COVID-19.

In 2019, it mainly represented reversal of impairment loss on loan which has been fully impaired but fully collected in 2019 of approximately HK$35.7 million. There was no such reversal of impairment during the year.

Other expenses, net

The breakdown of other expenses, net was as follows:

	2020	2019
	HK$'000	*HK$'000*
Impairment of items of property, plant and equipment	**2,932**	10,378
Impairment of right-of-use assets	**–**	704
Impairment of intangible assets	**23,485**	44,013
Impairment of goodwill	**–**	360
Impairment of investment in an associate	**–**	10,853
Loss on disposal of items of property, plant and equipment	**–**	781
Foreign exchange loss, net	**–**	11,853
Others	**1,199**	1,570
Total	**27,616**	80,512

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 was 10% (2019: 9% to 14%) were used in assessing the FV of the CGUs of the Silver Mining Assets and from 11% to 12% (2019: 11% to 12%) were used in assessing the VIU of Oil & Gas Assets, which 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$24.7 million (2019: HK$49.6 million) was resulted during the year, in which HK$1.3 million (2019: HK$5.3 million) was allocated to property, plant and equipment, no impairment loss (2019: HK$0.7 million) was allocated to right-of-use assets and HK$23.3 million (2019: HK$43.6 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 totaling HK$1.8 million (2019: HK$5.5 million) was resulted during the year, in which HK$1.6 million (2019: HK$5.1 million) was allocated to property, plant and equipment and HK$0.2 million (2019: 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, net

Finance costs, net were approximately HK$45.9 million (2019: HK$51 million) during the year, which mainly represented interest and other borrowing costs and penalties on overdue loans raised for the silver mining business of approximately HK$43.3 million (2019: HK$43.9 million).

Share of losses of an associate

During the year, the losses represented losses of Hainan Shengeng of approximately HK$15.1 million (2019: HK$11.2 million).

Income tax

Income tax was approximately HK$0.9 million (2019: income tax credit of HK$1.4 million) during the year. It mainly represented income tax arising from profits from asset financing business in the PRC of approximately HK$0.9 million (2019: HK$0.7 million) during the year. In 2019, it mainly represented write back of deferred tax liabilities arising from impairment of Silver Mining Assets of approximately HK$ $2.3 million. No provision for profit tax in Hong Kong, the USA and Singapore 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$268.9 million (2019: HK$88.4 million). The increase in loss for the year was mainly due to the increase in impairments of financial assets during the year.

Fund raising exercises

On 15 July 2020, the Company and two independent subscribers entered into the subscription agreements in relation to subscription of convertible notes in an aggregate principal amount of HK$50 million with the conversion price of HK$0.08 per conversion share and interest rate of 7% per annum. The gross proceeds from the subscription was HK$50 million and the net proceeds was approximately HK$49.8 million. The net proceeds were utilized as planned as to (i) approximately HK$40 million for trading of medical supplies and other commodities and (ii) approximately HK$9.8 million for general working capital. Details of the above were set out in the announcements of the Company dated 15 July 2020 and 4 August 2020. The convertible notes were issued on 7 August 2020 and convertible notes in an aggregate principal amount of HK$43 million have been converted into 537,500,000 new ordinary shares of the Company in February 2021. There were outstanding convertible notes in an aggregate principal amount of HK$7 million as at date of this announcement.

There was no unutilised proceed brought forward from any issue of equity securities made in previous years.

LIQUIDITY AND FINANCIAL REVIEW

The Group mainly financed its day to day operations by internally generated cash flow and fund raising exercise as stated above during the year. As at 31 December 2020, the current ratio of the Group, measured as total current assets to total current liabilities, was 0.64:1 (2019: 1.05:1). As at 31 December 2020, the cash and cash equivalents of the Group were approximately HK$57.4 million (2019: HK$139.5 million).

As at 31 December 2020, there was no outstanding interest-bearing bank loan (2019: nil). As at 31 December 2020, there were outstanding convertible notes with principal amount of HK$50 million (2019: nil) which bear fixed interest rate of 7% per annum.

As at 31 December 2020, there were other loans of approximately HK$286.6 million (2019: HK$255.7 million) comprising loan principal and commission payable of approximately HK$30.3 million (2019: HK$34.1 million) and overdue interest and penalty of approximately HK$256.3 million (2019: HK$221.6 million). All other loans were denominated in Renminbi. Other loans with principal of approximately HK$22.4 million (2019: HK$22.4 million) and HK$6.5 million (2019: HK$11.7 million) were interest-free and with fixed interest rate of 15% per annum, respectively. Other loans with an aggregate principal amount of approximately HK$22.4 million (2019: HK$22.4 million) and HK$6.5 million (2019: HK$11.7 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 2020 and 2019, 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 2020) 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 RMB5.5 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 2020. The directors of the Company 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, other loans and liability component of convertible notes) in a ratio to the total equity attributable to shareholders of the Company, was 1.89 as at 31 December 2020 (2019: 0.63).

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, 27 December 2019, 26 June 2020 and 22 December 2020) 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 2021. 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, 27 December 2019, 26 June 2020 and 22 December 2020.

(ii) Acquisition of 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 a consideration of HK$19.6 million which was satisfied by the issue of 280 million new ordinary shares of the Company at the issue price of HK$0.07 per share. Beijing Jiezhong, through its 85%-owned indirect subsidiary, Chengde Shuntian, is principally operating a photovoltaic power generation project located in Hebei Province, the PRC. The acquisition was completed and 280 million consideration shares were issued by the Company 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.

(iii) Disposal of Hainan Shengeng

On 24 March 2020, Zhuhai Jinwei Environmental Protection Technology Co., Ltd (a wholly owned subsidiary of the Company), Yuntai Shidai (Beijing) Technology & Trade Co., Ltd. ("Yuntai Shidai"), 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 a cash consideration of RMB39 million (equivalent to approximately HK$43.3 million). After careful consideration of all the circumstances surrounding the disposal including uncertainty and impact caused by the outbreak of the COVID-19 epidemic throughout 2020, Yuntai Shida decided not to proceed with the disposal. Accordingly, after amicable discussion between Yuntai Shida and the Group, on 22 December 2020, Yuntai Shida and the Group entered into a termination agreement to terminate the disposal agreement effective from 22 December 2020. Details of the above were set out in the announcements of the Company dated 24 March 2020 and 22 December 2020.

On 31 December 2020, Zhuhai Jinwei, Xi An Tong Da International Trading Limited (an independent third party which held 5.5% equity interests in Hainan Shengeng) and Hainan Shengeng entered into the disposal agreement in respect of disposal of 19.5% equity interests in Hainan Shengeng at cash consideration of RMB21 million (equivalent to approximately HK$25 million). The cash consideration of RMB21 million have been received in March 2021 and the Group is in process of completing the disposal as at date of this announcement.

Save for the above, the Group had no other material acquisition and disposal of subsidiaries, associates and joint ventures during the year.

SIGNIFICANT INVESTMENT

The Group had no significant investment of carrying value of 5% or more of the total assets as at 31 December 2020.

CAPITAL COMMITMENTS, CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2020, the Group had contracted capital commitments not provided for in the consolidated financial statements of RMB1.5 million (equivalent to approximately HK$1.8 million) (2019: HK$1.7 million) in respect of acquisition of 30% equity interest in a former subsidiary of the Company within 10 years after completion of disposal of the former subsidiaries in June 2015.

As at 31 December 2020, time deposits of approximately HK$2.2 million (2019: HK$2.1 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 2020.

As at 31 December 2020, the Group did not have any material contingent liabilities (2019: nil).

HUMAN RESOURCES AND SHARE OPTION SCHEME

As at 31 December 2020, the Group had 62 (2019: 76) employees. The total staff costs (including directors' remuneration) for the year were approximately HK$22.3 million (2019: HK$24.7 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 2020.

FUTURE OUTLOOK

In recent years, governments around the world have been furthering the promotion of sustainable finance and environmental, social and governance ("ESG") policies and regulations. Investors have begun to place increasingly strong emphasis on investment factors other than commercial returns such as environmental impact and social responsibility. It is pointed out that ESG-focused companies and green investments are more defensive in the fluctuating market conditions in the epidemic and the global low interest environment, prompting investors to pay more attention to investment issues such as sustainable finance and ESG.

Therefore, while continuing to maintain and develop its existing businesses, the Group has recently actively diversified its businesses and invested in eco-friendly new energy, solid waste disposal and new materials. In respect of new energy, it mainly focuses on technology research and development, equipment and product manufacturing, project investment and operation and management in the fields of solar energy, wind energy and energy storage.

In March 2021, the Company entered into a cooperation agreement with a large state-owned construction contractor to jointly develop, construct and operate distributed solar power generation projects in Hong Kong. The Group plans to take 2 to 3 years to become a leading solar operator in the new energy market of Hong Kong. Meanwhile, King Stone Energy, Inc. ("KSE Inc"), a wholly-owned subsidiary of the Group in Japan, will also further develop solar power generation projects in Japan.

The Group, through KSE Inc, has also been seeking opportunities for merger and acquisition of renewable energy businesses in Japan. Among them, the Group believes that wind power generation business in Japan can generate stable cash flow under the Feed-in-Tariff Program, and make it easier to manage and control risks, which is an investment target with huge potential. The Group is currently negotiating for cooperation with a high-tech company, which is specialised in wind power generation, to jointly engage in product sales, market development, project operation and maintenance, asset management and other businesses of small to medium-sized distributed on-grid wind power systems in Japan, with an aim to become a project developer that can effectively integrate the resources of small to medium-sized distributed wind power market in Japan.

The Group is also actively conducting the research on materials, technology, and application development of the energy storage industry to strengthen its presence in the PRC. In light of this, it is cooperating with a high-tech enterprise dedicated to the research and development, production and sales of new energy vehicle power batteries to work on the research and development and production of new vanadium redox battery and multi-energy integration and complement projects in the PRC. In March 2021, the Company entered into a memorandum with an independent third party in respect of the proposed acquisition of a target company in Baotou City, Inner Mongolia. The target company is a high-tech enterprise engaged in the research and development, manufacturing and sales of technology, materials and equipment of rare earth new power supply. It possesses various patents for the core technology of the industrialization of rare earth new power supply projects, and its market positioning is to provide power supply, energy storage supply and start-up power supply for new energy vehicles in alpine regions in the PRC.

As the society and the capital market put more emphasis on ESG, the Group is adjusting its business strategy and gradually diversifying into an integrated new energy company that focuses on eco-friendly energy, solid waste treatment and new materials, accompanied with traditional energy and mineral exploration, and combined with light assets including asset financing services, commodities trading and tourism. The Group believes that the new energy and solid waste disposal projects are eco-friendly and produce significant economic benefits, and are also in line with the values of recycling use and ecological development that are advocated worldwide. It is expected that the implementation of the Group's new energy projects will achieve the win-win goal of regional economic development and contribute to a better environment that is beneficial to the country and mankind, creating better returns for the shareholders and investors of the Company in the long term.

DIVIDEND

The Board has resolved not to declare any dividend for the year ended 31 December 2020 (2019: 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 of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the year.

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 2020.

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 2020 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
Xu Zhuliang
Chairman

Hong Kong, 31 March 2021

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